



Sustainability Report FY 2018-19

Security Papers Limited

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PROLOGUE

The Sustainability Report of Security Papers Limited (SPL or "the Company") has been prepared in accordance with the Global Reporting Initiative (GRI) Standards. This report also contains a reference to the Sustainability Development Goals (SDGs) set by the United Nations in 2015.

Sustainability reporting forms an important part of the Company's commitment to sustainable practices. One of the objectives of sustainability reporting is to consider the organization's impacts on sustainability issues, and enable it to be transparent about the risks and opportunities it faces. It is a useful risk management tool which helps generate savings and aids in better decision-making

This report encompasses the activities regarding economic, social, environmental and operational performance of the Company and the effects of its operations on society during the FY 2018-19.

This report gives an insight about the Company profile as well as its activities. The document also concisely shares our success story and explains how we utilize our resources to cater to the ever-growing demand for Banknotes and other Security Papers in the country.

This report also spells out strategy for resource allocation, risks and opportunities connected with external environment. The Sustainability report contains an overview of the Company's vision, mission, values, and our governance structure.

The report also discusses our strategy and efforts to inspire corporate sector in Pakistan to adopt sustainable Development Goals, as well as our robust Corporate Social Responsibility initiatives.

Security Papers Limited publishes sustainability report annually (before 2017, it was published as Environmental report).

We value your feedback. Please connect with the sustainability team for questions or suggestions by emailing us at: sustainability.council@security-papers.com



Company Overview

Performance Highlights

05

Message from the CEO

09

PERFORMANCE HIGHLIGHTS – FY 2018-19

<u>Sales (Rs. Millions)</u>	4,002	<u>Profit After Tax (Rs. Millions)</u>	772
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Sales (Tons)

Banknote Paper	3,215
Non-Banknote Paper	<u>511</u>
Total	<u>3,726</u>

Profitability Ratios

Profit After Tax to Sales	19%
Return on Equity-After Tax	15.63%

Liquidity Ratios

Current Ratio	3.37:1
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Capital Structure Ratios

Long Term Debt to Equity	0.00:1
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Investment / Market Ratios

Cash Dividend-Per Share (Rs.)	8.25
Earnings per Share-After Tax (Rs.)	13.03

Share Performance

Market Capitalization-year end price-(Rs.000)	5,498,351
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Production (Tons)

