

# Report to Shareholders

Pursuant to the Notification from the Ministry of Petroleum & Natural Resources (MPNR), dated February 12, 2015 whereby PSO was informed by the MPNR that the Federal Government in exercise of the powers under Section 7 of the Marketing of Petroleum Products (Federal Control) Act, 1974 "the Act" has dissolved/de-notified the BOM with immediate effect. The above-referred Notification also stated that the Managing Director, Pakistan State Oil Company Limited (PSO) shall exercise and perform all the powers and functions of the Board under Section 6(4) of the Act till a new BOM is appointed by the Government of Pakistan. Accordingly, the affairs of the Company were being managed by the Managing Director (MD) of the Company till the reconstitution of the Board of Management (BOM) on November 02, 2015.

The BOM of PSO is pleased to present the annual report and audited financial statement of the company. The report covers PSO's activities for the year ended June 30, 2016 and describes our financial and operational performance.

PSO ended 2016 with a market share of 55.9% (around 13 million MTs) that included a growth in market share of 4% in Black Oil products and a decline of 3% in market share of White Oil products. PSO sourced the total volume through local refineries and imports. The sourcing of 10 million MTs was imported through 182 vessels (i.e., an increase of around 6% over last year). Growth in imports was primarily witnessed in Mogas and HSFO. PSO also improved its local refinery upliftment by 2% over last year to 2.9 million MTs.

PSO is also actively participating and leading with MPNR to introduce 92 Ron Motor Gasoline and Euro-II 500 ppm High Speed Diesel.

Movement of 2.14 million MTs of Mogas was arranged through Tank Lorries (TLs) from Karachi to various upcountry locations, an increase of 13% vs FY15, resulted in maintaining optimum level of inventory at depots and installations. Similarly, keeping in view the need of continual fuel oil supply to the power sector, the Company ensured round-the-clock fuel product availability in order to reduce load shedding in the country during the year and in particular during Ramadan. This was facilitated by regular payments by CPP. The

circular debt is Rs. 202 billion (inclusive of LPS). PSO also executed Long Term Sales Purchase Agreement (SPA) with QatarGas on February 08, 2016 for import of LNG under G2G arrangement and is now receiving 2.25 million tons per annum of LNG from QatarGas, which will be ramped upto receive 3.75 million tons per annum. On directions of MPNR, PSO also executed a Term Agreement with Gunvor through tendering process under PPRA Rules, for a period of 5 years for the supply of 0.75 million MTs of LNG per annum. These contracts will novate in third quarter 2017 to PLNG. Furthermore, PSO renewed LPG supply agreements with PARCO and PRL. Efforts are in progress to secure more LPG.

## Petroleum Industry Overview

The consumption of POL products grew by 5.1% in FY 2016 over Same Period Last Year (SPLY) which was mainly due to an increase of 10.9% in White Oil consumption. However, a decline of 3.1% was observed in Black Oil consumption.

The decline in the POL products prices in FY 2016 over SPLY viz-a-viz increase in sale of motor vehicles, motorbikes and unavailability of CNG resulted in an increase in industry sales volume of MOGAS by 22%. The decline in CNG converted vehicles and discontinuation of CNG-fitted vehicles also impacted the consumption of CNG in the industry which also declined due to non-issuance of new CNG licenses by Oil & Gas Regulatory Authority (OGRA).

The growth in HSD demand by 4.6% in FY 2016 over SPLY was contributed primarily due to decline in price of HSD by 17% in FY 2016 and lesser availability of product from across the border.

JP-1 experienced a growth of 10.5% in FY 2016 after increase in international carriers/flight operations.

Industry consumption of FO declined by 2.9% in FY 2016 over SPLY mainly due to introduction of LNG in the product mix.

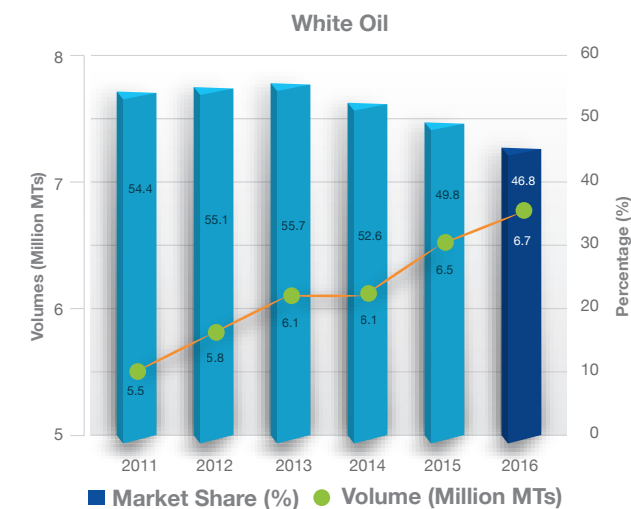
During FY 2016 local refineries produced 9.7 million MTs, while the deficit requirement of 13.8 million tons was imported. The major import was in FO (6.2 million MTs), HSD (3.1 million MTs) and MOGAS (4.3 million MTs).



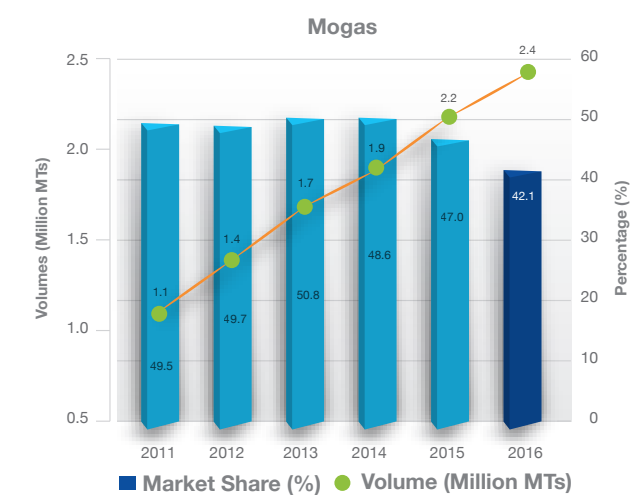
## Financial Capital

### PSO Sales Performance

Competition by increasing number of OMCs is a challenge in the current scenario. The business has to strive for improvement through innovative methods to achieve efficiency and excellence. Accordingly, PSO is taking steps to excel in delivering value to the customers. Through team work and dedication the company managed to achieve a market share of 55.9% in FY 2016.

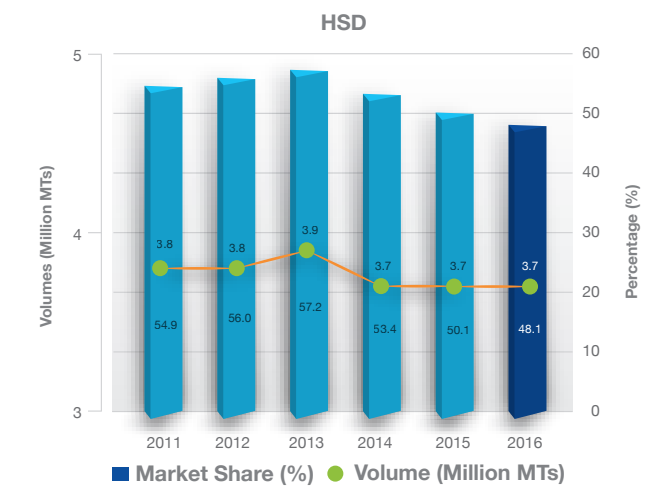


In White Oil (MOGS, HSD, SKO, Jet Fuel) PSO achieved a market share of 46.8%.

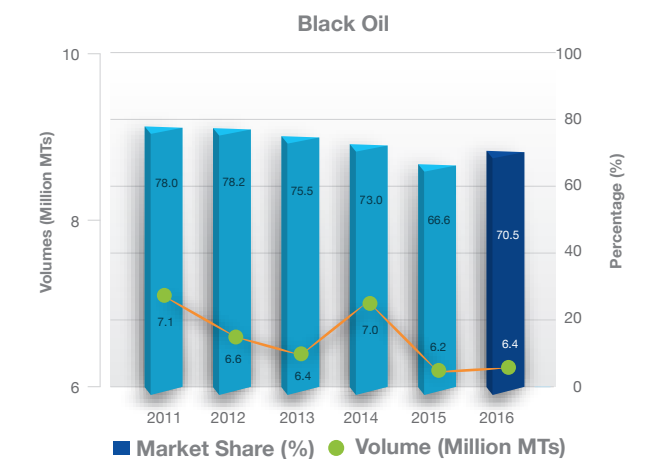


Mogas business has been competitive due to incentivization of IFEM during FY 2016 and those with refining back-up. However, the company

increased its sales volume in Mogas by 9.3% in FY 2016 over SPLY and achieved a market share of 42.1% in FY 2016.



