HIS HIGHNESS SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the State of Kuwait
HIS HIGHNESS SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait
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About this report

This is Kuwait National Petroleum Company’s (KNPC’s) first independently-verifiable Corporate Social Responsibility (CSR) Report; however, the principles of CSR are not new to us. Since our creation in 1960, KNPC has led the way in efforts to ensure that the hydrocarbon industry in the Gulf is responsible and sustainable.

Our decision to publish an independently audited CSR Report, reporting to Global Reporting Initiative (GRI) and International Petroleum Industry Environmental Conservation Association/International Petroleum Association (API/IPIECA) Guidelines, demonstrates genuine regional leadership. In this way, we continue to anticipate the needs of our stakeholders.

This report considers the activities of KNPC, a subsidiary of Kuwait Petroleum Corporation (KPC). We are a truly national company and have no autonomous activities beyond the shores of Kuwait. All joint ventures and third party arrangements are undertaken under the auspices of KPC. The reporting period for this CSR Report corresponds to our financial year 2010-2011.

Many historic achievements illustrate our commitment to innovation, such as our decision to phase out the sale of leaded petrol at Kuwaiti service stations in 1998. Kuwait was the second country worldwide to go for an abrupt switch to unleaded Gasoline.

We are currently working on a New Refinery Project and a Clean Fuels Project that will define the future of the oil refining industry in the State of Kuwait. In these projects, as in all else, we will be guided by our Mission, Vision and Values, caring for the environment and the community in which we operate.

Corporate Communications Department, KNPC

All questions regarding this report should be addressed to csr@knpc.com
It is with great pleasure that I introduce our first assured Corporate Social Responsibility Report, which is a huge achievement for all our employees.

Of course, the concept of Corporate Social Responsibility is not new at KNPC. Ever since we were founded in 1960, one of our principal objectives has been the well-being and development of our employees, our communities, and our environment. The issues debated at Copenhagen in December 2009 show that our commitment to those objectives is more important now than it has ever been.

At KNPC we are strongly committed to providing energy in the safest way possible for our employees, our communities, and our environment. We believe it is our duty to ensure that we are at least on a par with leading international companies in the global oil industry, and we continuously strive for improvement in our operations. I am proud to relay that we have now been awarded certification to OHSAS 18001 and ISO 9001:2008 across all KNPC departments.

Our 2010-2011 CSR Report highlights many of the exciting achievements we have accomplished and shows our ambitious plans to drive further forward with our sustainability initiatives. Our achievements are a tribute to the efforts undertaken by our family of employees, and they reflect concerns that are at the heart of our strategy for Corporate Social Responsibility. We already do so much but, with the efforts of our committed family of colleagues, I am confident that we can do even more.

Over the next few years we will be refining the targets that we have documented in this report, and we will be embarking on new projects that will revolutionise our business. These include:

- A multi-billion dollar Clean Fuels Project designed to upgrade our refineries to meet future stringent qualities of petroleum products and produce cleaner fuel for global as well as local marketing.

- A new refinery at Al-Zour in Kuwait, designed to provide Low Sulphur Fuel Oil (LSFO) for power plants in Kuwait to ensure satisfying future domestic energy demand without hurting our environment.

Our experts have used two of the world’s most respected reporting criteria, the Global Reporting Initiative and the IPIECA/API Voluntary Guidelines for the Oil Industry, to produce this report, and I am grateful for the continued support of KPC as well as for the initial direction given by my predecessor, Mr Farouk Al-Zanki, which was endorsed and championed by his management team and employees throughout KNPC. This report is the product of over two years of dedicated research, and should set the benchmark for the standards of CSR reporting in Kuwait’s Oil Industry.

I see a great opportunity for our company to show that we are one of the most environmentally-conscious and socially aware companies in the region.