Banknote Paper	3,214
Non-Banknote Paper	<u>505</u>
Total	<u>3,719</u>

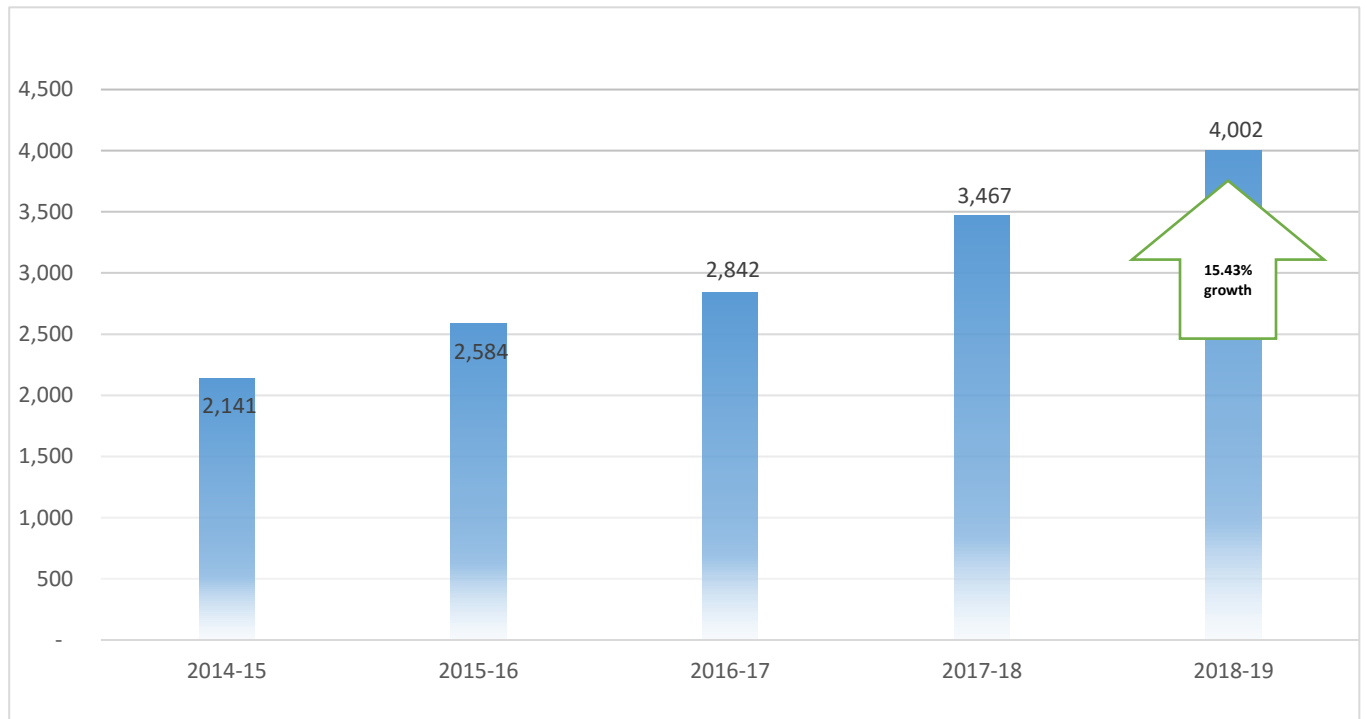
Total Employees

378

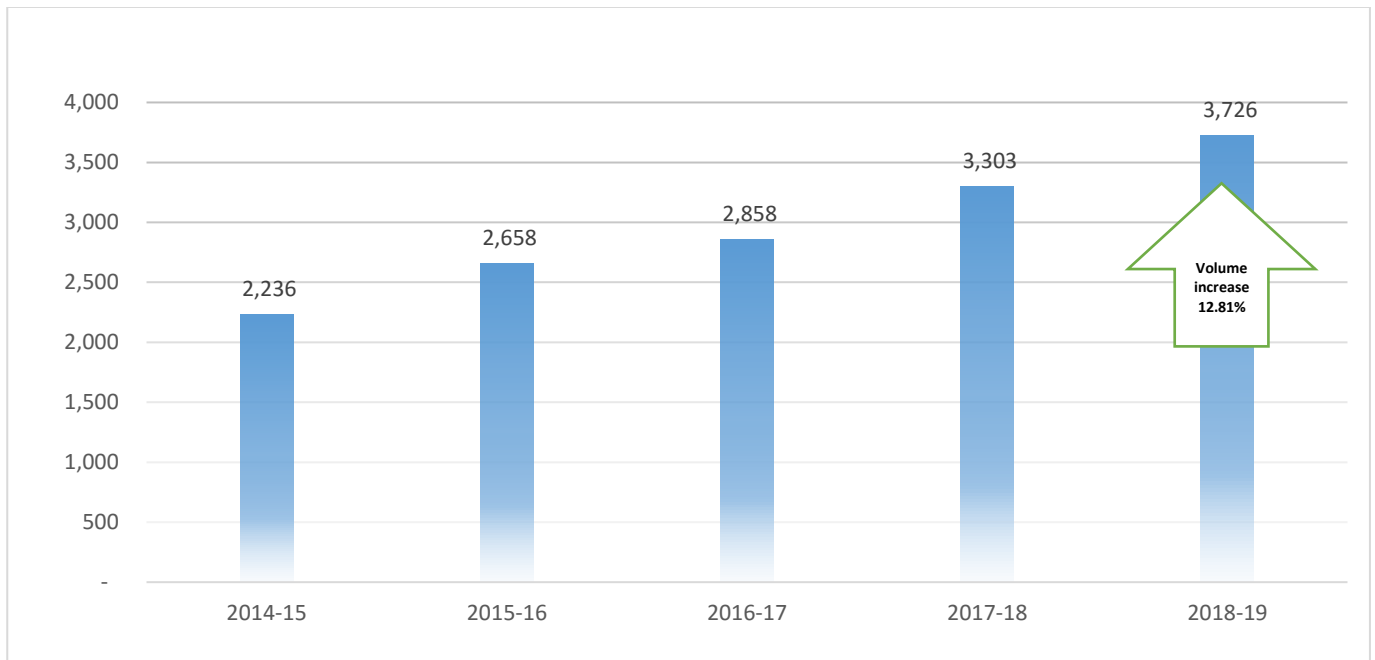
Comparative Performance Highlights

FY 2017-18 Vs. FY 2018-19

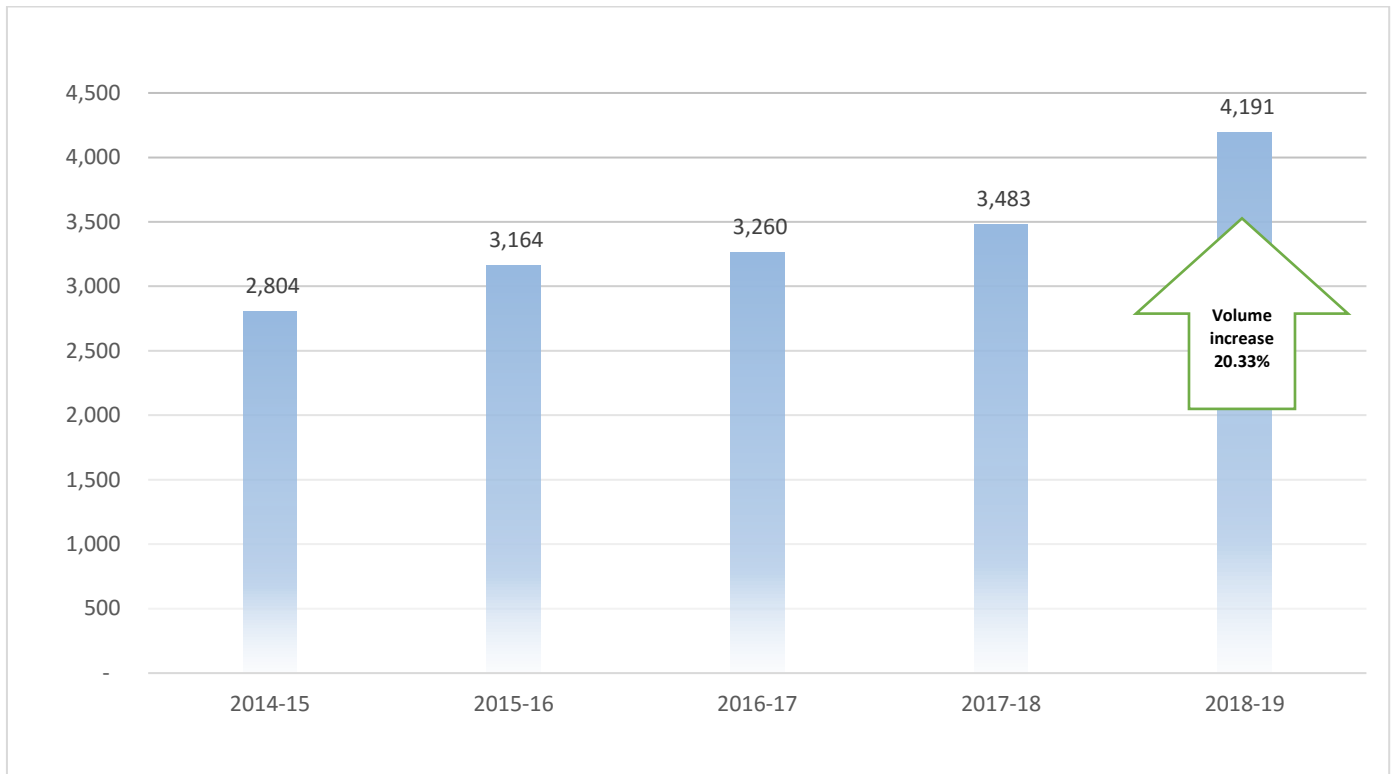
Sales Performance



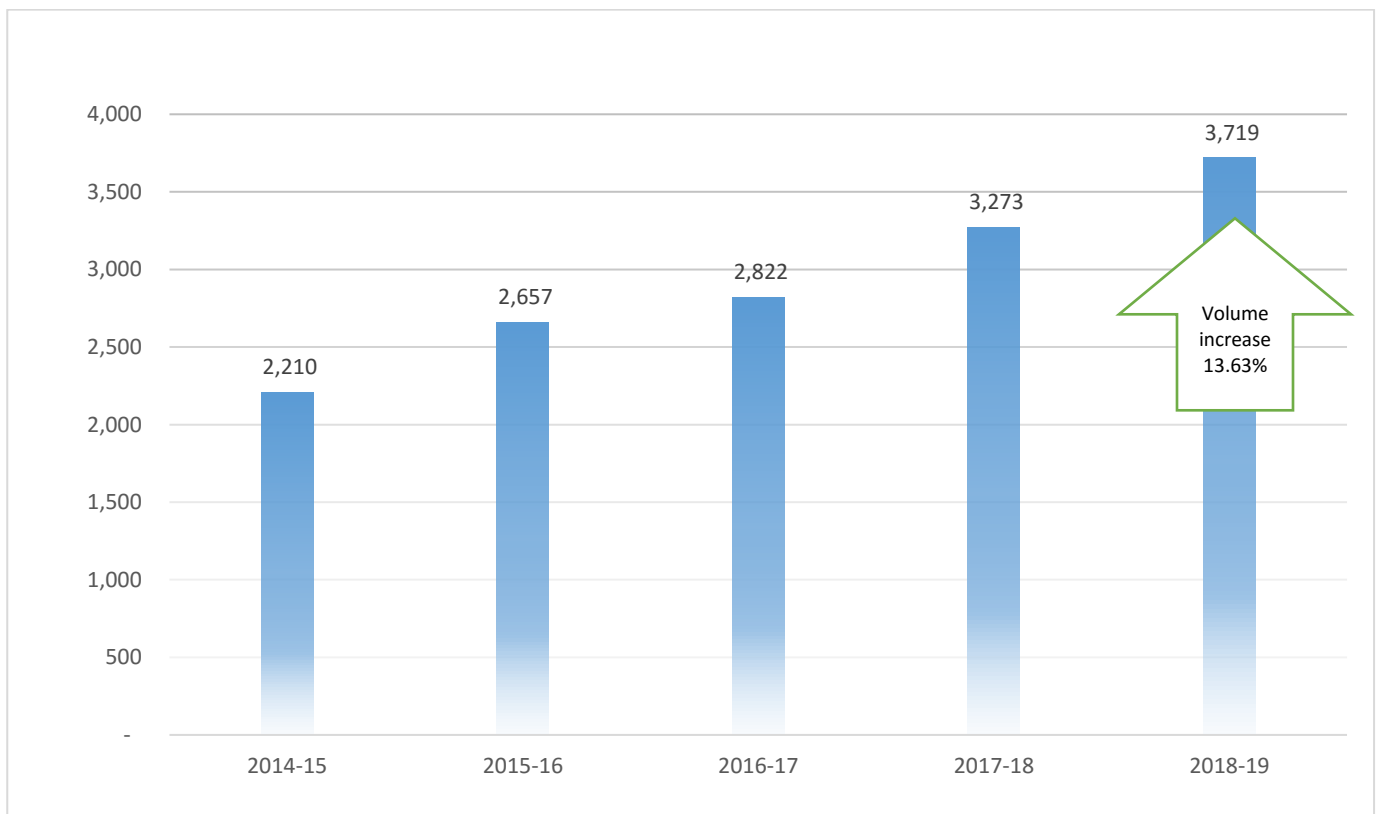
Sales Volume



Volumes: Paper Made



Volumes: Paper Finished



MESSAGE FROM THE CEO

I feel very privileged to be writing this message as the Chief Executive Officer of Security Papers Limited. We began our journey in 1965, the Company was incorporated as a Private Limited Company and became a Public limited company in 1967, listed on the Stock Exchange with the vision to be a recognized and accepted Security paper producing organization providing the highest quality paper with numerous security features to its customers.

As a Company, we have seen enormous change over the years as we expanded our presence into the manufacturing of Banknote and other Security Paper products such as Prize Bonds, Defence Savings Certificates, Non-Judicial Stamp Paper, Passport Papers, Cheque Book, Certificate for Education Boards and degree for universities.

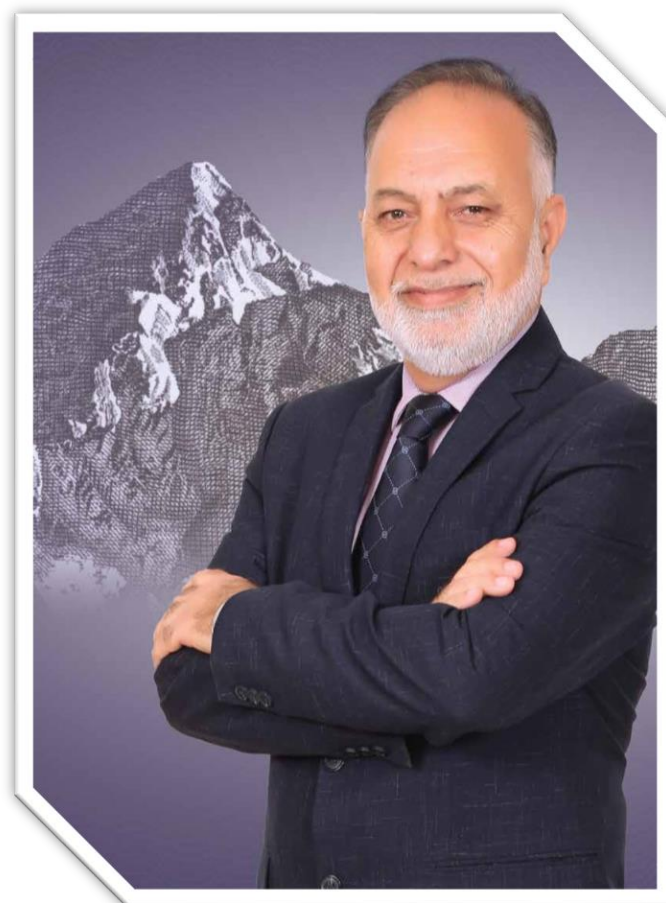
In a challenging economic environment, the Financial Year 2018-19 was another good year as the Company achieved highest ever top line of Rs 4,002 Million. The Company posted a profit after tax of Rs 772 Million.

Security Papers Limited (SPL) is committed to enhancing its product base and producing high quality Banknote and Other Security Paper and to be leader in manufacturing of security paper products through process excellence and innovation.

SPL strives to be a recognized and accepted security paper producing organization by developing state-of-the-art and diversified security paper products in a transparent, cost-effective and efficient manner by leveraging core competencies.

The Management remained focused on improvement in operational efficiencies and quality of our products and made determined efforts to reduce the cost of doing the business. The Company is well poised to encounter future challenges through various measures including innovation, planning, operational analysis, controlling costs, expanding product base and prudent financial management.

Innovation is the driving force behind SPL. We have amassed a huge store of expertise in how to stay ahead of the counterfeiter.



Through constant Balancing Modernization and Replacement and addition to capacity in all areas of production, the Company is well poised to take on additional demand for its products as required in future.

The Company is constantly exploring business development opportunities to expand our foot print in other security paper documents.

The Directors remain confident that the Company is well positioned to capitalize on growth opportunities in the coming year and is working to enhance its product range and productive capacity through innovative plant upgrade and optimization that will benefit our shareholders, employees and customers.

We continue to focus on operational efficiencies, increased customer focus and a strong performance culture within the organization. Our people remain crucial for the continued growth of the business. We believe that the Company is geared up to capitalize growth opportunities in the coming year.

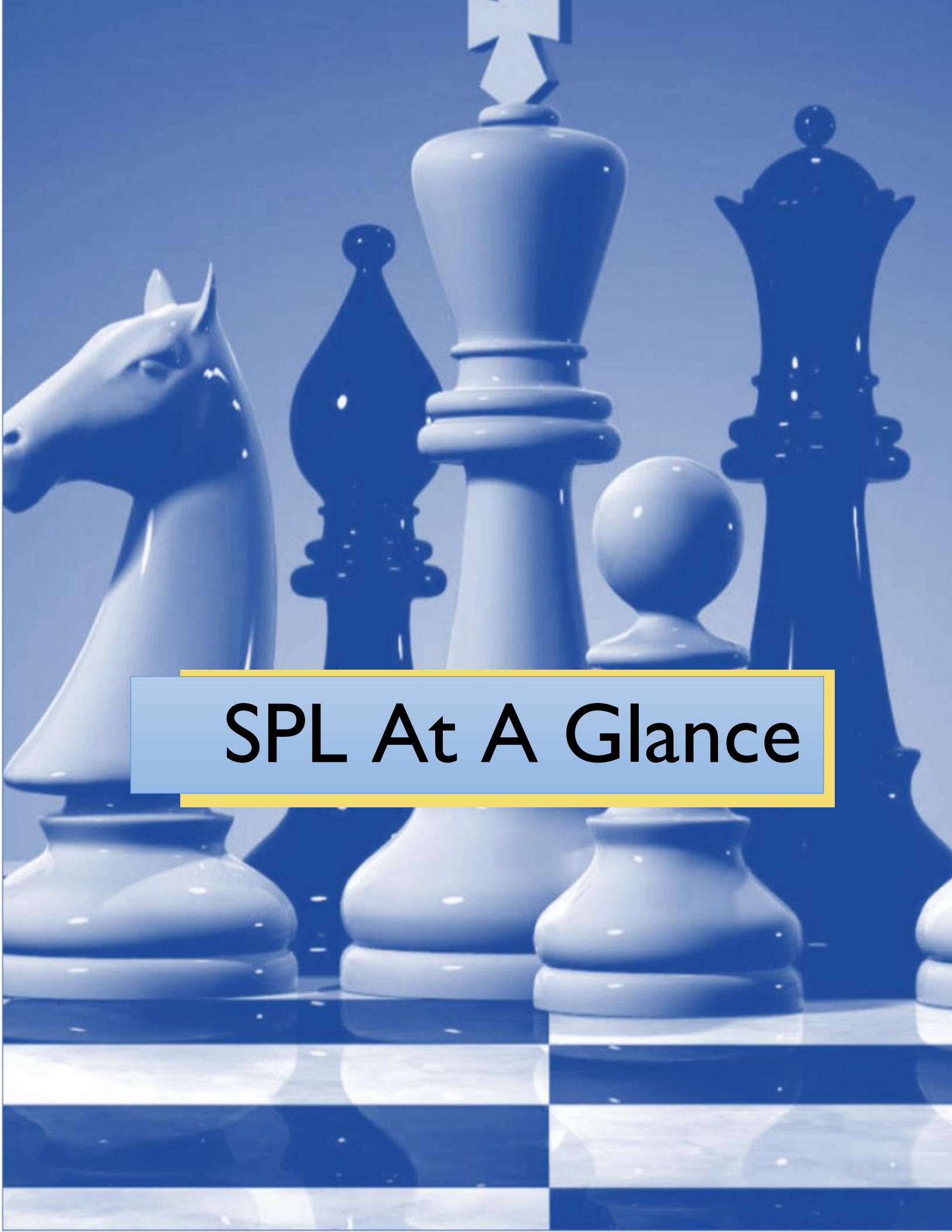
Demand for our products is steadily growing. The Company is pursuing an ambitious program of Plant upgrade for operational innovation, and improvement in quality of security papers.

Inflationary conditions are the major challenges that impact our cost of production.

In line with our commitment to be socially responsible company, we are committed to managing our environmental footprint through continuous upgrades and investments in cleaner technologies at our plants. To keep tradition of excellence in corporate governance, we aim to continuously embrace best corporate governance practices in addition to compliance with applicable laws/codes to remain transparent and accountable towards our stakeholders.

Looking ahead, there are considerable macro-economic, political and social challenges. We remain cautious on the economic outlook; however, the fundamentals of the economy going forward in the backdrop of recent policy and reform measures appear stable. The Company remains strongly focused on innovations and opportunities to improve productivity and enhance shareholders value. In today's competitive landscape, the Company is continuously gearing up its business to meet the challenges that lie ahead.

Dr. Mohammad Ashraf Butt
Chief Executive Officer

A photograph of chess pieces on a checkered board, overlaid with a semi-transparent blue filter. The pieces include a white knight, a black pawn, a white king, a white pawn, and a black queen. The text "SPL At A Glance" is centered in a white box with a yellow border.

SPL At A Glance

Company Profile

Security Papers Limited (SPL) is a national strategic industrial organization engaged in the business of manufacturing security paper for Banknotes and other Security Paper documents such as Prize Bonds, Defence Savings Certificates, Non-Judicial Stamp Papers, Passport Papers, Cheque Book, Certificate for Educational Boards and Degree for universities. Due to its strategic nature of operations, the Company has been classified as category IA (KPID) Key Point Installation by the Government of Pakistan.

SPL was incorporated in 1965 as a Private Limited Company and became a Public Limited Company in 1967 with the vision to be a recognized and accepted Security Paper producing organization providing the highest quality paper with numerous security features to its customers. The Company started its commercial production in 1969.

The new state-of-the-art Paper Machine (PM-2) started commercial production in 2003. The PM-2 is producing high-quality specialized Banknotes and other Security Papers of international standard with custom-made security features including 3-dimensional tonal variation watermarks and numerous other counterfeit deterrence capabilities.

The production process primarily involves local input of cotton comber and water as raw materials. The Pakistan Security Printing Corporation (Pvt.) Limited (PSPC) is the main customer of SPL. Over the years, the Company has grown substantially and is expanding its production capacities to cater to the ever-growing requirements for security paper products. SPL strives to remain an efficient and low-cost producer of security paper for its customers. To meet current and future technological challenges, SPL has been regularly investing in upgrading its manufacturing facilities to ensure continuous supply of high-quality Banknotes and other Security Papers to its customers.

Being self-reliant, the Company is also saving a substantial amount of foreign exchange, which would have been otherwise required for the import of such sensitive paper. SPL has been gradually enhancing the paper production capacity which has increased from 2,500 tons to 5,000 tons per annum.

Geographical Presence

The geographical presence of the Company is in Karachi, Pakistan. While its customers are located in Karachi, Lahore, Gujranwala, Faisalabad, Islamabad, Peshawar and other major cities of the country.

Corporate Awards

Top Companies Award:

- Won Top 25 Companies Award of PSX for the years 2000 to 2007 and 2009 to 2016 and 2018.