In FY 2016, HSD sales witnessed an increase of 0.4% over SPLY and PSO maintained its market leadership with a market share of 48.1% in FY 2016.



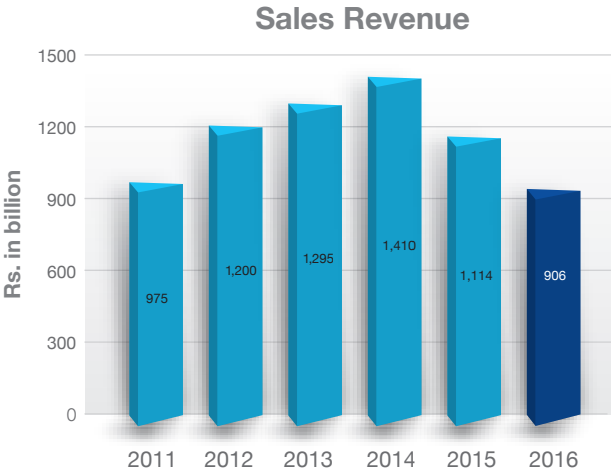
PSO retained its market leadership position in FO with an increase in market share to 70.5% in FY 2016 from 66.7% during SPLY. The reduction in loadshedding resulted from continuous supplies during Ramadan combined with circular debt being limited by Ministry of Water & Power increased PSO's sales volume by 2.7% over SPLY.

(Source: OCAC)

# Comparison of Entity's Financial Performance from Last Year

During the financial year 2016 (FY2016), the Company reported sales turnover of Rs. 0.9 trillion as compared to Rs. 1.1 trillion during FY 2015, registering a decline of 19% mainly because of dip in international crude oil prices by 23%. After tax earnings witnessed an increase of 48% to Rs. 10.3 billion as compared to Rs. 6.9 billion during FY 2015. Earnings per share increased to Rs. 37.81 in FY 2016 from Rs. 25.53 in FY 2015.

The main factors contributing to this increase in bottom line are increase in sales volume and margins of white oil products (revised in November 1, 2014) coupled with reduction in operating and finance cost by 10% and 35% respectively. The impact of the above positive developments was partly off set by a decline in black oil margins by 45% consequent to dip in oil prices.



## Dividends and other Appropriations

Based on this performance, the Board of Management has declared a final cash dividend of Rs. 7.5 per share in addition to the earlier interim

cash dividend of Rs. 5 per share. The total dividends for the year stand at Rs. 12.5 per share as compared to Rs. 10 per share in FY 2015, translating into a total payout of Rs. 3.4 billion vs Rs. 2.7 billion in FY2015 to the shareholders.



## Contributions to National Exchequer

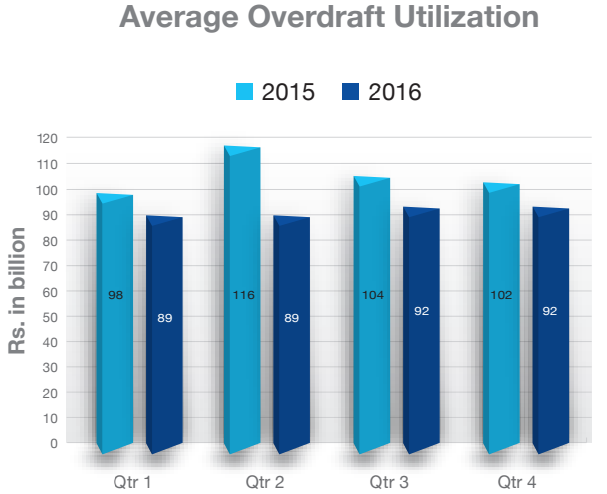
During FY 2016, the company has made contributions to the national exchequer under the following heads:

	Rs. in billion
Sales Tax	211
Petroleum Levy	70
Other duties and taxes	33
<b>Total</b>	<b>314</b>

# Analysis of Liquidity Situation and Strategy to Overcome Liquidity Problems

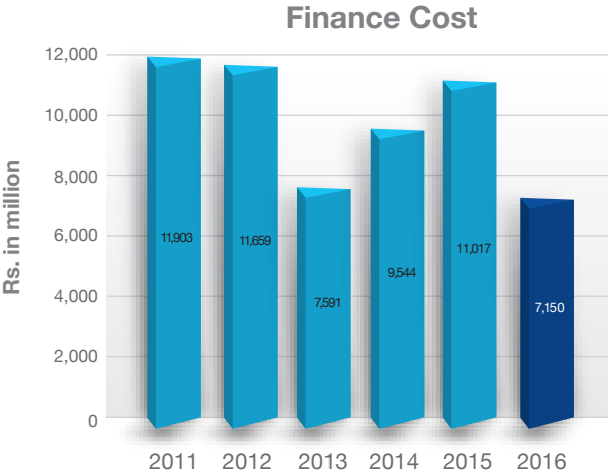
The Company closed the financial year under review with the amount of circular debt at Rs. 147 billion (2015 : Rs. 148 billion). Due to continuous payments from Power Sector under a special seven (7) day credit mechanism established by GoP, no significant increase was witnessed in circular debt balance.

Due to this payment discipline, the Company has not faced any default situation against its payment commitments during the financial year under review contrary to last financial year. However, liquidity challenges posed by the outstanding balance of circular debt coupled with increased outstanding of Rs. 23.4 billion from SNGPL and PIA and timely payments to local refineries in order to ensure maximum availability of products from local sources continuously affects the liquidity position, which remained under pressure and was managed through short-term bank borrowings.



Finance cost reduced due to lowest interest rates in decades coupled with maintaining a mix of local

and foreign currency borrowings throughout the financial year. This had a positive impact on the bottom line of the Company.



During the year, the management has made relentless efforts for reduction in circular debt and have requested the GoP to consider various proposals submitted by the Company, which if implemented, will improve liquidity position and enable the Company to maintain adequate inventory levels for meeting the growing fuel requirements of the country.

Despite the ongoing challenges due to outstanding circular debt balance and maintaining timely payments to suppliers, the management is confident that the Company would keep meeting the energy requirements of the country through efficient financial management and close liaison with GoP. However, any sharp increase in fuel prices could pose serious challenge for the company to maintain the energy supply chain in case timely payments are not ensured by the Ministry of Water and Power, PIA and SNGPL.



## Retail Business



PSO's retail outlet network spreads over 3,500 retail outlets out of which 1,892 have been upgraded under the New Vision Retail program. The Company operates 26 flagship sites namely Company Owned and Company Operated (COCO) stations providing the best services and customer care.

Amid intense industry competition, PSO sold approximately 2.4 Million MTs of Motor Gasoline and 3.2 Million MTs in High Speed Diesel during the year in Retail segment.

As part of its efforts to automate and streamline the sales order process, the Company deployed an Online Ordering Management System (OOMS) at 892 outlets nationwide with the objective of providing convenience to dealers and replacing the conventional manual ordering system. PSO has also an effectively utilized its Mobile Quality Testing Unit (MQTU) network to carry out random checks at its retail outlets to provide products in the right quality and quantity to its customers. Customer experience was facilitated through Ta'aluq Care Line. Approximately 1360 complaints were amicably resolved to the best of customers' satisfaction against 1631 complaints

received. In order to provide convenience to its potential business partners, PSO has initiated web-based application for the development of new retail outlets wherein the applicant is able to keep a track / status of the application through a tracking number.

Trainings were imparted at various retail outlets to ensure that the company's valued customers receive superior quality service.



## Commercial Fuels

### Power Sector & Consumer Business

Cognizant of its role being the largest national OMC of Pakistan, PSO supplied 6.2 million MTs of Furnace Oil to the power producers during the year. In the Consumer Business segment sales of 500 KMT of High Speed Diesel, 49 KMT of Superior Kerosene Oil, 11 KMT of Premier Motor Gasoline, 6 KMT of Local Light Diesel Oil & 10 KMT of Industrial Lubricants to general trade was observed during the year.