This report is just the start.
A Pillar of the Kuwait Oil Industry

Kuwait National Petroleum Company (KNPC) is a subsidiary of the Kuwait Petroleum Corporation (KPC), which is 100% owned by the Government of Kuwait. KPC operates through a series of specialised subsidiaries in Kuwait and across the world, with activities encompassing all aspects of the hydrocarbon industry.

KNPC Facts & Figures

The Company was established in 1960 as a shared company between public and private sector and became fully government-owned in 1975.

KNPC achieved a profit of 461.875 million Kuwaiti Dinars in FY 2010-2011.

As a downstream company, KNPC operates three refineries: Mina Al-Ahmadi (MAA), Mina Abdullah (MAB) and Shuaiiba (SHU); plus Local Marketing facilities (two depots at Ahmadi & Sabhan). KNPC also operates 39 petrol stations and supervises another 80 privately-owned stations across Kuwait, and has its own social club, Bait Al-Wataniah. KNPC Head Office, Dar Al Wataniah, is located in Ahmadi.

During this fiscal year, KNPC processed an average of around 892,000 barrels per calendar day of crude oil. MAA processed around 432,000 BPCD, MAB around 262,000 and SHU Refinery 198,000 BPCD.

KNPC employs over 5,500 people.
Company Structure

**CHAIRMAN & MANAGING DIRECTOR**

**KPC Downstream**

**Delivers through**

**Superior People and Partnerships**

**Kuwait National Petroleum Company** operates exclusively within the boundaries of Kuwait. All activities outside Kuwait are undertaken by other subsidiaries of the Kuwait Petroleum Company. Reporting period will follow the financial year.
A Year of Achievement

The year 2010-2011 was one of remarkable progress for KNPC and demonstrated exceptional levels of achievement. Awards and recognition in 2010-2011 included:

**OHSAS 18001**

KNPC became one of the first companies in Kuwait to become certified to OHSAS 18001, which is the internationally recognized standard for Occupational Health and Safety Management. This is a tribute to our existing Health, Safety and Environment Management System and a testament to the hard work of employees across the company.

**ISO 9001:2008**

KNPC is now certified to ISO 9001:2008, proving that we are reliable and that our systems, processes and organization has demonstrated adherence to high standard Quality Management Systems.

**RoSPA Awards 2011**

KNPC as an organization has been awarded the RoSPA Gold Award 2011 for efforts in the area of Occupational Health & Safety performance. This award is granted only to companies with first-rate safety management systems and a record of a minimum four years of continual improvement in Health & Safety performance.

- MAB Refinery: awarded RoSPA Gold 2011 for 6 consecutive years
- Local Marketing Department: awarded RoSPA Gold 2011
- MAA Refinery: awarded RoSPA Silver award 2011
- SHU Refinery: awarded RoSPA Silver award 2011
- Projects Department: awarded RoSPA Silver award 2011

**International Safety Award**

KNPC was awarded The British Safety Council International Safety Award for efforts in the area of Occupational Health and Safety for 8 consecutive years.

**First Place in the Offshore Arabia 2010 Environmental Award**

Organized by the Regional Clean Sea Organization (RECSO), KNPC received the top award in the category “Excellence in Environmental Projects & Products” for undertaking “A Pilot Study of the Performance of Enhanced Stage II Vapour Recovery Systems in Petrol Stations in Kuwait”.

**Hart Energy Award**

KNPC was awarded the title of “International Energy Company of the Year” for the year 2011 by Hart Energy Publishing, which is one of the world’s largest energy industry publishers. Since 1987, this annual award has been presented in recognition of companies that have demonstrated commitment to Investment, Operational Excellence and Corporate Social Responsibilities.
The year saw an acceleration of KNPC’s ambitious plans for the future. Details can be found in the ‘Our Future Plans’ chapter. Major ambitious plans for the future that reflect our commitment to CSR initiatives are:

**Implementation of Process Safety Management (PSM)**
Implementation of PSM has been initiated. Awareness training sessions are being conducted for various levels of employees.