Corporate Excellence Award:

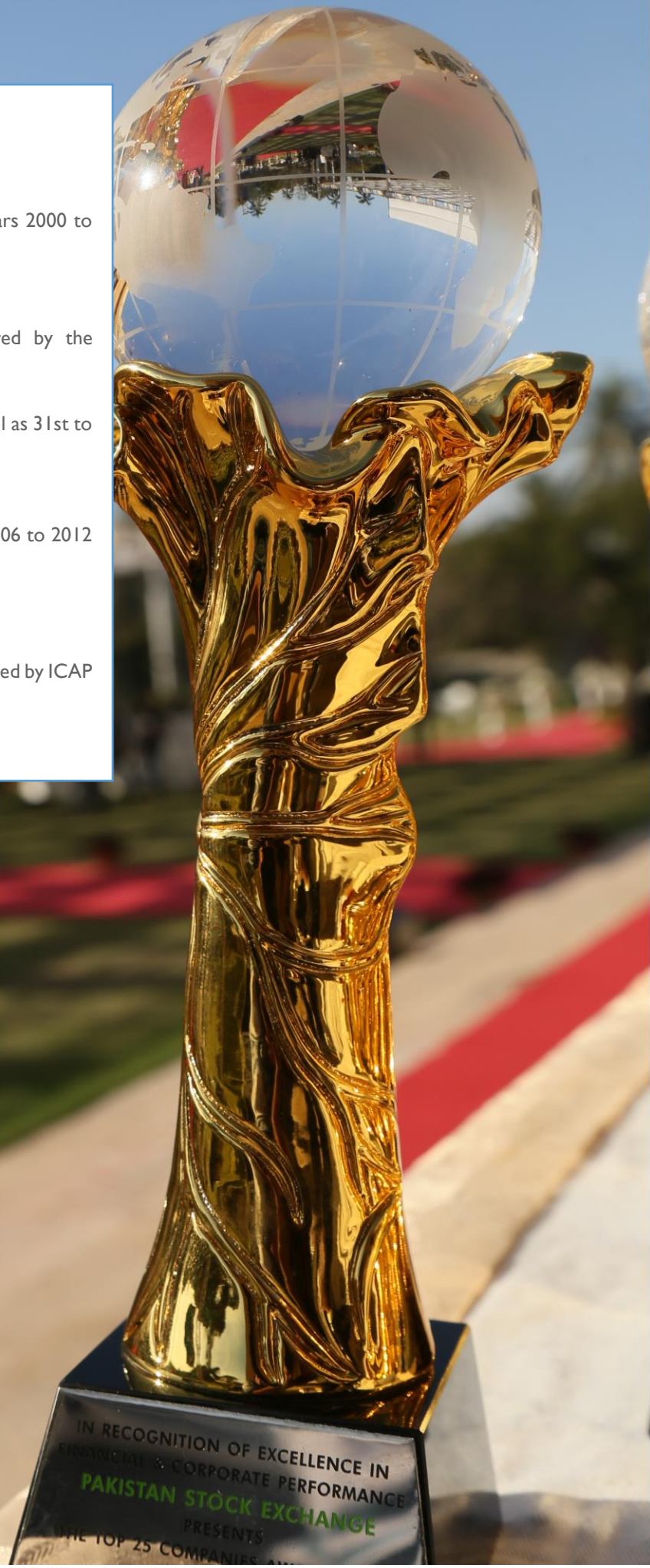
- Won 35th Corporate Excellence Award conferred by the Management Association of Pakistan (MAP).
- Holds 24th to 29th Awards (6 times in a row) as well as 31st to 34th (4 times in a row).

Best Corporate Award:

- Won Best Corporate Report Award in 2003 and 2006 to 2012 awarded by ICAP.

Best Sustainability Report Award:

- Received "Certificate of Appreciation" in 2010 awarded by ICAP & ICMAP.



Company Information

Board of Directors

Non-Executive Directors

CHAIRMAN		
Mr. Muhammad Haroon Rasheed		Nominee - PSPC
DIRECTORS		
Sheikh Mohammad Aijaz Akhtar		
Dr. Abolghassem Jamshidi – Iran		Nominee - IDRO
Mr. Memet Ozyavuz – Turkey		Nominee - SHAS
Mr. Jamal Nasim	Independent	Elected – NIT
Mr. Muhammad Ayub	Independent	Elected – PPCBL
Sardar Ahmad Nawaz Sukhera	Independent	Elected – SLIC
Mr. Rauf Ahmad		Nominee - PSPC
Mr. Naveed Ehtesham	Nominee	Nominee - PSPC
Executive Director		
Chief Executive Officer		
Dr. Mohammad Ashraf Butt		Nominee - PSPC

- PSPC** - Pakistan Security Printing Corporation (Pvt.) Limited
- NIT** - National Investment Trust Limited
- IDRO** - Industrial Development and Renovation Organization of Iran
- SHAS** - Sumer Holding A.S. Genel Mudurlugu, Turkey (formerly SEKA)
- SLIC** - State Life Insurance Corporation of Pakistan
- PPCBL** - The Punjab Provincial Cooperative Bank Limited

Board Committees

BOARD AUDIT COMMITTEE (BAC)			
Mr. Jamal Nasim	Independent	Non-Executive Director	Chairman
Sardar Ahmad Nawaz Sukhera	Independent	Non-Executive Director	Member
Mr. Muhammad Ayub	Independent	Non-Executive Director	Member
Sheikh Mohammad Aijaz Akhtar		Non-Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Naveed Ehtesham		Non-Executive Director	Member
Mr. Aqeel Ahmed		In-charge (Internal Audit)	Secretary
BOARD HUMAN RESOURCE & REMUNERATION COMMITTEE (BHR&RC)			
Mr. Jamal Nasim	Independent	Non-Executive Director	Chairman
Mr. Muhammad Haroon Rasheed		Non-Executive Director	Member
Dr. Muhammad Ashraf Butt		Executive Director	Member
Sheikh Mohammad Aijaz Akhtar		Non-Executive Director	Member
Mr. Rauf Ahmad		Non-Executive Director	Member
Mr. Shahbaz Ali		Dy. General Manager, HR & A	Secretary
BOARD INVESTMENT & RISK MANAGEMENT COMMITTEE (BI&RC)			
Sardar Ahmad Nawaz Sukhera	Independent	Non-Executive Director	Chairman
Dr. Mohammad Ashraf Butt		Executive Director	Member
Mr. Muhammad Ayub	Independent	Non-Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Naveed Ehtesham		Non-Executive Director	Member
Mr. Rizwan ul Haq Khan		Company Secretary	Secretary
BOARD PROJECT/STRATEGIC COMMITTEE (BPSC)			
Dr. Mohammad Ashraf Butt		Executive Director	Chairman
Mr. Muhammad Haroon Rasheed		Non-Executive Director	Member
Sardar Ahmad Nawaz Sukhera	Independent	Non-Executive Director	Member
Mr. Muhammad Ayub	Independent	Non-Executive Director	Member
Mr. Naveed Ehtesham		Non-Executive Director	Member
Mr. Rauf Ahmad		Non-Executive Director	Member
Mr. Faiz ul Islam		General Manager, Supply Chain & IT	Secretary

BOARD PROCUREMENT COMMITTEE (BPC)			
Mr. Jamal Nasim	Independent	Non-Executive Director	Chairman
Mr. Muhammad Haroon Rasheed		Non-Executive Director	Member
Dr. Mohammad Ashraf Butt		Executive Director	Member
Dr. Abolghassem Jamshidi		Non-Executive Director	Member
Mr. Rauf Ahmad		Non-Executive Director	Member
Mr. Faizul Islam		General Manager, Supply Chain & IT	Secretary

Management Committee

EXECUTIVE COMMITTEE	
CHAIRMAN	
Dr. Mohammad Ashraf Butt	Chief Executive Officer
MEMBERS	
Mr. Rizwan-ul- Haq Khan	Company Secretary
Mr. Faisal Saeed Khan	Dy. General Manager, Corporate Affairs
Syed Tanveer Hassan	General Manager (Engineering & Projects)
Qazi Syed Imran Azam	General Manager (IMS)
Mr. Shahbaz Ali	Head of HR & Administration
Mr. Saadat Ali	Head of Quality Assurance
Mr. Muhammad Imran Awan	Head of Production Planning & Control/ R&D
Mr. Arshad Amir	Head of Production
Mr. Babar Aijaz	Chief Financial Officer
Mr. Shoaib Siddiqui	Head of Product Diversification
Lt. Col. (R) Kazim Ali	Security Controller
Mr. Aqeel Ahmed	In-charge Internal Audit

BANKERS
National Bank of Pakistan
MIB Bank Limited (formerly NIB Bank Limited)
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Meezan Bank Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

TAX CONSULTANTS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Advocates & Legal Consultants

REGISTERED OFFICE

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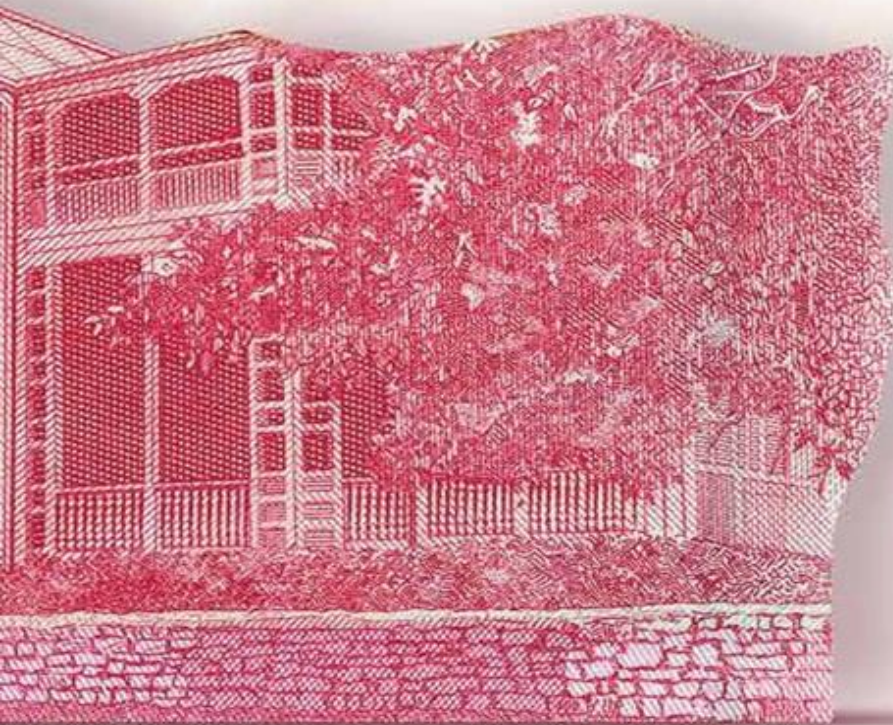
Shareholding Pattern

Shareholder	%holding
PSPC	40%
FOREIGN COMPANIES	20%
INSTITUTIONS	29%
GENERAL PUBLIC	11%

VISION STATEMENT

"We are the only national organization producing strategically important security paper products for the nation. We have developed a unique set of strengths and competencies. We wish to build on these assets and will strive continuously to achieve higher levels of excellence.

Our mission is to exceed the expectations of our customers in producing, with security and efficiency, highest quality paper products, employing international best practices and applying an integrated approach to product research and development, manufacturing technology, operations management, counterfeit deterrence, materials procurement, human resource management, financial management and information systems".



MISSION STATEMENT

"To be a nationally and internationally recognized and accepted security paper producing organization, providing highest quality paper to our customers, both in Pakistan and abroad".



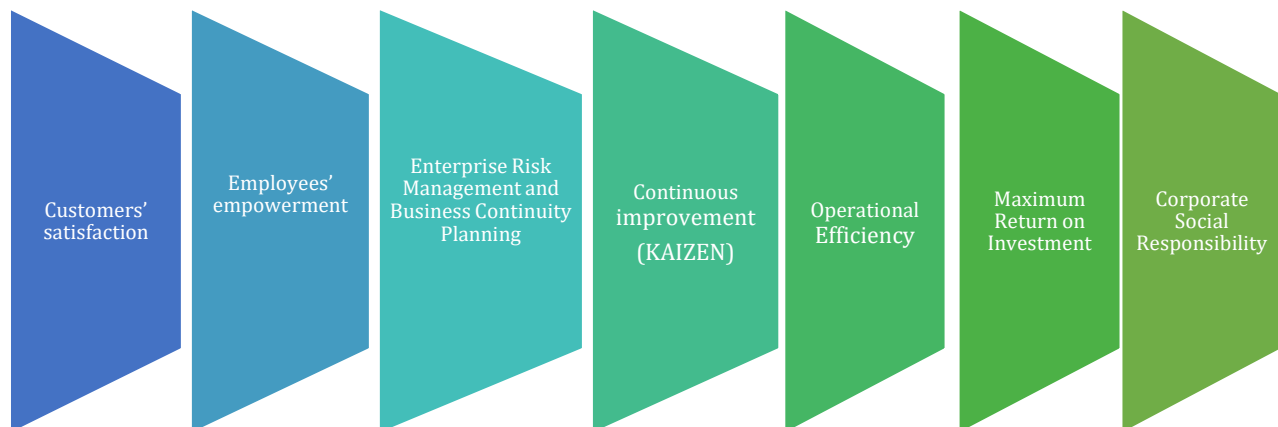
Our Core Values

1. Striving for continuous improvement and innovation with commitment and responsibility.
2. Treating shareholders/stakeholders with respect, courtesy and competence.
3. Practicing highest personal and professional integrity.
4. Maintaining teamwork, trust and support, with open and candid communication.
5. Ensuring cost consciousness in all decisions and operations.