The company achieved a major milestone by entering into an agreement with the China East Resource Import & Export Corporation (CERIECO), for the supply of HSD to the Thar Mining Project Block II. The deal holds great national significance as it ensures uninterrupted work on the Thar Mining Project.



In order to support the revival of Pakistan Railways, PSO provided the national railway with 117KMTs of High Speed Diesel and 2.5 KMT of Lubricants on credit terms which was 13% and 34% more as compared to the previous year.

### Aviation, Marine & Exports

During the period under review, the sales volume of Jet fuel (Local & Export) grew by 23% to 519 KMTs through safe and incident free operations. The volume provided to one of the major local airlines Increased by a staggering 93% from 19 KMT to 37 KMT. By capturing its business at Karachi and Islamabad Airports the market share of Jet Fuel increased to 66.5%.



The company played its role in the successful completion of the Hajj operation by refueling 422 hajj flights while registering a 25% increase in volume at 11 KMTs. Supplies to Defence Forces (Army/Navy/PAF) increased by 12.5% at 1.2 KMTs as compared to same period last year. In FY16, the company successfully renewed 6 contracts with international airlines at different airports including Air China, Emirates, China Southern Airlines, DHL, Turkish Airlines and Thai Airways. The business of Emirates was successfully recaptured at Karachi airport with a volume of 5.3 KMTs. New businesses of M/s Malindo Air & Srilankan Airlines were also acquired with volumes of 1 KMTs & 3.6 KMTs respectively.

Exports Department registered a growth of 250% with the sale of 58 KMTs of JP-8. PSO is the sole supplier of High Speed Diesel Filtered HSD (F) to the entire sea-going fleet of Pakistan Navy, which registered a growth of 12%.



## Gaseous Fuels

### LNG

For import of LNG, ECC authorized MPNR to negotiate with Qatargas on Government to Government basis for import of LNG for up to 500 mmcf/d on DES basis. Subsequently MPNR nominated PSO and the Government of the State of Qatar nominated Qatargas to negotiate the Long Term LNG Sale and Purchase Agreement. For this purpose, an Agreement in Cooperation in Energy Sector between the Government of the State of Qatar and the Government of Islamic Republic of Pakistan was signed.

The ECC, in August 2014, also constituted LNG Price Negotiation Committee (PNC) comprising of Secretary Petroleum (Chairman), Representatives of Finance Division, Water & Power and BOI, Managing Directors of SNGPL, SSGCL, PSO and ISGSL (Secretary Committee). PNC, after holding a series of meetings with Qatargas; finalized the price and key commercial terms of the Long Term LNG SPA with Qatargas. The PNC report along with salient features of the Qatargas SPA were presented to the ECC in its meeting held on 13th January, 2016 wherein ECC considered and accorded in-principle approval of the recommendations made by PNC and also allowed PSO, as buyer to execute the Long Term LNG SPA with Qatargas as seller, pursuant to Government to Government agreement as per due process.

PSO entered into a Long Term Sales Purchase Agreement (SPA) with Qatargas on February 08, 2016 for the import of LNG. The historical deal was executed under a G2G arrangement and Pakistan is now receiving 2.25 Million Tons per annum of LNG (equivalent to 300 MMCFD of Re-gasified LNG) from Qatargas, which will be ramped up to 3.75 Million Tons per annum LNG (equivalent of 500 MMCFD of Re-gasified LNG) by June 2016.

In addition to above, PSO executed five years term tender in compliance with PPRA rules on 9th November 2015. Leading suppliers including BP, GNF, Gunvor, Shall, Petro China, ENI SPA,



Trafigura participated in the term tender. Pakistan has been receiving 0.75 Million Tons per annum (equivalent to 100 MMCFD of Re-gasified LNG) through this arrangement. Cumulatively (3 Million Tons per annum (equivalent to 400 MMCFD of Re-gasified LNG) is being received from QatarGas and Gunvor at present; which has resulted in overcoming the demand supply gap. By mid next year this quantity will reach approximately 4.5 Million Tons per annum (equivalent to 600 MMCFD of R-LNG).

### LPG



During the period under review, the LPG business experienced a 10% growth in volumes. However, gross margins decreased by 13% and prices remained volatile due to the heavy influx of imported LPG.

The company successfully renewed agreements with PARCO and PRL for the supply of 12,600 MTs of LPG per annum. Efforts are in progress to secure LPG from other major LPG producers and suppliers in Pakistan such as OGDCL, GHPL and

MOL. Furthermore, imports are also being planned.

Seven Auto Refueling Stations are ready and shall be commissioned as soon as the marketing licenses are issued by OGRA which are pending since early 2015. The authority issued a decision in PSO's favor and the requirement of fresh/revalidated DCO NOC for PSO's existing retail outlets was withdrawn through OGRA's decision on Dec 09, 2015 after an appeal was filed by PSO. However the implementation of the decision in its true letter and spirit remains.

Gaseous Fuels successfully entered a new market in Southern Punjab by establishing LPG Hospitality services at Multan and established LPG distributors to market Pak Gas in the same region. Another LPG Hospitality arrangement materialized in Karachi for the uninterrupted upliftment of LPG from PRL.

In order to supply LPG in bulk to commercial customers and LPG Autogas Stations effectively along with the upliftment of the same from PARCO and PRL, six state of the art LPG Bobtail Bouzers are currently being used by the company. The total storage capacity of all LPG plants is 880 MTs.

### CNG

Being the first Oil Marketing Company to commission a CNG facility in January 1996, PSO continues to maintain its leadership position in the CNG industry with a market share of 23% in the period under review. In comparison with other OMCs, the company has the highest number of CNG stations operational countrywide with the number reaching 225 stations as of June 30, 2016.

All PSO CNG dispensing facilities are carefully inspected by qualified HSE specialists on a regular basis in order to ensure the highest safety standards. The stations are also equipped with Gas leakage Detection systems which automatically close the gas supply on detection of leakage(s) in the system. Mobile CNG Quantity Measurement Units ensure that the right quantity

of CNG is being delivered to the company's valued customers.

PSO's CNG business is based on a franchise model, therefore the investment on CNG stations is made by CNG licencees. As per the CNG Licence Agreement, CNG licencees are bound to pay a monthly CNG share to PSO, however, due to a unilateral Arbitration Award, PSO CNG outstanding dues has been accumulated to Rs. 854 million as of June 30, 2016. The said impugned Award is neither binding upon parties nor enforceable until the same has become Rule of the Court. Moreover, it has also been challenged by PSO before the Honorable Islamabad High Court, which is subjudice before Court. Since the Award is not binding upon parties, therefore PSO CNG Licence Agreement are still intact and binding upon parties. PSO is in the process of negotiation and out of court settlement with individual CNG licencees to resolve this matter amicably.

### Non-Fuel Retail

The Non-Fuel Retail business continued to support the company's bottom line through various strategic initiatives. Numerous new areas and avenues were explored during the period under review.



Cards

During the period under review, Cards Business continued to cater to the fast-changing dynamics of the fuel-cards industry effectively despite varying trends and market dynamics. The business registered a 13% growth in litre volumes along with enhancement in profitability. During the period under review, Cards Business successfully surpassed the Rs. 2.9 billion mark in terms of collateral through additional security deposits and continuing bank guarantees. Despite stiff competition in the Cards industry, agreements with key clients were successfully renewed. Furthermore, the revamp of the complete end to end cards business solution has been initiated.



Lubricants

Lubricants registered a growth of 10.4% with sales of approximately 27 KMTs. The company took measures to improve sales through different channels which resulted in a growth of over 70% in High Street. Profitability increased by 22% as the company kept keen focus on quality and sales which balanced the product basket and improved

the contribution margin of lubricants. The company continued to be the supplier of major national accounts such as Pakistan Army, Pakistan Railways, Pakistan Air Force and NLC. The business is being reorganized and steps taken to improve brand visibility.



Retail



Leading the industry as the top national Oil Marketing Company (OMC), PSO has the largest retail outlet network spreading over 3,500 outlets. The Company operates 26 flagship sites namely company owned and company operated (COCO) stations providing the best services and customer care.