**Implementation of Odor Management System (OMS)**
Implementation of OMS at all KNPC facilities is an on-going activity to achieve an odor-free environment from all sites by 2011. The overall progress in this 4th year of our plan is ahead of target.

**Looking to the Future**
The year saw an acceleration of KNPC’s ambitious plans for the future. Details can be found in the ‘Our Future Plans’ chapter. Major ambitious plans for the future that reflect our commitment to CSR initiatives are:

- **The Clean Fuels Project**
  A multi-billion dollar project designed to reduce pollution and to produce lighter & cleaner fuels for the local and global market by the revamp and reconfiguration of MAA and MAB Refineries.

- **The New Refinery Project**
  Another multi-billion dollar project designed to produce Low Sulphur Fuel Oil (LSFO) in order to help Kuwait achieve self-sufficiency in power generation with much lower emissions, to keep our environment clean.

- **Gas-related Projects**
  Helping to provide cleaner fuel for the community, KNPC has already started the implementation of three major projects: Construction of 4th Gas Train, New North LPG Tanks and Acid Gas Removal project.

- **The KNPC Nature Reserve Project at Wafra**
  Funded by KNPC to protect the endangered flora and fauna of Kuwait, this project is being undertaken in conjunction with The Public Authority Of Agriculture and Fish Resources.
KNPC develops and issues, annually, a set of Corporate Key Performance Measures (KPMs) that are prepared as part of our mother company’s (KPC’s) Performance Management System (PMS). Those KPMs are the main tool for top management to monitor our overall annual performance from various perspectives, including the social perspective. At KNPC we decided to allocate dedicated efforts to CSR and we are now committed to building a world-class CSR capacity.

Having launched our first structured CSR Program in August 2008, this independently-audited CSR Report is for fiscal year 2010-2011. KNPC will continue the progress of the CSR Program by establishing a dedicated CSR team within our Corporate Communications Department (CCD).

Our CSR Program highlights three main dimensions:
- Social
- Environmental
- Economic

KNPC wants to be recognized as an organization with outstanding performance in six major areas.

1) Corporate Governance
   MANAGING RISKS AT ALL LEVELS
   The Management of KNPC is proud of the transparent corporate governance which is reflected through a series of high level meetings:
   - KNPC Board Meetings, which discuss the major issues confronting the refining business;
   - Weekly Leadership Meetings;
   - Safety & Health Environmental Executive Committee (SHEEC) Meetings;
   - The Executive Portfolio Management Committee (EPMC) Meetings, which oversee all strategic projects at KNPC including the Corporate Social Responsibility Project;
   - KNPC Regular Communications Meetings (KRCMs), which include the high-level Monthly Management Meetings (MMMs) and are part of a strong initiative that aims to improve communication across the organisation.

2) Climate Change Challenge
   COMMITTED TO MINIMIZING OUR ENVIRONMENTAL FOOTPRINT
   The issue of climate change is highly recognized, and considered a priority within our organization. We adopt the precautionary principle in all our activities, and we are committed to minimize pollution from our refineries. KNPC acknowledges that Green House Gas (GHG) Emissions, in particular, are a contributory factor to global warming and we support global efforts to achieve a reduction of harmful emissions. We are well aware that our activities have a global impact beyond the borders of Kuwait. Long Term goals include our ambitious Clean Fuels Project at MAA and MAB Refineries, and a New Refinery Project.

3) Environmental Performance
   PROACTIVELY PROTECTING OUR ENVIRONMENT
   KNPC’s commitment to the environment does not just stop at neutralising any adverse impact of our own activities. We also provide our in-house Oil Spill Recovery Team to clean up any pollutants that come into Kuwaiti waters. Initiatives to minimize the release of pollutants include the construction of a Tail Gas Treatment Unit, our longterm
Odor Management strategy, and the Flare Gas Recovery Unit and Sludge Treatment facilities. In 2008, KNPC instituted a hotline so that the community could report any concerns with a guarantee of a 24 hour turnaround on all enquiries. We work closely with the Kuwait Environment Public Authority (K-EPA) to ensure we meet and even exceed all statutory regulations. All Environmental activity is overseen by the Safety & Health Environmental Executive Committee (SHEEC), which is headed by the Chairman and Managing Director.