Strategic Goals

1. Providing customer satisfaction by serving with quality products, security paper needs of national and international customers.
2. Ensuring quality manufacturing by production of state-of-the-art security paper products with highest quality at lowest cost.
3. Deterring counterfeiting by producing security paper products that have built-in deterrence against counterfeiting so as to contribute to public confidence and facilitation of commercial transactions.
4. Ensuring security and accountability by creating an environment of security and accountability for employees, production facilities and products.
5. Expanding customer base by exploring new national and international markets and undertaking product research and development in security paper.
6. Ensuring efficient resource management by managing human, financial, technical and infrastructural resources so as to support the above strategic goals and to ensure the highest possible value addition to stakeholders.



Risk and Mitigation Strategy

Production

Risks:

The Company is the sole supplier of high-quality banknote paper in the country. A large portion of its manufacturing capacity is utilized for single product. The sales volume and capacity utilization, therefore, become largely dependent on the demand for currency notes in the country. This also results in a high dependence on a single customer.

Mitigation:

The Company is constantly looking for new markets to expand into. Our unique strategic advantage is a deep, far reaching understanding of the manufacture of high-quality substrate for security documents with unique and foolproof security features, and we are leveraging that expertise to offer a wide variety of value-added products to various sectors and organizations. Currently, we are exploring the markets for diversification into value added sector including printing of security documents.

Commercial & Operational Risks

Risks:

We are dependent on various inputs that are inherently not influenced by the Company. These include comber, denim, security thread, energy and water. We are also importing a large quantity of chemicals and equipment. Therefore, cost competitiveness of our product is dependent upon pricing and consistent supply of material and equipment from a large number of local and foreign suppliers.

Mitigation:

We have a comprehensive supply chain management system that ensures supply of local raw materials. By constantly looking to expand our supply base, we are in a position to regulate our inventory and costs effectively.

We enter into contracts that largely guard the Company against stock out situations. This assures timely supply of the needed goods.

We have recently undergone a restructuring of our power infrastructure that will provide a more consistent energy supply for uninterrupted operations.

We operate a Reverse Osmosis plant (RO) that caters to a quarter of our needs. We are in the process of establishing waste water recycling plant to augment water supply in a cost effective, sustainable and environmentally friendly manner.

Financial

Risks:

We are exposed to pricing fluctuations for our raw materials, based on local macroeconomic conditions, foreign currency fluctuations and market forces.

Mitigation:

We enter into long-term contracts with suppliers - both local and foreign - in order to guard against abrupt fluctuations in pricing and currency.

We make prudent investments to hedge against interest rate movements and create a steady source of alternative income.

Our Product

Bank Notes

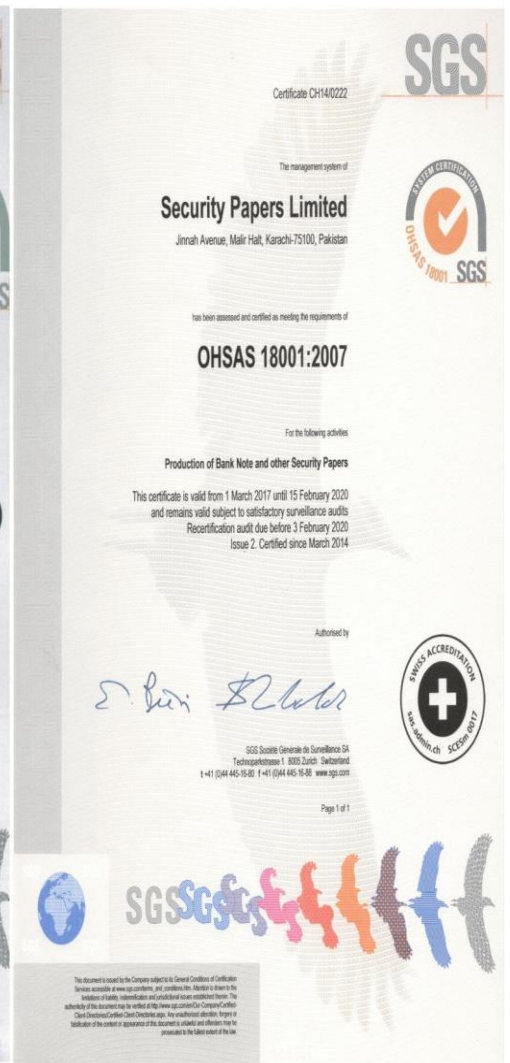
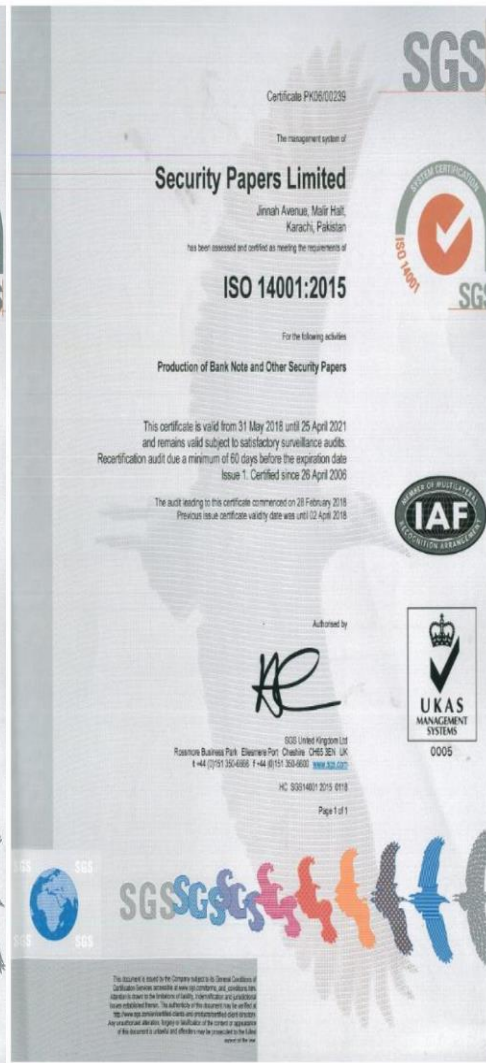
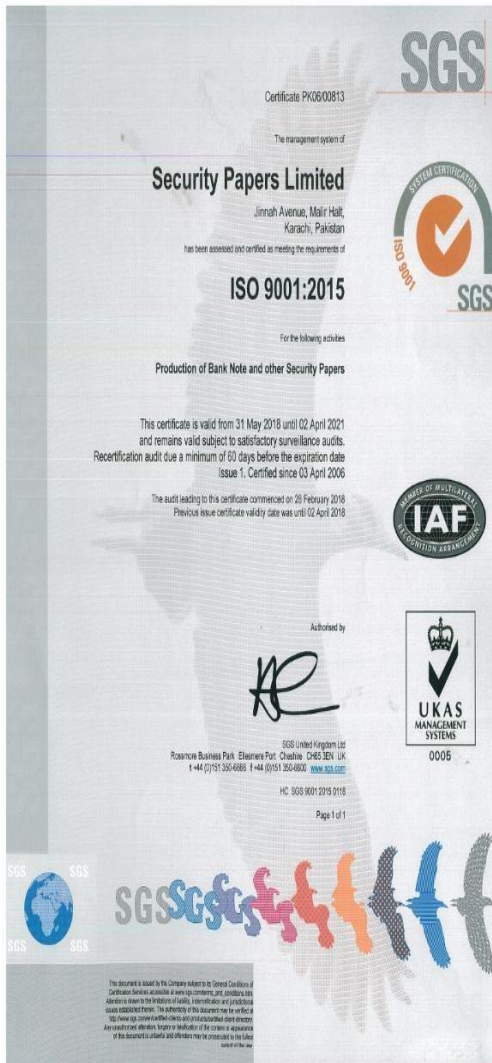


Other Security papers

- Prize Bond Paper
- Non Judicial Stamp Paper
- E – Stamp Paper (Govt. of Punjab)
- Educational Certificates and Degree Paper
- Parchment Paper
- Passport Paper
- CBS – 1 (Cheque Paper)

CERTIFICATION

SPL has successfully upgraded its Quality and Environmental Management System to comply with International standards for ISO 14001:2015 (Environmental Management System), ISO 9001:2015 (Quality Management System) and have recently migrated to ISO 45001:2018 (Occupational Health & Safety Management Systems) that has superseded OHSAS 18001:2007 Management systems. All necessary formalities have been successfully completed and ISO 45001 certification is awaited to be received from SGS.



SWOT ANALYSIS

STRENGTHS & WEAKNESSES

Strengths:

- Only company in the country for producing banknotes and other security papers.
- Strong financial position due to continuous growth
- Technologically advanced plant & machinery with a history of timely upgrades
- Experienced employees with exposure of national and international trainings
- Captive power generation
- Fully compliant integrated management systems

Weaknesses:

- Reliance on single customer/product
- Small customer base
- Capacity constraints
- Reliance on some key imported inputs

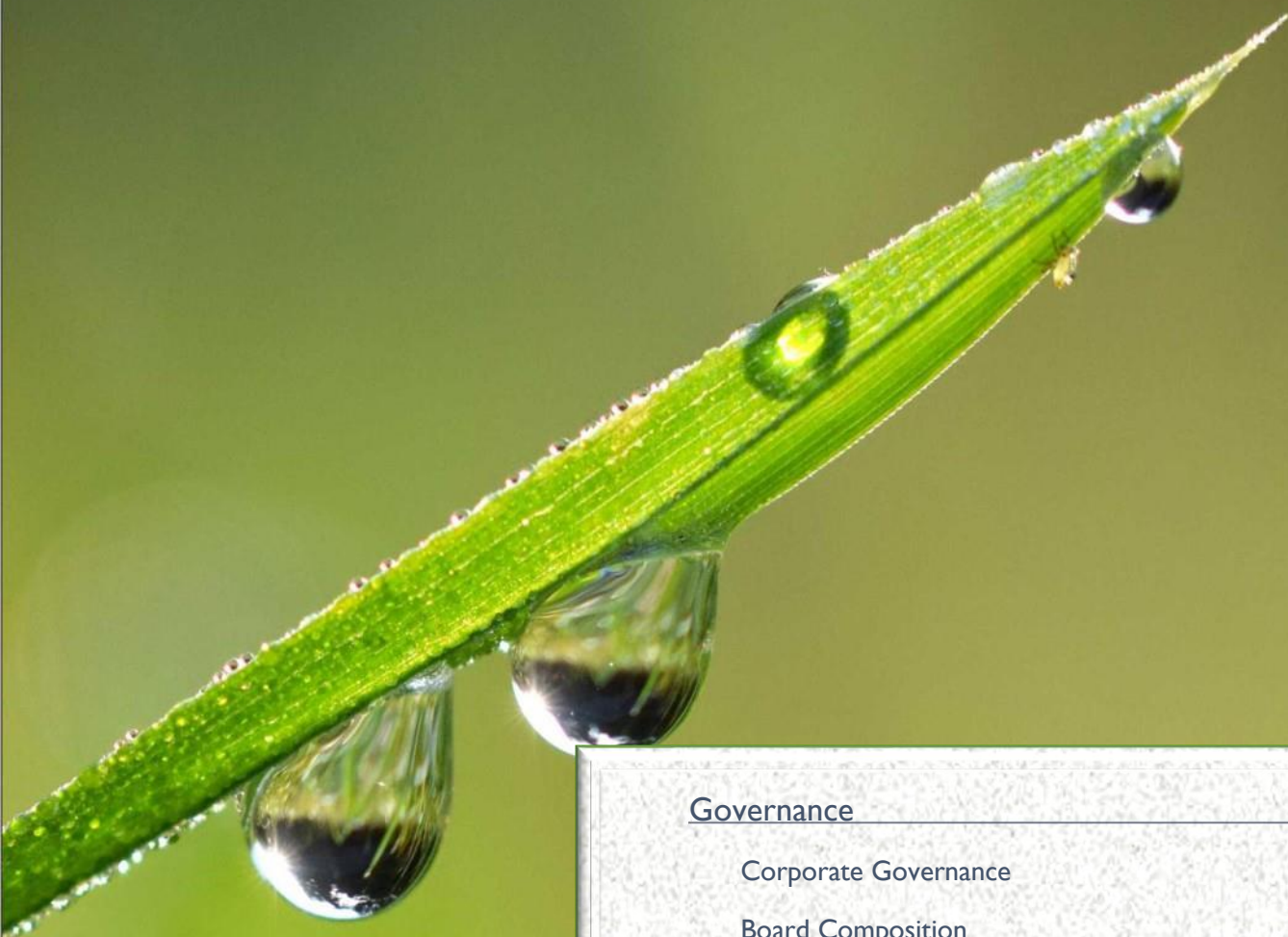
OPPORTUNITIES & THREATS

Opportunities:

- Growing local demand for security paper products
- Diversification into non-paper substrates for security documents
- Diversification into complete security document suppliers
- Export market for security paper products.

Threats:

- Demonetization of smaller denominations (as have been done in past) of banknotes
- Change of substrates from cotton to polymer etc.
- Erratic supplies of water from the utility provider
- Single source for some specialized inputs
- Currency devaluation



Governance

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Corporate Governance

Board Composition

Director's Remuneration Policy

Corporate Briefing Sessions

Framework

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Sustainability Framework

Risk Management Framework

Human Capital

CORPORATE GOVERNANCE

The Board aims to be exemplary in applying corporate governance principles at SPL. We have developed Code of Conduct and business practices for Directors and SPL Employees. The Code of Corporate Governance and best available practices in corporate governance are guiding pillars for us. We conduct our business in compliance with the applicable laws and rules. The Code of Conduct summarizes the values, principles and business practices that guide the business conduct of the Company. The Code of Conduct clearly refrains from conflict of interest. In case a conflict of interest is not avoidable, it requires to be reported to the Board of Directors for resolution. Further details regarding Code of Conduct and business practices is mentioned on Page 68 of our 2019 Annual Report which is available at our website: www.security-papers.com

The Board assists in corporate governance by supervising executive management and makes strategic decisions for the Company. The Board also played an important role in overseeing the Management performance and focusing on major risks faced by the Company.