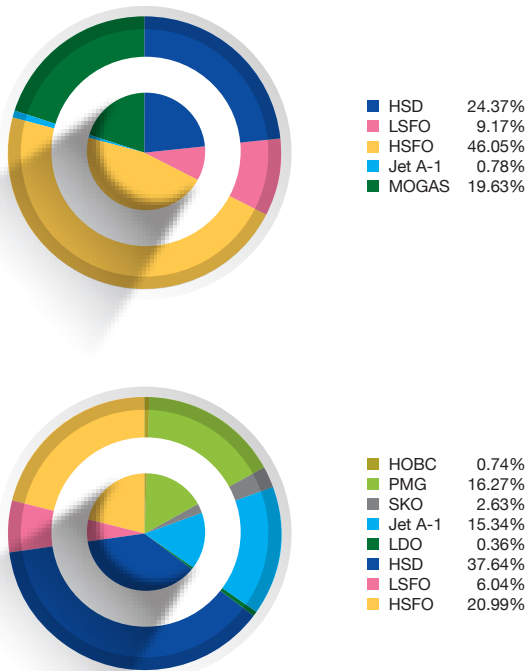
With a view towards developing new relationships and further expanding PSO's extensive retail network, 67 new vision retail outlets were developed during the year at strategic locations, nationwide.

in majority of the products. PSO has actively participated in the Ministry of Petroleum and Natural Resources' initiative to introduce better quality fuels in Pakistan and plans are in place to import improved grades in FY2017. Other initiatives include renting out idle tankage to UEP for crude hospitality which resulted in additional revenue to the company in the period under review.

Supply

During the period under review, PSO sourced a total volume of 13.5 million tonnes through local refineries and imports. Sourcing through imports increased by 7% with a volume of 10.4 million tonnes imported via 182 vessels. A 9% and 17% growth was witnessed in imports of Mogas and HSFO respectively. The highest ever imports in a single month were recorded in May 2016 when 1295 KT of product was imported including 587 KT of HSFO, 430 KT of HSD, 207 KT of Mogas, 60 KT of LSFO and 11 KT of Jet Fuel.

Local refinery upliftment improved by 3% over last year at 2.9 million tones. Upliftment increased





## Operations



The construction and commissioning of the new Oil Depot at Faisalabad is a major milestone for the company during the period under review. This state of the art facility spread over 12 acres of land with a storage capacity of 12,840 MT and is designed to handle over 2000 MT of product in a single shift. In compliance with international HSE standards, high quality equipment has been installed which includes 'Scully' based grounding system, the latest fire fighting system including smoke detectors with fire call points, storage tank high level alarm system and foam pouring system. The depot is also equipped with the latest lab facility and has a state of the art tank lorry filling and off loading infrastructure with latest product flow meters.

A new filling gantry has been constructed at Mehmood Kot to enhance the handling of HSD, PMG, SKO with enhanced filling capacity of HSD from 12 filling points to 19 points, PMG from 03 filling points to 06 and SKO with 01 filling point. The new filling capacity is now 18,240 KL as compared to 14,400 KL. Overall capacity enhancement in POL is 27%, PMG 33% and HSD 25%.

Laboratories have been set up at Sihala and Lalpir to ensure superior quality of products. Quantity monitoring has been further enhanced with the installation of flow meters at JIMCO & Machike. In line with the company's commitment to HSE, fire

water tanks have been made at PMY and KTA, fire trolleys have been added at JIMCO, a fire water pump has been added at Habibabad, Kotla Jam and Machike and the fire water line at Quetta has been extended.

PSO has successfully equipped the new Hyderabad depot for safe and proper lube oil and T2 oil storage and handling. The company has also improved its current infrastructure with the successful rehabilitation of a 20 inch Tanker discharge line at Keamari Terminal. The same was completed without any hindrances in the tanker receipt operations.

In FY 2016, PSO handled 182 import vessels (40 Mogas, 8 Jet Fuel, 15 LSFO, 72 HSFO & 47 HSD) successfully. Tank No. 302 was rehabilitated which stored HSD for Pak Navy. Furthermore, the 'Enhancement of PMG Handling Capacity' was successfully completed at Machike Installation. As a result of this up-gradation, the PMG Filling Process has become 60% more efficient and the PMG Decantation Process 40% more efficient.

Other enhancements included the rehabilitation of PMG storage tank at Sihala, construction of a water tank at KTA (with a capacity of 1 lac gallons), rehabilitation of a 2,400 MT capacity tank at KTB, construction of a new fire water tank at PMY (with a capacity of 1500 MTons). Mogas capacity was enhanced from 2000 KI to 2900 KI at

Shikarpur and 890 KLs to 3600 KLs at Daulatpur. Similarly, PMG storage capacity was enhanced at Habibabad to from 210 KLs to 2210 KLs.

Metering system was installed at the PMG/SKO and HSD loading bays at JIMCO. A new shipping pump was installed at Lalpir along with the enhancement of Kapco Shipping capacity and reduction in moisture content in FO. An RO Plant was installed at Lalpir.

Product cross verification activity was under taken along with decantation of T/Ls at Kapco complex. With a view to enhance security, bunkers have been built at the entrances of PSO depots / installations all across Pakistan.

## Logistics

PSO provided uninterrupted POL supplies to all its customers including Defence, Power, Retail, Industrial, Aviation and Marine customers throughout the year. In light of the increased demand of Petrol across the Country, the company moved 2.14 MMTs of Petrol from Karachi to various upcountry locations through tank lorries which was 13% higher as compared to the previous year. This helped maintain an optimum level of inventory at all depots/ installations.

To help reduce load shedding in the country, PSO ensured round-the-clock product availability to its power sector customers. 3,871,172 MTs of FO was supplied via rail and road in the period under review. To facilitate the revival of POL transportation through rail network, PSO provided large business volumes to Pakistan Railways. Movement vide Railways crossed 1 MMTs for the first time in the past 5 to 6 years and 1.13 MMTs of FO was transported through Railways which is 50% higher than the previous year.

190 tank lorries were upgraded in line with the company's policy of equipping tank lorries as per latest standards. As part of the Road Transportation Management System Program aimed at improving safety standards for tank lorries and their crew, 25 drivers training/awareness sessions were conducted at all Logistics locations wherein 568 drivers were imparted with HSE/Safe driving techniques and information.

99% of PSO's tank lorry fleet consisting of 7,964 tank lorries has been equipped with tracker systems in line with OGRA directives to optimize fleet operations. This goal was achieved after consistent follow up and a series of meetings with relevant stakeholders.





# Information Technology



Holding up its commitment of delivering round the clock IT services to the company and its businesses, the DR infrastructure at Lahore has been upgraded with online real time replication of SAP through High speed Fiber Optic network for near instantaneous data replication to the remote DR site thereby upgrading the cold site into a warm site. Another major milestone was achieved with the migration of SAP/Oracle Database from HP-UNIX to SUSE Linux Enterprise Servers on Intel Platform which enabled the deployment of cost effective Intel servers at reduced capital and maintenance costs, eliminating vendor lock-in and enabled the adoption of the latest SAP Innovations including SAP HANA In-Memory Platform in future. The entire migration was performed seamlessly without any major disruptions in business and successfully went live on the new Intel hardware.

With the aim of enhancing network infrastructure and security, the PSO Data center has been equipped with Enterprise class data center switches to provide 10/40 G data link along with enhanced L2/L3 security features to cope up with the requirements of new technological platforms.

With the installation of Fiber and Copper infrastructures at KTC and ZOT, both the sites now

have a state of the art resilient infrastructures, all the internal office blocks are connected with each other through Gigabit LAN and every individual has been provided with a dedicated Gigabit port. Communication Racks of both sites are now equipped with an online enhanced power backup system to provide power protection and uninterrupted supply in case of long power failures. This up-grade has enhanced the sites up time to more than 99.99%. These sites have been developed as role models to support virtualization platform.

Another milestone has been achieved with the deployment of the latest Microsoft System Configuration Manager R2 through which different administrative tasks can be performed. Amongst its key features is Remote Management, through which majority of the help desk system complaints can be resolved remotely by helpdesk engineers. This tool has increased employee productivity along with reducing the time and effort required to resolve Helpdesk complaints. Almost 40% of complains are now resolved through this tool.