4) Occupational Health and Safety

SAFETY IS OUR PRIORITY

In the area of Occupational Health and Safety, KNPC is certified to OHSAS 18001 and is certified in International Management Systems such as ISO 9001 and ISO 14001. We also strictly follow KPC’s Corporate HSE Standards and SHEMS procedures which are designed to ensure ‘best practice’ and continual improvement in Health and Safety operations. In 2009 a major Crisis Communications Manual was published and a Crisis Management Centre was established at KNPC Head Office Dar Al-Wataniah.

5) Social Performance

RECOGNIZING OUR RESPONSIBILITIES TOWARDS THE COMMUNITY

We feel strongly about our responsibilities towards our community and these are reflected in our many initiatives aimed at improving social welfare. Some of our initiatives have been undertaken in partnership with Non-Governmental Organizations (NGOs) such as the United Nations Development Program (UNDP). We are also committed to working with the Kuwait government and local organizations such as the Ministry of Health and the Dasman Centre, which is a local diabetes research centre and treatment clinic. Throughout the year members from our HSE department visit local schools and other learning institutions and bring awareness to various age groups of the many environmental concerns facing Kuwait, and of the initiatives KNPC takes to reduce environmental damage. In addition, we have made huge progress with our contractor engagement program. Our Suppliers Service Centre was set up in 2010 within the Commercial Department, aiming to bring suppliers and contractors closer to KNPC. We also take our product stewardship obligations very seriously and we ensure that our products are of consistently high quality.

6) Employment and Diversity

MAXIMIZING EMPLOYMENT OPPORTUNITY

As one of the largest government organizations in the State of Kuwait, KNPC takes into consideration the roles and responsibilities of its workforce and of all those who contribute to its success. We offer the same basic salary to men and women, and believe in the importance of equality and of rewarding success and innovation. We follow the governmental policy of ‘Kuwaitisation’ to benefit the local workforce and ensure that the maximum employment opportunities are open to all Kuwaiti Nationals. Kuwaiti manpower comprises up to 81% of the total workforce within our organization. In 2010 the ambitious Better Employee Service Transformation (BEST) Project was launched to enable far greater automation of HR processes, and to encourage employees to take greater control of their professional commitments.

KNPC is constantly evolving, and has ambitious targets for continuous improvement. Our aim is to have all of our CSR Reports externally verified by credible third parties, and to build a team of external observers that will help us to guide the implementation of our CSR program in the future. Our aim is to have CSR at the core of everything we do.
Materiality and Indicators

What is Materiality?

When a large organization such as KNPC decides to produce a CSR Report, there are several questions that must be raised. Among them: “On what should we report?”; “We can’t cover everything, so what do we leave out?”; and “how do we determine what our stakeholders will want to know?”

These are questions of materiality, and there are several different definitions of what this term means. The Global Reporting Initiative says that materiality is the ‘information in a report [that] should cover topics and indicators that reflect the organisation’s significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders’. The IPIECA/API Guidance avoids using the word materiality, to avoid confusion with financial reporting, and instead uses the word ‘relevance’.

But how do we know what is of ‘sufficient importance or significance’ to our stakeholders?

Defining Materiality at KNPC

KNPC set up a strong CSR governance structure to oversee the major decisions taken in regard to CSR reporting. Task Force Teams (TFTs) comprising KNPC employees drawn from across the company studied all possible reporting guidelines and, later, thoroughly evaluated all potential Key Performance Indicators (KPIs) for relevance and significance. The Program’s Implementation Group then officially selected the guidelines, and studied, revised and approved the recommended list of KPIs.