The Board of Directors meets at least once a quarter. The CEO, CFO, Company Secretary and other members of the Executive Committee regularly attend the meeting of the Board of Directors at the invitation of the Chairman for the purpose of reporting and providing the desired information. The Committees report on their activities and results to the Board of Directors.

The Board of Directors has delegated the executive management of the Company to the CEO for smooth operations of Company's business.

Board Composition

The Board of Directors comprises of 10 Directors, one Executive Director and nine non-Executive Directors. Out of nine non-Executive Directors, three Directors are non-Executive Independent Directors.

The Chairman of the Board of Directors is a non-Executive Director. His only relationship with the Company is his role as Chairman of the Board of Directors. Neither he nor any person related to him is employed by the Company. The Chairman and members of the Board Committees are selected from among the Board members. The Board has constituted Committees of Directors with adequate delegation of powers to effectively focus on the issues and ensure expedient resolution. These Committees meet as often as required to oversee the performance of respective areas. Each Committee has its own Terms of Reference with goals and responsibilities.

The Committees of the Board are Audit Committee, Project/Strategic Committee, Human Resource & Remuneration Committee, Investment & Risk Management Committee and Procurement Committee.

Management Committees include Executive Committee, Corporate Social Responsibility Committee etc. Extensive details on Board Committees can be found at Page 74 of our 2019 Annual Report.

Director's Remuneration Policy

The Director's remuneration policy is focused on providing remuneration which is competitive and in line with market conditions. The remuneration policy of Directors aims at providing a market competitive remuneration to the members of the Board. The objective of Director's remuneration policy is to attract and retain qualified and experienced Directors to attain Company's objectives.

The Director's performance is evaluated by setting specific, measurable, achievable and realistic goals for the year and evaluation of the performance of each member against these goals. The evaluation of the Board of Director's performance is a self-assessment against defined goals.

The remuneration of CEO is paid as recommended by the Board Human Resources & Remuneration Committee and approved by the Board of Directors. A fee is paid to the Directors for attending the Board meetings. SPL does not pay remuneration to non-executive Directors except for the Director's fee.

Corporate Briefing Sessions

The Company regularly holds Corporate Briefing Sessions. The Company arranged its Corporate Briefing Sessions (CBS) for shareholders and analysts on September 17, 2019 for Financial Year ended June 30, 2019 at Pakistan Stock Exchange.

A number of investors, shareholders, and financial analysts were present on the occasion. It was an interactive session with all the participants which provided us an opportunity to give them an insight about the Company.

The Chairman informed the participants that the Directors and the Management are closely monitoring the performance of the business with the focus to achieve continued improvement in productivity and efficiency while optimizing costs and processes to ensure sustainable growth of the Company.

We value the concerns/recommendations of our shareholders. The shareholders can give their feedback/recommendation in Annual General Meetings-AGMs of the Company as well as by sending letters or emails to the Company Secretary using the address available on the Company's website. The concerned officials regularly evaluate the feedback and takes required action.

SUSTAINABILITY FRAMEWORK

The Board's role in setting Company's strategic goals is implemented through Board Committees. The Executive Committee provide guidelines for sustainable operation and effective control thereof.

We focus on time-based efforts for reducing and eliminating unsafe and unhealthy work practices/conditions. A comprehensive document with appropriate standard operating procedures/manuals and specifications have been established to ensure Occupational Health, Safety, and Security at workplace.

We continuously strive to improve our Health and Safety standards to make workers' lives better at the workplace and outside. The Company migrated to ISO 45001:2018 Management Systems that have superseded OHSAS 18001:2007 standards. ISO 45001 Management System adopted by the Company enabled us to improve employees' safety, reduce workplace risks and create better, safer working conditions. The newly established Management system has an increased emphasis on Management commitment, participation and consultation of workers and risk control.

Employee of the Quarter Award has also been initiated to appreciate employees making significant contributions in fostering health and safety culture at the workplace.

Personal Protective Equipment-PPEs have been provided to all departments through structured mapping at all relevant job levels to ensure their appropriate usage. Quality awareness, signs, dangerous area identification sign boards and Safety Zones for assigning responsibility at potential high-risk areas have been placed. The process of incident reporting has been revamped and made comprehensive. The Company provides ambulance and offer consultation and first aid facilities to the workers.

The Company also has a Corporate Social Responsibility-CSR Committee in existence that evaluates and guides all sustainability efforts

The CSR Committee evaluates challenges and trends that sets the Company's medium and long-term objectives and initiates sustainability initiatives accordingly. The Committee is entrusted with the responsibility of steering the direction of CSR activities pertaining to donations, welfare activities and Community development. The CSR Committee ensures that the Company strictly adheres to its principles and makes a notable contribution to the Sustainability Development Goals.

Risk Management Framework

The Board has overall responsibility for ensuring that an effective risk management process is in place. The Board of Directors has delegated the responsibility to the Board Investment & Risk Management Committee that the Enterprise Risk Management (ERM) System is operational and working. The frameworks and the measures are monitored by the Company's Risk Management System.

Corporate Risk Management is designed to ensure that:

- Risk management system is adopted throughout the organization as a prudent management practice.
- All the current and future material risk exposure of the Company are identified; assessed, quantified and appropriately mitigated.
- A framework is established for the Company's risk management process and to ensure its implementation.
- The main objective of the Enterprise Risk Management Committee is to improve the Risk Management System of the Company.

Risk management system helps in identifying, measuring, and controlling different risks. The Company maintains Risk Registers for each department. The objective of the risk registers is to identify key risks to the achievement of the Company's objectives. Risks are evaluated on a sliding scale of 1-5 with the highest value being most likely to occur have most severe impact. Risk Register seeks to assess specific risks and introduce controls to mitigate the risks in the risk assessment process.

The Board reviews all significant risks at least once in a financial year.

Human Capital

The Company continues to focus on development of human capital inventory. We have an automated Merit based Performance Management System that has been implemented to set business goals and track progress. Performance appraisal is the important aspect in the organization to evaluate employees' performance. It helps the organization in deciding employee promotion, transfers, incentives, pay increase etc. Key Performance Indicators-KPI mechanism is used to represent how well the Company is able to attain the business goals. Key Result Areas-KRAs represent tasks for which the individual is responsible.

KPI is a measurable value that demonstrates how effectively SPL is achieving business objectives. KPIs are used to evaluate Company's progress at reaching targets.

To retain the best talent, our compensation policies are structured in line with current industry standards and business practices. The appraisal system practiced is comprehensive in nature and includes a performance review on financial and non-financial parameters.

SUSTAINABLE DEVELOPMENT GOALS





No Poverty



Poverty is one of the most pressing global challenges today, the United Nations put poverty at the top of the international agenda, assigning the first Sustainable Development Goal (SDG) to ending poverty.

No Poverty is one of the SDGs that is the most relevant to business, people can experience different forms of deprivation simultaneously, such as a lack of quality education, food insecurity or limited access to healthcare.

SPL contributed towards ending poverty by expanding business and creating jobs to support poverty eradication. The Company maximize operational efficiency, improve the lives of its employees, support the communities in which it operates and innovate new business models that contribute to poverty alleviation.

The Company also makes monetary donations which included charitable donations to the organization(s) whose main area of work include such as empowering men and women to get access to employment, access to drinking water, donations to improve local infrastructure for the community, providing emergency relief – for example, providing packages of food to people in areas stricken by natural calamities.

SPL has partnerships with a number of organizations that have a track record of community impact that mitigate poverty:

SOS Children's Villages Pakistan. Their efforts are towards providing an enabling environment to children to eventually engage them in meaningful employment, playing a positive role in society. They do this through:

- Taking care of children of single mothers enabling her to find meaningful employment. In turn, the children benefit from an enabling and protective environment facilities of a high standard
- Technical Training Institutes
- Schools and Colleges



HANDS – the organization is involved in various interventions on a large scale, enabling livelihood generation in addition to creating health awareness due to which families are pushed towards poverty:

- Kitchen Gardening and Agriculture Inputs Financing
- Poultry Livestock support
- Entrepreneurial initiatives support through Interest Free Loans
- Community oriented health programs



Water wells and hand pumps in Thar: Management at SPL identified an opportunity for improving community livelihood by setting up water wells and hand pumps close to the villages in Thar. Through this, water is now available on year-round basis and allows those communities to start land cultivation for crops and vegetables. This promotes sustainable livelihoods in rural communities. We believe this multiplier intervention, which was planned for a period of 2 years with an investment of PKR 4.3 million, will create a long lasting and sustainable impact on communities. The livelihood component of the program has directly benefited 5,407 people and controlled household poverty levels by over 50%.





Zero Hunger



Rapid economic growth and increased agricultural productivity over the past two decades has seen the proportion of undernourished people drop by almost half.

Many developing countries that used to suffer from famine and hunger can now meet the nutritional needs of the most vulnerable. Central and East Asia, Latin America and the Caribbean have all made huge progress in eradicating extreme hunger.

The Sustainable Development Goals (SDGs) aim to end all forms of hunger and malnutrition by 2030, making sure all people – especially children and the more vulnerable – have access to sufficient and nutritious food all year round. This involves promoting sustainable agricultural practices: improving the livelihoods and capacities of small-scale farmers, allowing equal access to land, technology and markets. It also requires international cooperation to ensure investment in infrastructure and technology to improve agricultural productivity.

SPL's partnership with Health and Nutrition development Society (HANDS) has a strong impact on reducing hunger especially in calamity hit / vulnerable areas where immediate relief is provided by distributing food in emergency situations. The Company contributed Rs. 1.2 Million in the health sector by collaborating with HANDS. So far, our partner Organization had an impact on over 0.41 million beneficiaries and SPL feels proud to support them in achievement of this noble cause.





Good Health and Well-being



We at SPL believe that the safety, health and well-being of our employees is important to make the Organization sustainable and growing.

The Company continued to demonstrate strong commitment to health and safety of its employees to improve their lives at the workplace as well as outside the organization.

During the year under review, the Company organized various health awareness sessions for its employees pertaining to First Aid, Typhoid, Bone Health, and Cardiopulmonary resuscitation (CPR). The aim was to promote a culture of timely medical assistance, better sanitation and healthy lifestyle.

Workplace Safety awareness is also an equally important part in enhancing the quality of our employee's health. In this perspective, the Company also celebrated a Safety Week to inculcate workplace safety habits through Tool-Box Talks, Personal Protective Equipment (PPEs) Awareness Sessions, Technical trainings on Behavioral Safety and Job Hazard Analysis.

Additionally, the Company recognizes that SIUT, a non- Profit healthcare institution plays an important part in alleviating the health needs of not only the city of Karachi but also of the entire province of Sindh and we hope that this institution continues to contribute its positive impact on society. SPL is associated with SIUT since last five years and a cumulative monetary support of PKR 2.5 million has been extended to this noble cause till date.





Quality Education



SPL pays special attention to all levels of education without any gender discrimination and ensure equal rights. We believe that our youth is the bright future of the country and it is them we need to invest in. This strong belief has allowed us to devote resources towards elevation of education standard in our country, especially to those for whom education is unaffordable. For professional and personal education domain, SPL facilitates internal and external trainings, award merit scholarships to employees' children, offer education loan to aspiring employees, provide internship opportunities for young students from different universities across Pakistan and donate funds to institutes to add value to their cause of education.

In pursuance of this commitment, SPL spent 3495 man-hours on training and development of employees during FY 2018-19, which encompassed 35% Soft Skills and 65% Technical Skills. SPL also provides assistance to its staff and workers for their children's education – scholarships amounting to PKR 1.75 million were disbursed.

Our Daycare facility continues to enable female employment within our Company which accommodates 15 children till date. Due to high quality of care given and increased need within the Company, facility expansion is on the cards.

During FY 2018-19, 18 interns were inducted in total from different universities and disciplines in Karachi to provide them a valuable experience of working in a professional environment. These internships were offered in both engineering and management disciplines.



SPL remains committed to the cause of promoting Education and Women Empowerment in the country, and continued its support in this regard by donating Rs.1.10 Million to Roshan Tara School, Karachi and Collation for Appropriation of Resources & Development (CARD) Lasbela, Balochistan

Roshan Tara School provides low cost quality education to deprived and neglected area of Malir, Karachi. CARD is a non-profit organization working for the improvement of human rights, health, education, and women empowerment etc.





Gender Equality



At Security Papers Limited (SPL), we aim to provide a workplace that generates equal opportunities for everyone, and in which people are treated with dignity and respect. In line with our commitment to enhance gender balance at all levels in our employees. SPL is working towards becoming a more gender-diversified Organization. In this regard, several initiatives have been taken with a special focus on increasing female representation in decision making within the Organization – about a quarter of all our workforce and one third of all our interns are females. Additionally, of all the working Management Committees, over 07 of them have female representation either in a lead or a participative role.

To facilitate the retention of female workforce and provide them an enabling work environment, a Day Care Center run by especially trained employees is operating in a facility specifically built for this purpose, which provides childcare facility to our employees. The Center not only provides caring environment for infants but also furnishes pre-school learning (including handwriting and math skills, number and word recognition and oral poems) to toddlers and young ones.