IT department has also adopted the latest Virtualization technology for numerous applications including Lotus email, DHCP, Lotus

push email, PSO Intranet, SCCM, Antivirus server etc. This adoption has not only reduced hardware maintenance costs but has also lessened the administrative work required to maintain servers.

Various SAP system based controls have been implemented to stream line business processes. Some of the controls include restrictions on the misuse of customer owned tank lorries, average daily retail sales restrictions, reservation maker and checker controls restrict sales to agency customers without explosive licenses. Others include restriction on double invoicing against a single GR.

## Applications Development

A web based e-logging portal has been launched successfully for external customers to check online the status of their submitted invoices.

A new electronic work flow application has been developed to replace the Customer Appointment & Cancellation Advice Form labelled SLS -37 which was used for the creation or cancellation of a customer in the System Customer Master Data since 1976. The application has not only drastically reduced processing time, eliminated the courier expense and provided immediate access but has also enhanced control, standardization and validation of each field on the form.

ICT department also developed dashboards to deliver a real-time view of the company's sales & business outlook. Real-time business critical metrics were included for the Customer Services Department to respond to challenges such as reducing call handling time, increasing productivity and improving average complaint resolution time.

Dashboards were developed for the Supply and Operations Departments to help the management review supply chain and operational activities, monitor performance trends and take strategic decisions.

## OOMS Portal Enhancements

IT department in collaboration with UBL Bank has created an automated payment processing mechanism to streamline the processing of

payments received from customers. With the introduction of this new system, customers can now submit their payment cheques directly to designated UBL Branches. Upon receiving the payment cheque, UBL will transfer funds from the Customer's Bank Account to PSO's Bank Account. As soon as the funds are credited to PSO's Bank Account, UBL Banking system will send details of the electronic payment to PSO using FTP communication mechanism which will then be posted to PSO's SAP System. This system has not only decreased the staff's work load and provided customers with convenience but has also significantly reduced the chances of human error.

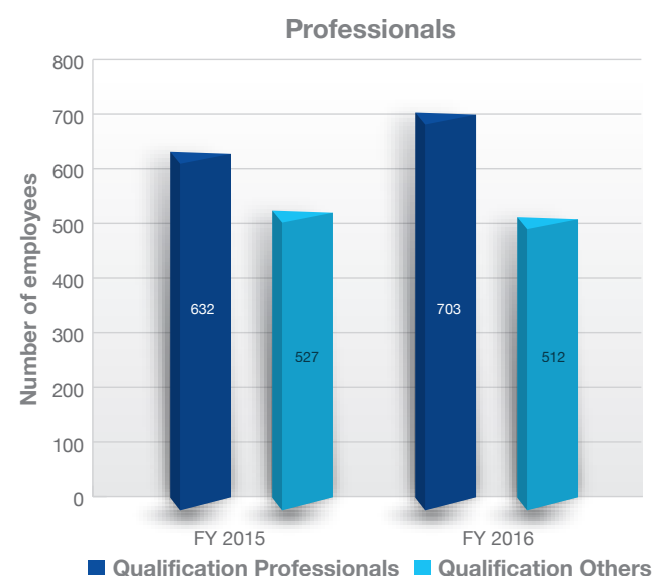


# Human Capital

## Employee Sourcing & Recruitment

The company's strategies and assessment play a major role in attracting the best resources. With the belief that hiring the best affects business growth goals, the best professionals were selected from the market through equal opportunity employment for both experienced and entry level positions. In the period under review, diversified talent in the fields of Engineering, Marketing, Finance, Human Resources and Information Technology were hired at various levels.

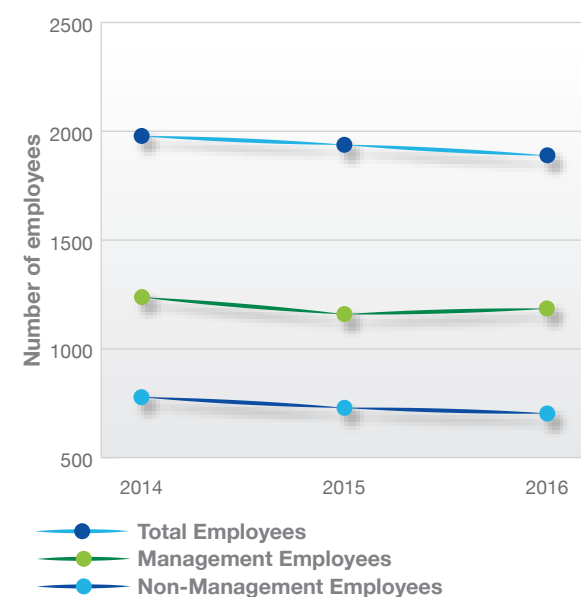
The company's management cadre consists of professionals possessing qualifications such as CA/CMA/ACCA, PhD, MBA, and BE amongst others. In the period under review, the company's professional strength has increased by 11.2%.



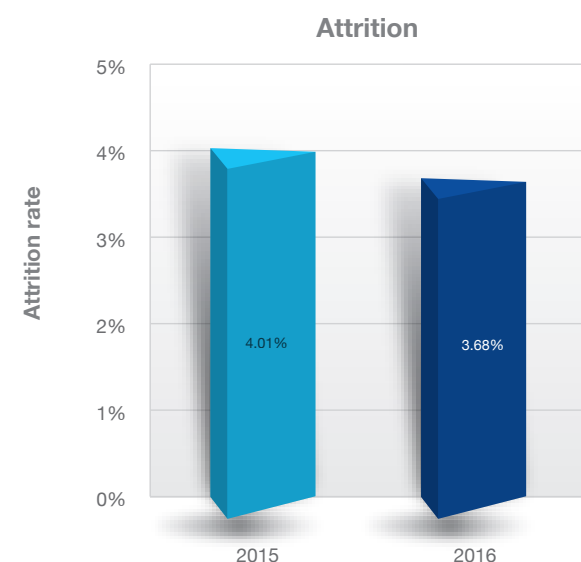
A networking initiative was undertaken with the objective of attracting top talent from prestigious business and engineering institutes, so that they may help bridge the gap between Industry and Academia and contribute in future company profits. Representatives from the company's Human Resource Department and senior management visited various institutes and counseled young professionals on shaping their careers. This exercise also aimed at tapping potential talent for future employment plans at entry level positions.

A proactive approach was adopted wherein upcoming retirements in the next three years were analyzed and recruitment of senior management positions was planned accordingly. These initiatives were undertaken to further strengthen the concrete foundation laid for the achievement of long term corporate strategies and goals.

## Total Work Force & Turnover



The attrition rate has decreased by 3.68% as compared to 4.01% in the previous year due to the increased employee engagement.



## Employee Wellness

Employee Wellness and Health is amongst the company's top priorities due to which an annual medical checkup for employees aged 45 years and above was conducted nation-wide. Medical reports were discussed with employees by the company's panel of consultants/Chief Medical Advisor who provided guidance to the employees on their health related problems. In addition to the services of Chief Medical Advisor, a medical center/clinical facility is also available within the office building to provide the best health care facilities to the employees. A camp for diagnosing diabetes along with guidance on nutrition was also held for the employees. With the help of this camp, an early detection was made so that remedial measures could be taken to attain a healthy and effective work force that efficiently contributes towards strategic goals.

## Succession Planning

Succession Planning continues to be a key priority for PSO's Human Resource Department. In order to maintain leadership continuity, the company recruits employees, develops their knowledge, skills, abilities and prepares them for advancement into more challenging roles. Succession planning is carried out to ensure the company's continued growth and prosperity by developing employees and building a pool of strong contenders for future

leadership positions. In this regard, following steps were taken:

- Policies, procedures and criteria for career management of employees were prepared in line with the future goals of the company.
- Introduction of potential assessment as prerequisite of the eligibility criteria for elevated positions so that the future leaders could be identified and groomed accordingly.
- This potential assessment could only be possible in the presence of an organization wide structure. A program was undertaken where all the departments were reviewed for maximum effectiveness of recourse optimization.
- New entrants were hired on a six (06) months' probationary period and were rotated in various departments before being placed in their respective departments. The rotation plan yielded two fold benefits i.e. it enhanced employee engagement as it raised their learning curve, second it reduced the chances of their leaving the organization at an early stage as it prepared the young leaders for achieving targets effectively for the company.



### Employee Benefits

The employees are compensated with market competitive salary packages, annual bonuses and terminal benefits. Perks include interest free personal/car/house loan facilities, medical coverage of OPD & Hospitalization for self, spouse and children, life insurance coverage, subsidized meals, PSO club with gym and sports facilities and transport facility for female employees. Moreover, to foster work-life balance, reduce absenteeism and increase productivity, especially of working mothers, PSO employees are facilitated with a state-of-the-art Day Care Center within the office premises.

### Ethics Policy

PSO follows its 'Business Principles & Ethics Policy' where there is zero tolerance towards any violation of this code. All employees are expected to uphold these principles and help create an environment where disciplinary actions are least desired. In order to provide female employees a conducive environment where they can play an effective role in the achievement of organizational objectives, a 'Protection against harassment of women at workplace, Act 2010' is being practiced. This law enables female employees to file formal complaints in cases where any provision of the law is violated.

### Employee Relations

PSO has a culture based on the values of trust, mutual respect and dialogue. The company's Collective Bargaining Agent (CBA) and management work together to develop and maintain positive individual and collective relationships. The management considers good labor relations imperative to the company's growth. Owing to the amicable relations between the CBA and management, no strikes, lockouts and no loss of working hours at our operating locations were observed.

The 17th Hajj Balloting was successfully carried out on April 6, 2016 at PSO House in which ten fortunate employees were selected to perform Hajj.



### Standardization of Policies and Procedures

HR department's achievements are completely aligned with corporate accomplishments. Improvement is an integral part of the company's culture where HR constantly strives to align policies, procedures and operational efficiency. For standardization of processes, a thorough job analysis was conducted where organization wide training of distinct position holders was conducted to improve Job Descriptions. HR Department along with the company's management reviewed and revised HR policies in line with best practices.

### Performance Appraisal

PSO believes that the interests of both the employee and the company are served by a strong

emphasis on learning, staff development and performance improvement. It is, therefore, company policy that all employees go through an annual appraisal review which is recorded and monitored to assess overall development needs for the Company and seeks to create an identifiable link between an individual, department, company and corporate objectives.

### Employment of Special Persons

Hiring is done through a structured and well defined recruitment process. Special/differently able persons are encouraged to be a part of the process. Currently there are 21 special/differently abled employees working at PSO that are an integral part of the team while some of them are employed at senior management positions.

## Training & Organizational Development

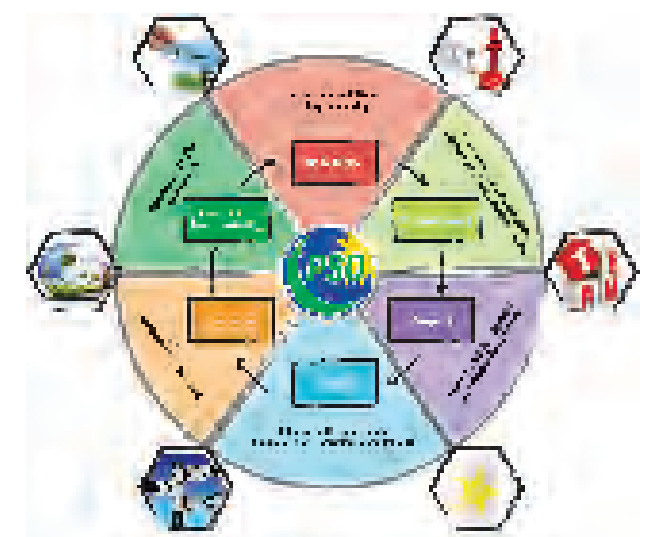
The company's approach to human capital development is based on best practices in Pakistan. The T&OD Department aims to encourage, develop and fine tune employee's skills and introduce them to new ones, letting them apply and excel to their best potential. PSO's commitment to learning and development extends from the first day of joining of employees to the continuous development throughout their careers with PSO.

### The Core Competency Framework

T&OD has prepared a 'competency framework' which outlines each individual competency required by employees working in various functions of the organization. The main purpose is to identify the specific behaviors and skills needed for each role and train the employees accordingly. The model is designed keeping in mind the training needs of the:

- Overall Organizational Level
- Entire Functional Level
- Specific / Identified Prominent Roles in Organization

The Talent Development Program includes mandatory training, management soft skills training and functional skills training for its employees.





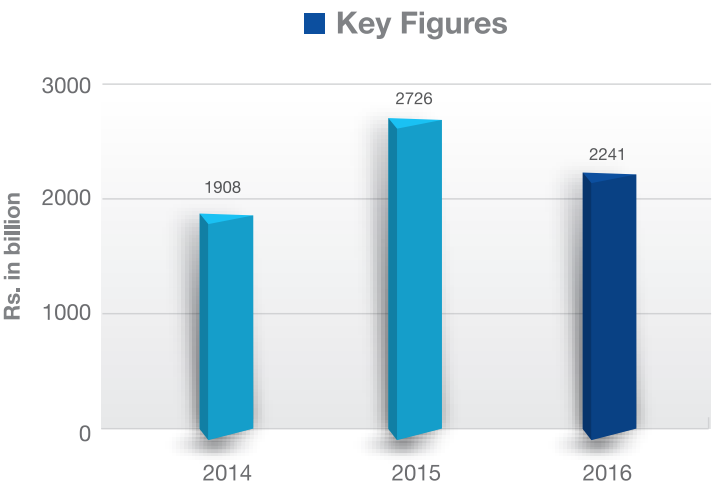
Investing in people

The focus is on functional skills development, SOPs trainings, skill development in Operations and HSE (Health Safety and Environment), as these are the key areas to improve customer services, the company also conducted trainings on customer service and retail outlet management held in Karachi, Hyderabad, Sukkur, Sahiwal, Faisalabad and Peshawar.

The following programs were conducted during the year:

- Managerial Grid
- Operational Management & SOPs Programs at various locations
- Living Leadership
- Managerial Soft Skills Development
- Hazard and Operability Study (HAZOP) Sessions
- Executive Project Management
- Construction Safety Management
- Leadership Code
- Leadership Xpedition

Key Accomplishments	FY 2016	FY 2015	FY 2014
Total number of Trainings Participants	171 2,241	243 2,670	205 2,300



Orientation of New Inductees

A thorough 5 Day orientation program was conducted for 80 new inductees in the organization during FY16, to help them familiarize with the culture, the organization's policies and procedures of all the departments in the company.



PSO Internship Program

PSO offers one of the most prestigious and comprehensive internship programs in the country providing young professionals exposure to a professional working environment. Two internships, summer and winter, accommodated 189 students in FY 2015-2016 from all over Pakistan for a period of 4-6 weeks. The company invests in hands-on-learning of interns through projects and assignments that encompass a great deal of responsibility and autonomy.



POL Training Program for Armed Forces

This year over 165 Armed Forces personnel were trained through various courses such as Advanced POL Course, Orientation Visits and study. The personnel included military delegations from Command & Staff College Quetta, Army Supply Corps (ASC) School Nowshera, Army School of Logistics Kuldana, Murree.

Using Technology & Initiative to Achieve Long-Term Sustainability

PSO implemented SAP in 2005. With the passage of time, data size grew at a rapid pace and is now termed Big Data. Big Data contains the company's core business data of the last 10 years. In order to analyze Big Data, ICT adopted business intelligence tool for advance data analysis to improve operational efficiency, making evidence based business decisions and finding new opportunities for businesses to gain competitive advantage over competitors. These live dashboards will help the management make effective decisions based on the overall analysis of the company performance which is now only a few clicks away. This achievement will definitely lead PSO to big changes in the long-term.

Skill Set and Experience of IT Team

PSO's IT team is a qualified and professional workforce which consists of Computer Engineers and SAP certified consultants. The IT team provides in-house support on SAP Functional, Networks Communication, Technical (BASIS), Lotus Domino, Windows and other applications.

Investment in our People

ICT department successfully conducted QlikView Designer workshops to train business analysts in-house. The workshop covered a variety of QlikView design and development topics, ranging from beginner to advanced skill levels. The participants were given a thorough understanding of what QlikView is and how informative data visualization is created using QlikView. This workshop enabled participants to manage, maintain and extend the functionality of dashboards for their respective business functions.