We also believe in providing equal opportunities to all its employees irrespective of gender. We follow a non-discriminatory hiring process which complies with all the legal requirements. All policies and practices are administered in a manner ensuring equal opportunity to the eligible candidates and all decisions are merit based. To support this initiative, we introduced a non-discriminatory compensation and benefits policy for our female employees during the period under review and corporate internship opportunities in various functional areas of the Organization were offered to eligible candidates irrespective of gender.

The Company has introduced various HR policies such as Sexual Harassment Policy, Whistle Blowing Policy and Maternity Leaves Policy thereby providing a forum to our employees for raising their issues and having a mechanism in place for resolution of their concerns.

Our Company is proud of the initiatives that have been taken to reduce gender inequality within the Organization, and we look forward to doing more of the same.





Clean Water and Sanitation



27,990 Gallons of Bottled Water

We strive to play our part in provision of equitable access to safe and affordable drinking water. SPL contributed PKR 2.3 million in the preceding Financial Year for wells and hand pumps to provide clean drinking water to the drought-stricken people of Thar. During this year, a few of our Management as well as Board members visited those sites in Tharparkar to review and assess further opportunities in this area. As a result, the

Company contributed a further PKR 2 Million for expansion on a larger scale. We believe this will go a long way in improving the socioeconomic conditions of the people of Thar by providing them ample potable water at their doorstep, improving their health and hygiene as well as community cohesion.

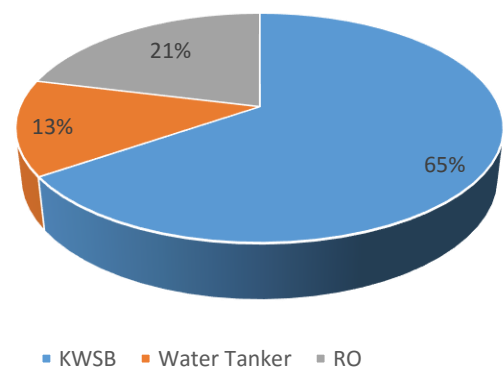
During the visit, SPL also made an in-kind donation by distributing clothes to underprivileged people of Thar while strengthening its commitment to implement collaborative solutions for betterment of communities.

SPL also provides its workforce with clean drinking water in all areas via R.O Plant and bottled water. A new RO Plant containing Ultra-Filtration Modules and Reverse Osmosis units having capacity of 150,000 gallons/day of treated water has been commissioned which will handle sub-soil bore water.

Further to offer adequate and equitable sanitation and hygiene to employees, all the washing areas of our Production Plant have been renovated during the fiscal year 2018-19. We believe that such initiatives enhance the morale of our employees and contribute to overall productivity.

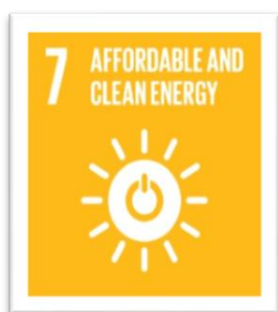
Annual Water Consumption in million Gallons	
Source	million gallons
KWSB	177.58
Water Tanker	36.54
RO	57.40
Total	271.53

Annual Water Consumption in million Gallons



Drinking Water Quality Test Report

Sr. #	Quality Parameter	Unit	Max Permissible Limit	Results
1	Color	-	Colorless	Colorless
2	Odor	-	Un-Objectionable	Un-Objectionable
3	Taste	-	Un-Objectionable	Un-Objectionable
4	Alkalinity	(m.mol/l)	NGVS	1.2
5	Bicarbonate	mg/l	NGVS	60
6	Calcium	mg/l	200	8
7	Carbonate	mg/l	NGVS	Nil
8	Turbidity	NTU	<5	0.26
9	Chloride	mg/l	250	1.37
10	Conductivity	Micro-S/cm	NGVS	547
11	Hardness as CaCO ₃	mg/l	500	45
12	Magnesium	mg/l	150	6
13	PH	-	6.5-8.5	7.18
14	Sodium	mg/l	12 (EC)	103
15	Potassium	mg/l	200	0.8
16	Sulfate	mg/l	250	103
17	TDS	mg/l	<1000	2.4
18	Nitrate	mg/l	10	350
19	Fluoride	mg/l	1.5	3.927
20	Iron	mg/l	0.3	0.23
21	Arsenic	ppb	10	0.02
22	Total Coliform	cfu/ml	0/100 ml	0
23	E- Coli	cfu/ml	0/100 ml	0
Testing by: Pakistan Council of Research in Water Resources (PCRWR)				



Affordable and Clean Energy



The Company has adopted energy saving system and cleaner production techniques through regular monitoring and best practices. We are also working on options of producing renewable energy.

The Company aims to improve its energy mix as well as efficiency in increasing its energy requirements. Management has initiated the procurement of a new gas generator of 1.4 MW capacity for modern and sustainable energy services. We expect this unit to be operative towards the end of the next fiscal year 2019-20.



All conventional lights have been replaced with light-emitting diode (LED) lights which are 49% more energy efficient and generate less heat than compact fluorescent lamps (CFLs). As a result of this effort along, we expect annual savings in excess of PKR 5 million while receiving brighter illumination effects.

ENERGY CONSUMPTION (2018-19)	
GAS CONSUMPTION (cubic meters)	5,092,431

Electricity Consumption (2018-19) Kwh	
Co-generation	8,797,100
K.Electric	8,181,355
Total Electricity Consumption (Kwh)	16,978,455



Decent Work & Economic Growth



The Company offers opportunities for productive work with fair reward, and job security in the workplace. We furnish avenues for personal development and empower our employees with freedom to express their concerns as well as highlighting suggestions for continual improvement by introducing a robust Reward & Recognition Program that includes “Employee of the Quarter Award, Innovative Idea Scheme, and KAIZEN Incentive Programs”.



Kaizen is based on the belief that everything can be improved and nothing is status quo. We encourage formation of cross functional team of staff, workers and Officers to share incremental improvement ideas that are also linked with generous incentives.

The Company has provided employment opportunities to several handicapped persons. Hiring differently abled persons offer a number of important financial, public relation and productivity advantages for the business. Diversity in the workplace can help to create better solutions to business challenges. There is a better retention rate and low level of absenteeism among employees with disability. However, Security Papers Limited does not employee any worker below the age of 18.

The succession and career planning system are reviewed every year to identify and develop new leaders to succeed current ones and meet the future leadership needs. The process of succession planning at SPL ensures that employees are recruited and developed to fill each key role within the Company.

The Company undertakes succession planning activity with an aim to attract the best talent, retain those individuals and develop them. Succession planning evaluates each leader's skills, identify potential replacements and impart training to those employees so that they are prepared to take the position of old ones when they leave the organization due to retirement, resignation, termination, transfer, promotion etc.

The Company undertakes career planning to provide career goals and career paths to an employee. Career planning also encourages individuals to explore and gather information which enables them to gain necessary knowledge, skills and abilities to succeed in the future.



Industry Innovation and Infrastructure



The Company is pursuing business process re-engineering and re-designing of core business processes to achieve improvement in productivity, improvement in customer service and reduction in operational costs. During the year, business process re-engineering efforts resulted in reduction of process losses and improvement in quality of paper.

A series of initiatives have taken place to reward workplace innovation and creativity such as Employee of the Quarter Award, Innovative Idea and KAIZEN Incentive Schemes etc. Improved efficiencies in our processes and practices have been achieved through consultation and participation of our employees that has ultimately resulted in improved bottom line performance. One of the biggest impact projects for the Year was the Business process re-engineering (BPR) of the Short Former Unit of PM-2 in the Machine House Section which was handled completely in-house through our own Engineering expertise. This single project alone resulted in an expansion of our production capacity by 15%.

The Company has increased its spending on Infrastructure to PKR 337 million which represents an increase of over 80% from the previous year in the following areas:

- Feed stock preparation and refinement
- Paper finishing
- Machine House Capacity Enhancement (short – former)
- Water resources
- Heat recovery systems

Consequently, we intend to improve our operational resilience, increased production capacity, and energy efficiency.





Reduced Inequalities



The Company promotes equality in the workplace by treating all staff fairly and ensuring equal access to opportunities for all employees. Our Human Resource Department plays an important role in helping all employees realize and develop their full potential.

We strive to compensate all our employees for annual inflation effects allowing them to maintain their standard of living. We also provide healthcare insurance coverage to all employees.

Additional assistance is also provided in the form of merit based academic scholarships and grants for wedding ceremonies for their children. Besides that, funeral expenses incurred on the death of family members is also taken care of. The more deprived segments are provided with additional financial assistance through the Employee Welfare Fund Scheme.





Sustainable Cities and Communities



SPL realizes its role of making its surrounding community of Malir - Karachi more sustainable and hospitable for its inhabitants. It frequently sets up camps during heat waves for addressing de-hydration issues by offering cold water and chilled juices for pedestrians and passing motorists. The general public lauded the gesture and efforts of SPL to give back to the community.



Furthermore, our surrounding communities are increasingly water stressed and availability of cheap potable water from pipeline (KWSB) is becoming a challenge day by day. Since water is an important requirement in our production processes, SPL has over the years partially diverted its sourcing of water to ground extracted high TDS water (high salts content, non-potable water) which it treats through self-operated RO plants. This greatly reduces the stress on the community and allows SPL to play

its role in community building through sustainable sourcing of water.

In addition to the above, SPL intends to further improve on its sustainability pledge by investing in a state of the art Waste Water Treatment Plant (WWTP) which we expect will recycle up to one third of all our effluent water further improving our sustainability in business and the surrounding communities.





Responsible Consumption & Production



Sustainable Consumption and Production invariably requires improved production efficiencies for which the Company identified opportunities in Energy Conservation and Resource Utilization.

Annual Paper Finished in Tons (2018-19)	
Banknote Paper	3214
Non-Banknote Paper	505
Total	3719

Energy Conservation:

The organization has achieved overall improvement in its energy consumption. The Company has a self-co-generation power plant and is aware of the country's need for energy conservation. Avenues having energy saving possibilities are identified and analyzed for energy conservation projects. Employees are encouraged to switch off lighting, computer systems, electronic equipment and air-conditioners when not in use. Heat Insulation is provided and equipment are well maintained to conserve energy.

The Company undertook initiatives to reduce the consumption of energy to bridge the gap between energy supply and its increasing requirements such as:

Upgrading the technology used in driving our upstream production processes:

- Direct Fired Absorption Chiller Fans
- Feedstock Preparation Motors
- Inverter based motor drives

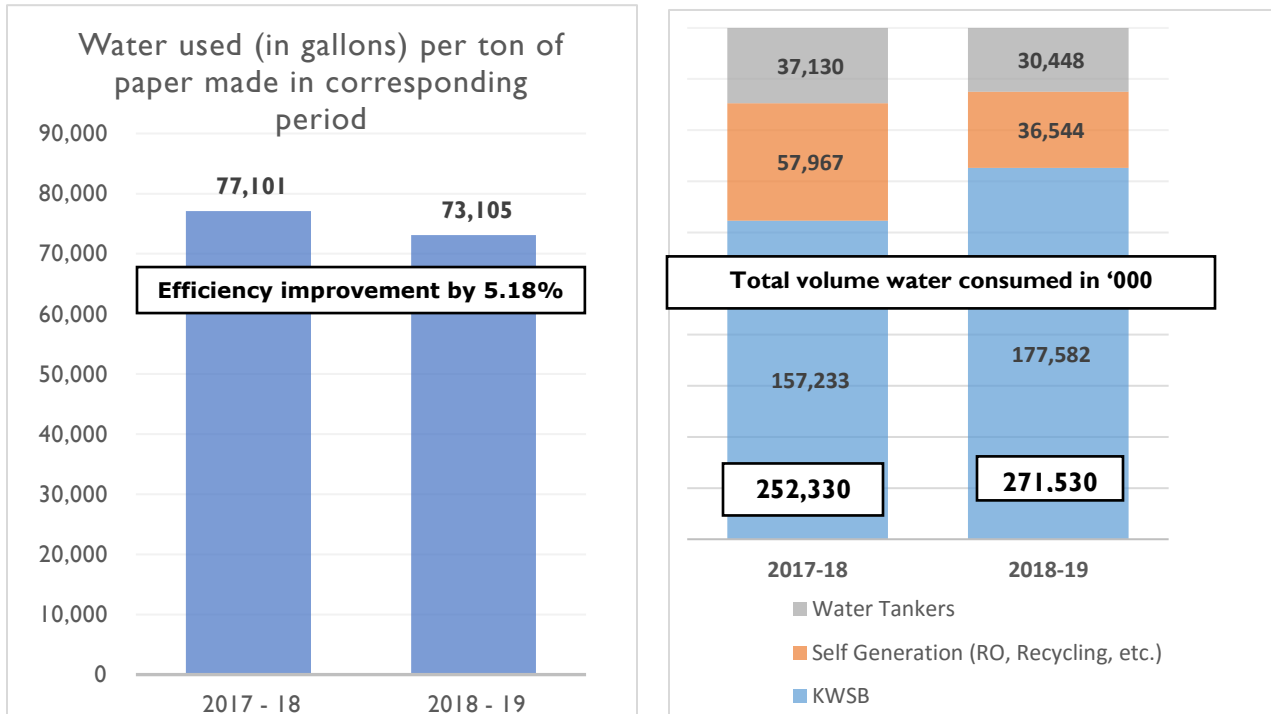
Heat insulation is provided in steam lines and tanks to avoid heat losses.

Replacement of all conventional lights with LEDs – expected savings of over PKR 5 million per annum. Awareness of energy saving habits and practices in offices and workplace.