Robust and Fit for Purpose

In line with the company's vision to excel in delivering value using innovation, ICT department

delivers services and support to business functions on a round the clock basis. The department has implemented resilient infrastructure of back-end servers, storages and network technologies to provide uninterrupted support to critical business operations. Performance has been significantly improved in SAP along with enhancement in capacity with the migration from legacy UNIX servers to latest generation Intel Xeon multicore servers for SAP ERP ECC6. Latest technology trends such as Solid State Storage have been implemented to achieve improved performance at storage level. Active standby environments for ERP and work flow applications have been implemented and fully tested at PSO House and LMT Korangi to ensure 24/7 availability. ICT department is continuously keeping itself abreast with the latest technological advancement to cater to present and future business needs of the company.

Quality Assurance



22,272 visits were carried to various retail outlets by MQTUs to check the quality and quantity of fuel, 306 depots and installations were checked for product quality while 100 visits were carried out to check and verify the quantity of CNG being dispensed to customers. 850 instruments were calibrated, 200 externally and 650 internally. 30,000 POL samples were tested at seven laboratories across Pakistan. New equipment was procured for

different laboratories to enhance their testing capabilities, including Bomb Caloric Meter, Automatic Noack Evaporation Loss equipment, FTIR apparatus, Spectroil M, Sulphur Analyzer and Distillation Unit.

New tracker systems were installed in 24 MQTUs across Pakistan. Two ISO 9001:2015 trainings were conducted for ISO Certified Departments. A QMS Revival Plan was prepared for conversion to the new ISO 9001:2015 standard. Various in-house training sessions were conducted for the skill enhancement of QA Staff in testing, auditing and calibration techniques. Two MQTUs were replaced with new vehicles at Sukkur and Islamabad. The MQTU units render testing services at the door step of the industrial customer to enhance their confidence in PSO products with live testing. Two new and state-of-the-art laboratories have been developed at Faisalabad depot and Sihala installation to check product quality.

### Customer Services

PSO is a customer oriented organization placing customer satisfaction at the core of its business decisions and activities. PSO Customer Services provides after sales services, complaint resolution services and answers to queries of new and existing customers of all the business functions. The department is a full-fledged inbound and

outbound call centre, which ensures that all calls are answered before the pre-defined threshold time.

During the period under review, a total of 457,339 customers were served via outbound/inbound calls, e-mails, fax and automated lubricant secure code SMS Service. Ta'aluq Customer Services plays a major role in improving the company's image and strives to satisfy all of the company's customers.

### Cards



Cards Division had created unique propositions for each segment of target market by introduction of different card schemes. PSO Fleet Card caters vehicle specific fueling requirements. This enables fleet managers and admin managers at organizations to track the fuel consumption of each vehicle in the fleet. PSO Corporate Card caters fueling requirements of an individual. This card aims to provide fueling solution to organizations for their employees and helps track individual expenditure. PSO Commercial Card complements an organization's commercial fuelling requirements, enabling it to claim Sales Tax rebate from the tax authorities via issuance of a GST Invoice. PSO Privilege Loyalty Card rewards customers' loyalty by offering a smart way to save money on Fuel products.



## Commitment to HSE

As Pakistan's leading Oil Marketing Company, PSO is well aware of its commitment to the broader stakeholder community. PSO ensures that its policies & procedures are eco-friendly and over the years we have demonstrated our focus on the environment by decreasing our environmental footprint year on year. Similarly the health and safety of each individual who interacts with our business remains a paramount consideration.

### HSE at PSO

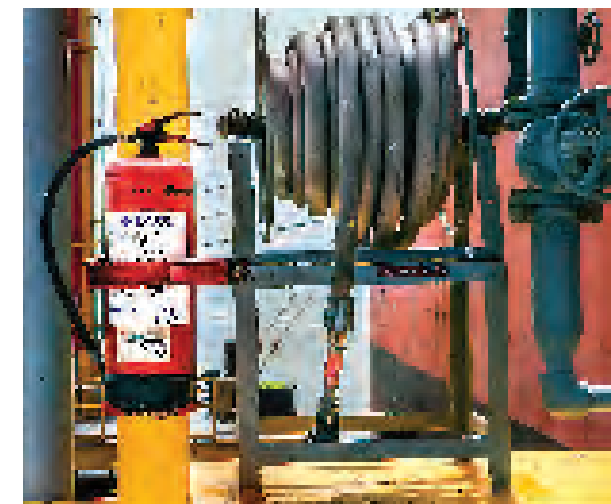


Our HSE policy is an important ingredient of our overall code of business conduct. It states that PSO will ensure:

- The health of its employees, contractors, customers and public is protected.
- All activities are carried out safely.
- Environment is protected.

To implement the HSE policy, Pakistan State Oil Company Limited will:

- Comply with Pakistan's relevant laws and regulations.
- Ensure that all its activities are carried out in accordance with the Company's Health, Safety and Environmental Standards and Procedures.
- Ensure that environmental performance meets legislative requirements.
- Require every employee to exercise personal responsibility in preventing harm to self or others and to the environment.



- Maintain public confidence in the integrity of its operations by openly reporting its performance to all stakeholders who work with the Company.
- Provide appropriate Health, Safety and Environment training/information to employees, contractors and other stakeholders who work with the Company.
- Integrate Risk Assessment with all business processes.
- Promote prevention of pollution and proper handling and disposal of solid, liquid wastes and gaseous emissions.
- Continuously improve our performance by improving the leadership, capability and capacity of our organization.

The company also accords paramount importance to the training of employees and contractors to enhance safety awareness and minimize the occurrence of incidents. In FY16, PSO emphasized on nurturing and developing a robust HSE culture.

The Safety Observation and Recommendation (SOR) System was launched for the systematic identification, review and addressal of unsafe conditions and acts arising from job related activities. The objective was to prevent the occurrence of incidents by engaging stakeholders. SOR Cards have been placed in SOR Boxes at all company locations so that they are easily accessible to employees and business partners for the recording of good practices as well as unsafe conditions.



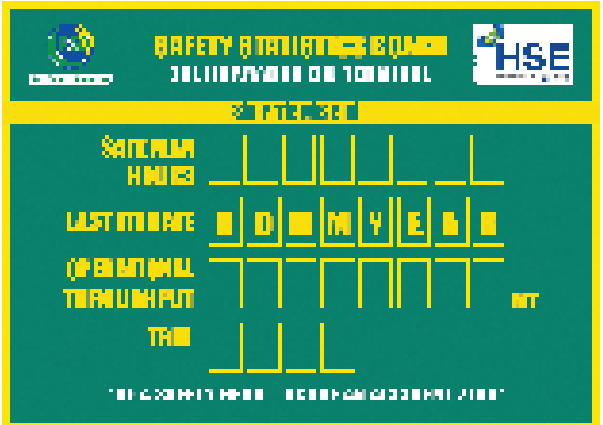
A major milestone was achieved in Process Safety Management (PSM) with the introduction of the Management of Change System. This procedure significantly enhanced operational efficiency and effectiveness by keeping HSE & Operational Risks arising from proposed changes in check and managing them to an acceptable level (ALARP – As low as reasonable practicable).

HSE training and refresher programs were organized at various company locations and facilities including the head office to enhance the skills of employees and contractors in meeting world class HSE standards and practices and implementing them within the organization. The training sessions were conducted by internal and external trainers on topics such as HAZOP, Retail & Operations SOPs, Defensive Drivers Training, Permit to Work and Certified First Aid Training amongst others.

The company celebrated World Health & Safety day on April 28, 2016 to promote safe, healthy and decent work by vowing to adhere to HSE policies and procedures and fostering an organizational culture based on Health, Safety and Environmental

values. Employees at all locations and facilities stood down for 15 minutes to promulgate the current year's theme 'Workplace stress: a collective challenge'.

PSO established a Crisis Management System with an aim to prevent, prepare for, respond to and recover from a potential crisis in an organized and systematic fashion. These activities include tactical response, incident management at the scene along with the management of business consequences that may arise from the emergency or circumstance.



A Safety Statistics Board has been designed for installation at all PSO facilities including installations, depots, aviation stations, LPG Plants and LMT. The Safety Statistics Board incorporates vital safety and operational performance indicators of the facility for each individual business function and will help in improving the safety performance of the organization.

### Water Testing

As water is an essential element of health, the company puts great emphasis on its safe use. In line with PSO's commitment to provide safe and healthy drinking water to its employees and to prevent outbreak of water borne diseases, testing of drinking water is conducted (chemical and microbiological analysis) from reputable laboratories which also includes our own lab at LMT. The test results are analyzed to ensure quality compliance of drinking water with WHO guidelines.

### Management of Uncontrolled Oil Release

PSO has an oil spill control mechanism in place to avert any oil spill, conserve soil in its natural form and prevent groundwater contamination. In order to achieve this objective, field staff that is handling oil is imparted training on oil spill prevention at regular intervals. Moreover, company staff is also trained on oil spill emergency procedures to adequately cater to any emergency.

### Energy Conservation Measures

As part of the energy conservation drive, employees were given awareness about the need and benefits of energy conservation and were encouraged to switch off electrical appliances while leaving the workstation or when the appliances were not in use. With the aim of promoting a green office environment, plantation was increased at PSO House and surrounding areas. Old chillers were replaced with new energy efficient soft starter chillers which require less operational power thereby reducing the cost of electricity by approximately 25%. An energy audit of PSO House was carried out as a result of which three potential energy conservation areas were identified - LED lights, VFDs and heat resistant sheets.

Energy surveys of PSO House and Keamari Terminal-A were carried out using hi-tech and state-of-the-art instruments such as Thermal Imager, Power Logger, Clamp Meter and Light Meter through which energy conservation opportunities were identified, the sources of energy were categorized and options of effective utilization of energy were explored. The report made as a result of the survey gives an analysis and study of Energy Performance and Energy Efficiency Rating which estimate the potential for cost savings and comprises of the following main sections:

- Checking Lux level at PSO House workstations [sample basis] against the OSHA recommended Standard.
- Identification of overheated components such as, pumps, breaker, switches and other equipment.

These initiatives will pave the way for energy conservation measures at PSO Offices and PSO Facilities. Energy conservation measures in FY17 include the replacement of conventional tube lights with LEDs which will save around 195 KW of energy and will translate into savings of PKR 9 M per year.

### Waste Management

The company strives to prevent pollution by managing waste in an environment friendly manner. Environmental programs aim to improve sustainability of our business processes and reduce waste. All the waste from facilities is segregated into hazardous and non-hazardous waste. The hazardous waste is properly disposed off through incineration whereas non-hazardous waste is recycled through approved third party contractors as per EPA requirement. PSO also provides guidelines for the disposal of highly hazardous wastes such as Asbestos, Petroleum sludge etc. in a safe and environmental friendly manner.

### Air Emission/Effluent Monitoring

The company is compliant with applicable regulatory requirements and ensures its effectiveness against National Environmental Quality Standards (NEQS). The company also monitors effluent and gaseous emissions at all of its installations through renowned testing laboratories on an annual basis for the compliance of NEQS. The test results are reviewed and maintained at the respective facilities. Necessary corrective measures are taken to improve performance wherever required. All company facilities carry out air emission and effluent monitoring tests every six months so as to comply with PSO Environment Management Plan as well as legislative requirements.





## Social & Relationship Capital

Being the nation's largest oil marketing company, PSO takes ownership of the welfare and development of the communities where it operates and society as a whole. Corporate Social Responsibility (CSR) is one of PSO's core values and an integral part of the Company's overall mission. With operations across the country, PSO utilizes its scale of operations as a strength to positively impact the underprivileged nationwide, especially in the vicinities where PSO operates. By integrating CSR into our business strategy, PSO is helping drive shared value amongst its stakeholders.

Under the CSR umbrella, PSO has supported sustainable social development activities nationwide, by partnering with reputable charitable organizations working across Pakistan in the fields of healthcare, education and community building. The company's financial contribution (1% of net profit before tax) has been invested and mobilized in various social and community development projects.

### PSO Impact

In the period under review, the company has moved beyond business to interact with the communities in which it operates by reinventing and revitalizing the CSR function. While making continual efforts in the focus areas of education, healthcare, environment, community development and disaster relief, PSO has now integrated all its activities under one banner with the aim of empowering individuals and organizations in making real time positive impact nationwide through the PSO Impact Program. An online application has also been launched through the corporate website and social media to garner ideas and facilitate two way communication between internal/external stakeholders and the CSR Team.

### United Nations Global Compact

PSO joined the United Nations Global Compact (UNGC) fraternity in June 2016. This initiative signifies the company's commitment to making the society and world at large a better place to live in by following the principle based framework of the Compact in the areas of human rights, labor, the environment and anti-corruption. As a responsible corporate citizen, PSO believes in fulfilling its social, economic and environmental responsibilities to promote sustainable

development along with carrying out planned activities in the areas of education, healthcare and community building by partnering with reputable charitable organizations nationwide.

### National Cause Donation

As a leading national company, PSO extended support worth Rs. 86 Million from its total CSR budget to various causes and organizations nationwide.

### STATEMENT OF CHARITY ACCOUNT

A brief summary of activities carried out by the company in the following charity account is mentioned below:

#### Education

With the objective of promoting literacy at all levels, PSO has extended significant support of approximately Rs.9 million to various organizations working in this field in the form of donations and endowment funds. This included financial assistance to educational institutions in urban areas such as IBA, IoBM as well organizations working in rural areas such as The Citizens Foundation, Kaghan Memorial Trust, Progressive Education Network, Zindagi Trust, Family Education Services Foundation etc. The importance of education for special children was also reflected in PSO's donor list with donations dedicated to NGOs like Autism Society of Pakistan, Institute for Special Children, Karachi Vocational Training Center etc.



### Community Development

With an eye towards social upliftment and betterment of the society, PSO encouraged organizations through contributions of approximately Rs. 19 million such as Dar-ul-Sukun, Network of Organizations Working with People with Disabilities, Pakistan Village Development Program, Roshni Homes, Shinaki Area Development Organization, SOS Children's Village, Taraqee Foundation etc.



### Healthcare

In its efforts to improve healthcare coverage across Pakistan, PSO has provided assistance of approximately Rs. 58 million for the purchase of medical equipment as well as for treatment of needy patients to various hospitals and medical organizations. This included support for the purchase of Laparoscopy High Definition Instrumentation to Civil Hospital, purchase of Nuclear Medicine Gamma Camera Machine to Kiran Hospital Welfare Society, purchase of ventilators for National Institute of Cardiovascular Diseases (NICVD), purchase of Ambulance for Koochi Goth Hospital etc. Support for equipment was also provided to The Cancer Foundation, Hayatabad Medical Complex, Poor Patients Aid Society, Al-Shifa Trust, Fatimid Foundation, Jinnah Hospital, Mayo Hospital etc. Monetary donations for the treatment of patients was provided to various institutions including Child Aid Association, Ganga Ram Hospital, Patients Aid Foundation, The Health Foundation, Al-Umeed Rehabilitation Association etc.

### Environment

The Company has also supported environmental conservation activities in various parts of the country by supporting organizations like The World Wildlife Fund (WWF) and the Pakistan Village Development Program (PVDP).

### Employee Care

PSO provides its employees with various value added services including a Day Care center where working parents can leave their children during work hours as well as a Fortified Medical Center where employees can be treated for numerous ailments. PSO Club with gym and indoor games has been provided for the physical fitness of employees.

## Business Ethics and Anti-Corruption Measures

PSO has policies/procedures in place to ensure transparency and accountability, to enhance effectiveness of company's governance and internal controls and to maintain integrity in the company's business dealings.

- 1. Whistle Blowing Policy:** To provide PSO employees, directors, related officers, contractors, service users, customers or any member of public ("the Whistle Blower") an avenue to highlight any improper conduct / wrong doing. A report on the complaint received vis-a-vis the action taken was presented in the internal audit committee meetings held during the year.
- 2. Business Principles and Ethics Policy:** Already established and circulated to employees, it aims at guiding the employees to observe the highest ethical standards in the conduct of all their business and professional activities in the interest of the company, in consonance with its core values and to exclusion of the consideration of personal gain.
- 3. Conflict of Interest Policy:** In place and outlines specific forbidden situations which clash directly with the interests of the company. An exercise is being conducted to bring into record any possible conflict case and to take corrective actions, where needed.
- 4. Risk-based audits of business function:** These are performed by Internal Audit Department to provide independent and objective appraisal and analysis of the operations, systems and internal controls.
- 5. SOP for holding preliminary investigations and domestic inquiries:** This SOP exists in case of a fraudulent activity.