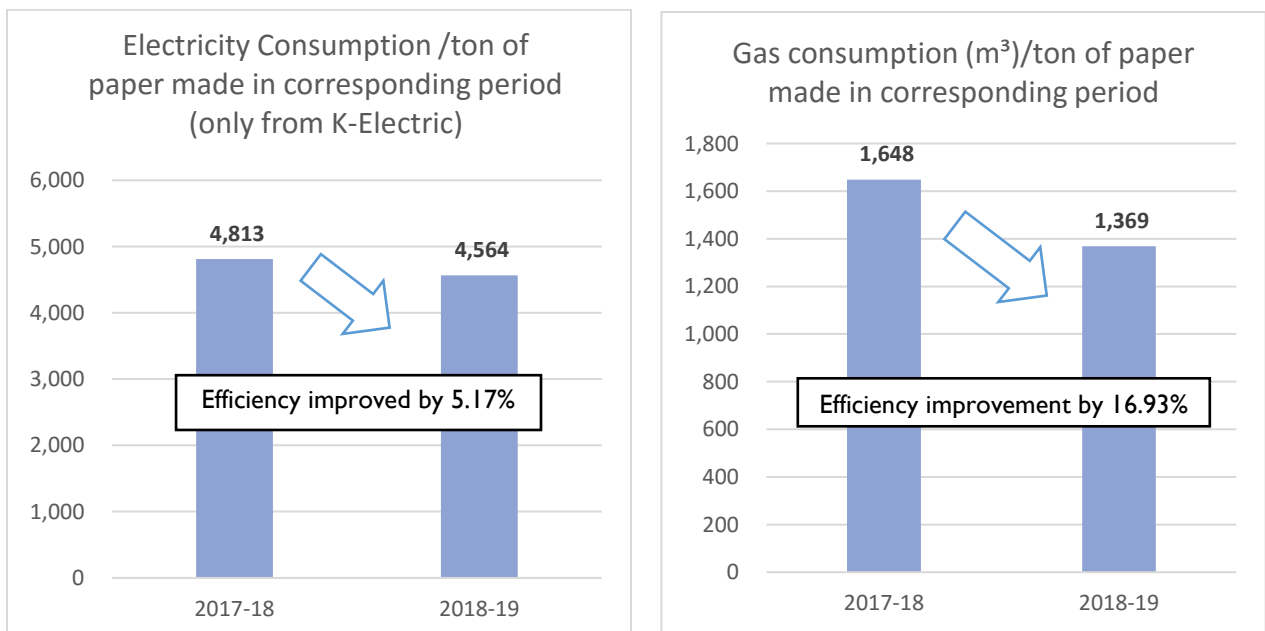
Annual Consumption of Resources (2018-19)	
Resource	Quantity
Water (Gallons)	271,530,000.00
Gas (Cubic meters)	5,092,431.00
Electricity (Kwh)	16,978,455.00

Efficient Resource Utilization: a key metric of sustainability and improved profitability is consumption of resources per ton of paper produced. During the period under review, SPL produced approx. 12.81% more paper while reducing its water, gas and electricity consumption per ton of production by 5%, 16.9% and 5% respectively. This was made possible through effective planning for fewer changeovers, less downtime, increased machine speed and longer machine runs to reduce consumption in the heads of water, input chemicals and electricity.

WATER REQUIREMENT FOR PRODUCTION



UTILITIES USAGE EFFICIENCY





Climate Action



SPL has adopted a balanced and responsible approach, while carrying out its core business operations that reduces carbon emissions and ensures social and environmental gains. We adhere to all the environmental standards required as part of ISO 14001: 2015 certification as well as those required as part of Sindh Environmental Quality Standards (SEQS) regulated by the Sindh Environmental Protection Agency (SEPA). Environmental Feedback Survey is also conducted annually to assess the environmental impact of operational activities of the Company on the local community.

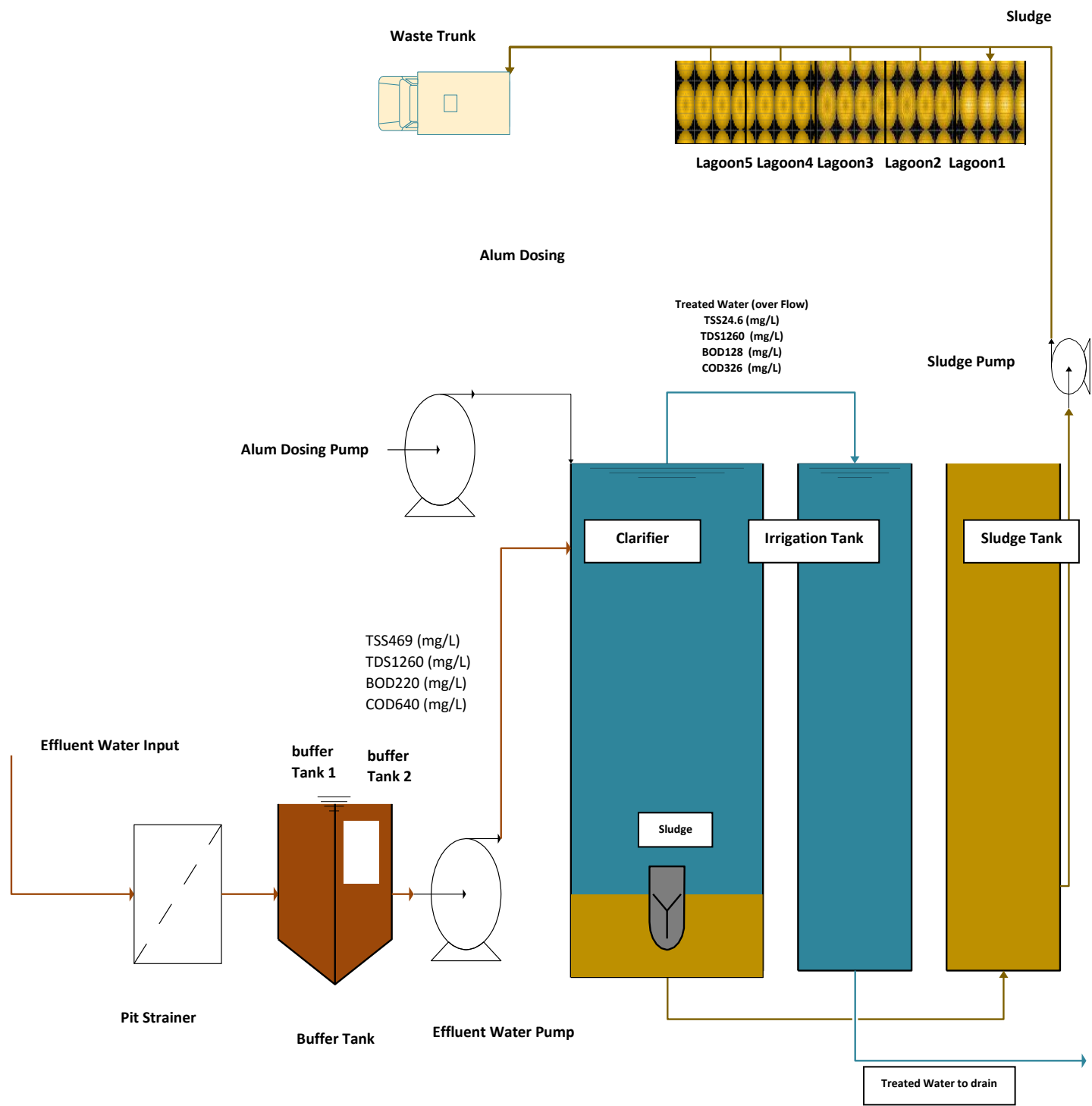
The Company adopted rigorous monitoring routine and pursuing continuous tracking of all its stack, vehicular emissions and solid waste disposal, allowing it to preemptively address any maintenance or corrective measures. All solid wastes are classified into Hazardous and Non-Hazardous. A well-organized scrap yard has been established to stack waste materials in systematic and controlled manner.

Waste Type	Unit	Quantity
Water	Gallons/year	62,780,000.00
	Gallons/day	172,000.00
Dry Sludge	Kg/year	1340
	Waste/day	3.7

We have a fully operated and efficient Effluent Treatment Plant (ETP). In order to protect environment, liquid effluent is treated in Effluent Treatment Plant and operated through Standard Operating Procedure. Both internal and external testing are carried out to comply with the regulatory provincial standards. The final environmental hazardous properties of effluents are controlled periodically and ensured to comply with SEQS standards.



Our Effluent Water Treatment Scheme



We intend to launch a large scale Waste Water Treatment Plant where we would be able to recycle up to 300,000 GPD of our effluent back into our Production cycle, thereby greatly reducing environmental pollution and improving our raw material efficiencies.

Due to a series of efficiency measures taken, we have improved our impact on the environment as follows:

- Reduced carbon footprint by 14.7% from our gas consumption per unit of production
- Reduced effluent water discharge per unit of production by 16.47%
- Reduced dry sludge per unit of production disposal by 12.31%

Carbon Footprints (Metric Ton of CO₂)

Parameter	Quantity	Carbon Footprints (Metric Ton of CO ₂)
Gas (Cubic meters)	5,092,431	9588.82
Electricity in Kwh (From External Source Only)	8,797,100	4876.1
Total		14464.97

Environmental Aspects & Impact Analysis

Total Sections in Factory premises	Total Activities Identified	Total Environmental Aspects Identified	Category - A (Aspects)	Category - B (Aspects)	Category - C (Aspects)
28	106	114	0	15	99

Category A	No action required
Category B	Keep monitoring
Category C	Monitor changes
Category D	Plan & implement focused measure to control

Quality of Treated Effluent Water

Sr. #	Parameters	units	Value	SEQS LIMIT
1	Temperature or temperature increase	°C	30.2	40 ± 3
2	Ph Value (H ⁺)	SU	7.83	6.0-9.0
3	Biochemical Oxygen Demand (BOD ₅)	mg/l	132	80
4	Chemical Oxygen Demand (COD)	mg/l	368	150
5	Total suspended Solids (TSS)	mg/l	127	200
6	Total Dissolved Solids (TDS)	mg/l	1267	3500
7	Oil & Grease	mg/l	6.92	10
8	Phenolic Compounds (as Phenol)	mg/l	0.046	0.1
9	Chloride (as Cl ⁻)	mg/l	207.8	1000
10	Fluoride (as F ⁻)	mg/l	0.21	10
11	Cyanide (as CN ⁻) total	mg/l	0.0104	1
12	An-Ionic Detergents (as MBAS)	mg/l	0.021	20
13	Sulphate (SO ₄ ⁻²)	mg/l	103	600
14	Sulphate (S ⁻²)	mg/l	0.072	1
15	Ammonia (NH ₃)	mg/l	14.63	40
16	Pesticides	mg/l	<0.000 1	0.15
17	Cadmium (Cd)* ¹ total	mg/l	0.0172	0.1
18	Chromium (trivalent & hexavalent) total* ²	mg/l	0.0224	1
19	Copper (Cu)total* ³	mg/l	0.7915	1
20	Lead (Pb)* ⁴	mg/l	0.1746	0.5
21	Mercury (Hg)* ⁵ Total	mg/l	<0.000 1	0.01

Testing by: Environmental Research Center, Department of Earth & Environmental Sciences
Bahria University, Karachi Campus



Life Below Water



We consider our prime responsibility to monitor our liquid effluent discharge parameters and ensure that all environmental standards are met for all kinds of effluents either gaseous, liquid or solids. We believe that healthy oceans and seas are essential to our existence as they cover 70 percent of our planet. The key target of SDG-15 is to increase and mobilize financial resources to ensure sustainable use and conservation of ecosystems.

We understand that oceans are one of the most important resources that we have, as they provide key natural resources including food, energy and water.

Our monitoring of treated effluent water as per standards defined by SEPA in the SEQs, which allows us to control our impact on the environment.

Our Hazardous Waste Disposal is highly regulated, with such disposal carried out at designated sites through ISO certified handling methods and SEPA certified logistics contractors only. Such sites contain provisions for treatment and bio-degradation of toxic chemicals to acceptable levels, with the aim to prevent toxic leaching into the ground and protecting ground water.

EFFLUENT WATER DISCHARGE	
Gallons/day	Gallons/year
172,000	62,780,000





Life on Land



A flourishing life on land is the foundation for our life on this planet. Being socially responsible, we believe in conservation, restoration and sustainable use of Land. We understand that in order to retain the integrity and vitality of natural resources and to ensure long-term socio-economic growth and prosperity, sustainable management of land is key. SPL aims to contribute to this SDG by mitigating its impact and dependence on ecosystems. We have implemented strategies to incentivize sustainable environmental stewardship.

Normally in a paper manufacturing industry, wood pulp is used by cutting trees in manufacturing paper. Instead of this practice, we utilize cotton comber as critical input raw material. This is procured from Spinning Mills which is a byproduct of their core manufacturing operations.

Additionally, we continue to work closely with our stakeholders to meet and exceed all the environmental regulations relevant to our organization, improve consumption efficiency of raw materials and set annual targets for improvement in these areas. SPL has increased efforts towards innovation, investing in infrastructure and implementing responsible sourcing policies. The Company aims to play its role in preserving and restoring vital ecosystems, promoting the sustainable use of land and forests, while retaining consumer confidence in its product offerings.

Promoting a sustainable use of our ecosystems and preserving biodiversity is not a cause. It is the key to our own survival. Through our horticulture team, we managed to plant 1,500 fruit bearing trees and 550 flowering plants within our factory premises.





Peace, Justice & Strong Institutions



SPL believes that an institution-based approach based on ethical and fair dealings is important for the development of the Company and its employees. Improved infrastructure, greater gender equality and stable social conditions generate economic growth that in turn leads to the creation of new markets, boosts innovations and minimizes risks. SPL aims at creating new jobs and adopt hiring practices that ensure no discrimination on the basis of race, ethnicity, gender or religion. The range of activities that companies think of in support of SDG 16 tends to focus on corruption and eliminating bad corporate behaviors. These corporate compliance functions often interact with risk management processes. SPL strives to observe the highest standards of integrity and fairness in all its dealings.

In this regard, we have a few policies in place to institutionalize our approach towards providing a fair, transparent and enabling working environment for our employees and their interactions with external stakeholders such as Sexual Harassment, Whistle Blowing Conflict of Interest, Code of Business Ethics, Conduct & Discipline and False Declaration Policy.

The Company has developed a Code of Conduct for Directors and its Employees. As per the Code of Conduct, the Directors are expected to articulate the highest standards of professionalism, integrity, ethical behavior in the Company.

All Directors must comply with all applicable laws, regulations and rules of the country applicable to the Company including but not limited to the Companies Act 2017, Code of Corporate Governance 2017, listing Regulations of the Stock Exchange and Insider Trading rules and Regulations.

The Code of Conduct for employees summarizes the values, principles and business practices that guide the business conduct of the Company and also set a basic principle to guide SPL employees regarding minimum ethical requirements expected from them.

In addition, we also have a process whereby we publish and follow a tendering process for our major procurements, providing a level and competitive playing field to our vendors.



Partnerships for the Goals



SDG-17 aims for a greater mobilization of domestic resources to reduce dependence on foreign support, as well as enhanced international collaboration in technology and innovation. During the year ended June 30, 2019, SPL contributed an amount of Rs. 1,152 million to the national exchequer on account of direct and indirect taxes and levies. In addition, the Company has also made foreign exchange savings of US \$30 million approx.) through import substitution during the year ended June 30, 2019. SPL is a low geared company. During the year under review, long term debt to equity ratio was maintained at 0.001:1 as the leverage position was kept to its minimum.

The Management instituted additional procedures including revival of "Short Former" to enhance productivity, efficiency and quality of paper. This has increased the production capacity of the Plant by 15%.

The Company enhanced cooperation with manufacturers of Banknotes Machinery to gain awareness with new technology and innovation taking place globally in the Banknotes manufacturing industry.

We actively engage with stakeholders across our entire value chain and at all levels in order to develop common solutions and create shared value. With time and effort, these contributions have started bearing fruits. Most of our implementation partners are those organizations with whom we are in a mature phase of collaboration of over 3 years.

Additionally, our long-term associations with both overseas and local companies have led to improved quality of business relations; especially in the following areas:

- High Total Dissolved Solids (TDS) underground water Processing-Reverse Osmosis Plant
- Waste water recycling and reuse
- Cotton comber procurement
- Key chemicals and security ingredients
- Plant Maintenance, Up gradation and Knowledge Transfer





APPENDICES

GRI CONTENT INDEX	56-60
SDGs	61-62
GLOSSARY AND ACRONYMS	63-64

Organization Profile		
GRI Disclosure	Reference	Page #
Disclosure 102-1 Name of the organization	Company Profile	Page # 11 of Sustainability Report
Disclosure 102-6 Markets served	Geographical presence	
Disclosure 102-7 Scale of the organization	Company Profile	
Disclosure 102-2 Activities, brands, products, and services	Our Products	Page # 23 of Sustainability Report
Disclosure 102-3 Location of headquarters	Geographical presence	Page # 11 of Sustainability Report
Disclosure 102-4 Location of operations	Geographical presence	
Disclosure 102-8 Information on employees and other workers	Performance Highlights	Page # 5 of Sustainability Report
Disclosure 102-9 Supply Chain	Risk & Mitigation Strategy: Commercial & Operational Risks Supplier Analysis Procedure	Page # 21 of Sustainability Report
Disclosure 102-10 Significant changes to the organization and its Supply Chain	Risk & Mitigation Strategy: Commercial & Operational Risks SDG 9: Industry Innovation and Infrastructure	Page # 21 of Sustainability Report Page # 42 of Sustainability Report
Disclosure 102-11 Precautionary principle or approach	SWOT Analysis Risk & Mitigation Strategy	Page # 25 of Sustainability Report Page # 21 of Sustainability Report
Disclosure 102-12 External initiatives	GRI Standards for Sustainability Report	
Disclosure 102-13 Membership of associations	Karachi Chamber of Commerce and Industry (KCCI).	
Strategy		
Disclosure 102-14 Statement from senior decision-maker	CEO's Message	Page # 8-9 of Sustainability Report
Disclosure 102-15 Key impacts, risks, and opportunities	SWOT Analysis	Page # 25 of Sustainability Report

Ethics and Integrity		
GRI Disclosure	Reference	Page #
Disclosure 102-16 Values, principles, standards, and norms of behavior	Our Core Values, Code of Conduct and business practices	Pg. # 68 of Annual Report 2019
Governance		
Disclosure 102-18 Governance structure	Corporate Governance, Board Composition	Page # 26 of Sustainability Report
Stakeholder Engagement		
Disclosure 102-40 List of stakeholder's groups	Shareholding Pattern	Page # 16 of Sustainability Report
Reporting Practice		
Disclosure 102-45 Entities included in the consolidated financial statements	Security Papers Limited	Annual Report 2019
Disclosure 102-46 Defining report content and topic Boundaries Disclosure 102-47 List of material topics Disclosure 102-48 Restatements of information Disclosure 102-49 Changes in reporting Disclosure 102-50 Reporting period Disclosure 102-51 Date of most recent report Disclosure 102-52 Reporting cycle Disclosure 102-53 Contact point for questions regarding the report Disclosure 102-54 Claims of reporting in accordance with the GRI Standards Disclosure 102-56 External assurance	All these disclosures have been covered in Prologue section of the Sustainability Report	Page # 3 of Sustainability Report
Disclosure 102-55 GRI content index	GRI content index	Page # 56-60 of Sustainability Report

GRI 201: Economic Performance		
GRI Disclosure	Reference	Page #
Disclosure 201-I Direct economic value generated and distributed	Annual Report 2019: Performance & Position Section: Value Distribution	Page # 79 in Annual Report 2019
Disclosure 201-4 Financial assistance received from government	Not Applicable	
GRI 202: Market Presence		
Disclosure 202-I Ratios of standard entry level wage by gender compared to local minimum wage	Security Papers Limited adheres to Sindh Factories Act, 2015 and all other local Laws regarding minimum wages	
Disclosure 203-I Infrastructure investments and services supported	Analysis of Financial Statements Annual Report 2019: Page # 83 SDG 9: Industry Innovation and Infrastructure Board Procurement Committee	Page # 83 in Annual Report 2019 Page # 42 of Sustainability Report Page # 15 of Sustainability Report
GRI 204: Procurement Practices	SDG 17: Partnerships for Goals	Page #54 of Sustainability Report
GRI 205: Anti-corruption	Our Core Values, Code of Conduct and business practices	Page #69 of Annual Report-2019
GRI 206: Anti-competitive Behavior	Strategic Goals	Page # 20 of Sustainability Report
Disclosure 301-I Materials used by weight or volume	Cotton comber is used by weight. SPL At A Glance SDG 15: Life on Land	Page#11 of Sustainability Report Page# 15 of Sustainability Report
Disclosure 302-I Energy consumption within the organization	SDG 12: Responsible Consumption & Production Energy consumption (2018-19)	Page #45-46 of Sustainability Report
Disclosure 303-I Water withdrawal by source	SDG 6: Clean Water and Sanitation SDG 12: Responsible Consumption & Production Water Consumption (2018-19)	Page #38-39 of Sustainability Report Page #45-46 of Sustainability Report
Disclosure 305-I Direct (Scope 1) GHG emissions Disclosure 305-2 Energy indirect (Scope 2) GHG emissions Disclosure 305-3 Other indirect (Scope 3) GHG emissions	SDG 13: Climate Action	Page #47-50 of Sustainability Report

GRI Disclosure	Reference	Page #
Disclosure 305-5 Reduction of GHG emissions	SDG 13: Climate Action	Page #47-50 of Sustainability Report
Disclosure 306-1 Water discharge by quality and destination	SDG 13: Climate Action Quality of treated Effluent water Our Effluent Water Treatment Scheme	Page #47-50 of Sustainability Report
Disclosure 306-2 Waste by type and disposal method	SDG 13: Climate Action Solid Waste Generated (2018-19) Dry Sludge (2018-19)	Page #47-50 of Sustainability Report
Disclosure 401-3 Parental leave	12 weeks Maternity leave is provided to female employees as per Company Policy	
Disclosure 402-1 Minimum notice periods regarding operational changes	One Month's notice period is to be served by employee after approval of resignation as per Company Policy	
Disclosure 403-1 Workers representation in formal joint management-worker health and safety committees Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities Disclosure 403-3 Workers with high incidence or high risk of diseases related to their occupation	Sustainability Framework Annual Report 2019: Occupational Health & Safety Management Systems	Page # 29 of Sustainability Report Page#20 of Annual Report 2019
GRI 404: Training and Education	SDG 4: Quality Education	Page# 36 of Sustainability Report

GRI Disclosure	Reference	Page #
GRI 405: Diversity and Equal Opportunity	SDG 5: Gender Equality SDG 10: Reduced Inequality	Page# 37 of Sustainability Report Page# 43 of Sustainability Report
GRI 408: Child Labor	SDG 8: Decent Work & Economic Growth Annual Report 2019: Code of Conduct and business practices	Page# 41 of Sustainability Report Page#68 of Annual Report 2019
Disclosure 410-I Security personnel trained in human rights policies or procedures	Safety of the company is established through internal security force (which is led by a retired army officer) and by Pakistan Army (Defense Security guards) all security guards are well trained in human right practices	
GRI 413: Local Communities	SDG 13: Climate Action	Page #47-50 of Sustainability Report
Disclosure 419-I Non-compliance with laws and regulations in the social and economic area	SDG 13: Climate Action Annual Report 2019: Code of Conduct and business practices	Page #47-50 of Sustainability Report Page#68 of Annual Report 2019



SDGs	PAGE NO.	GRI STANDARDS DISCLOSURE
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	34	201-1, 203-1, 203-2, 413-2
	35	203-2, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 403-2, 403-3
	36	102-27, 404-1
	37	102-22, 102-24, 201-1, 202-1, 203-1, 401-1, 401-3, 404-1, 404-3, 405-1, 405-2, 406-1, 414-1, 414-2
	38-39	303-1, 303-2, 303-3, 306-1, 306-2, 306-3, 306-5
	40	201-1, 203-1, 302-1, 302-2, 302-3, 302-4, 302-5
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	42	201-1, 203-1

SDGs		PAGE NO.	GRI STANDARDS DISCLOSURE
	Reduce inequality within and among countries	43	203-2, 405-2
	Make cities inclusive, safe, resilient and sustainable	44	203-1
	Ensure sustainable consumption and production patterns	45-46	204-1, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 303-3, 305-1, 305-2, 305-3, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 417-1
	Take urgent action to combat climate change and its impacts	47-50	201-2, 302-1, 302-2, 302-3, 302-4, 302-5, 305-1, 305-2, 305-3, 305-4
	Conserve and sustainably use the oceans, seas and marine resources	51	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-3, 306-5
	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	52	305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-3, 306-5
	Promote just, peaceful and inclusive societies	53	102-16, 102-17, 102-21, 102-22, 102-23, 102-24, 102-25, 102-29, 102-37, 205-1, 205-2, 205-3, 307-1, 414-1, 414-2, 406-1, 408-1, 410-1, 416-2, 417-2, 417-3, 419-1
	Partnership for the Goals	54	

GLOSSARY AND ACRONYMS

UNGC	United Nations Global Compact
CSR	Corporate Social Responsibility
GRI	Global Reporting Initiative
GHG	Green House Gases
HSE	Health, Safety and Environment
PSX	Pakistan Stock Exchange
CF	Cubic Feet
MW	Mega watt
NEQS	National Environmental Quality Standards
OHSAS	Occupational Health and Safety Management System
PSX	Pakistan Stock Exchange
CBS	Corporate Briefing Session
KPID	Key Point Installation by the Government of Pakistan
PM-2	Paper Machine
SPL	Security Papers Limited
PSPC	Pakistan Security Printing Corporation (Pvt.) Limited
MAP	Management Association of Pakistan
AGMs	Annual General Meetings-
SEQs	Sindh Environmental Quality Standards
SEPA	Sindh Environmental Protection Agency
CPR	Cardio – Pulmonary Resuscitation
LED	Light Emitting Diode
CFL	Compact Fluorescent Light
YoY	Year on Year
BPR	Business Process Re-engineering
WWTP	Waste water treatment plant

GPD	Gallons Per Day
SGA	Sindh Graduate Association
TDS	Total Dissolved Salts
RO	Reverse Osmosis Plant
SWOT	Strengths, Weaknesses Opportunities & Threats
CEO	Chief Executive Officer
CFO	Chief Financial Officer
ERM	Enterprise Risk Management
KRI	Key Performance Indicator
SDGs	Sustainable Development Goals
HANDS	Health & Nutrition Development Society
SIUT	Sindh Institute of Urology & Transplantation
CARD	Collation for Appropriation of Resources & Development
PPE	Personal Protective Equipment
HR	Human Resource
K.E.	Karachi Electric
KWSB	Karachi Water Supply Board
ETP	Effluent Treatment Plant
ISO	International Organization for Standardization
US	United States



The End