Our Approach to Selecting the Reporting Guidelines

Firstly, the TFT which was concerned with documentation and reporting chose the reporting guidelines from a broad choice which included AccountAbility 1000, Accounting for Sustainability, BS 8900:2006 Guidance for Managing Sustainable Development, and Social Accountability 8000. These guidelines were studied in detail and a benchmarking exercise was undertaken to see what principles other oil companies had adopted, and why. Following a lengthy debate, it was concluded that The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and the International Petroleum Industry Environmental Conservation Association/International Petroleum Association (IPIECA/API) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting were the most relevant, applicable guidelines. We believe this is a good mix as the GRI is broad and universal, and the IPIECA/API more sector specific.

CSR Key Performance Indicators

Key Performance Indicator (KPI) is an industry term commonly used by an organization to evaluate the success in a particular activity in which it is engaged. As a KPC subsidiary, KNPC is committed to develop a set of Key
Performance Indicators or Measures (KPMs) on an annual basis to measure the Company’s overall performance, and to report them as part of KPC’s Performance Management System (PMS). Those KPMs are developed from policies, long term strategic plan and medium term plan, based on certain criteria and guidelines developed by KPC Corporate Planning. The TFT concerned with Data Management and Capture had been assigned a similar task, but dedicated to CSR.

Following the IG’s approval of the GRI and IPIECA/API as our reporting guidelines, the team methodically studied all possible core and secondary KPIs. KPIs were recommended to the IG, and approved, on the following basis:

- The suggested KPIs outlined in the GRI guidance;
- The suggested KPIs outlined in the IPIECA guidance;
- The CSR-related KPIs outlined in KNPC Corporate KPMs;
- The applicability of the issues, reflecting the nature and scale of the KNPC operations being reported;
- The availability and confidence that KNPC has in its data – especially data that is being collated, reviewed and reported for the first time.

Given the stage which KNPC has reached with regard to its reporting history, and the fact that we operate solely within the national boundaries of Kuwait, it is inevitable that some KPIs set out within the GRI and IPIECA guidelines are either not applicable to the business or are not supported by data currently available, as reporting mechanisms are in the process of being introduced and data sets are incomplete. Therefore, it was clear that a methodology was required. The diagram below illustrates the steps taken by the TFTs to ensure that the KPIs were suitable for the CSR Report. Essentially, this is a step-by-step process of elimination. All KPIs were judged on the following criteria:

Is the KPI:
- Core to GRI and IPIECA/API?
- Relevant for inclusion? (i.e. Is there a point for its inclusion?)
- Sufficiently supported by the data, either now or in the future?

**Our Approach to Selecting CSR KPIs**

At the heart of all our considerations was an appreciation that this would be our first major CSR Report and we wanted it to be accurate, so we adopted a ‘precautionary approach’. We feel that this allows for the continual improvement of the CSR Report year on year, in which an increasing number of criteria are reported with growing confidence.

Having determined our KPIs, we then had to obtain and report the data. This process is best illustrated by the funnel diagram.

At every stage the emphasis has been on verification and on ensuring that all TFTs were happy with the KPIs and the data. We believe that the credibility of our CSR Report rests as much on the transparent, collective process of deciding and operating a clear methodology as it does on the data itself.
Measuring Performance

As previously mentioned, KNPC’s overall performance has for some time been monitored through the Corporate KPMs. Additionally, KNPC operates a Balanced Scorecard (BSC) at all levels of the company, which is overseen by our Corporate Planning Department and Higher Management.

The main objective of this initiative is to give special attention to the measuring and monitoring of our CSR performance. In the following Chapter, we will present the future targets established for the approved KPIs to measure our CSR performance.

### KPIs Adopted for CSR Reporting

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<th>No</th>
<th>KPI</th>
<th>Reference</th>
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<tr>
<td></td>
<td></td>
<td>GRI</td>
</tr>
<tr>
<td>Environmental (7 in total)</td>
<td>Use of Energy</td>
<td>Direct and indirect energy consumption</td>
</tr>
<tr>
<td>1</td>
<td>Total direct and indirect emissions of greenhouse gases (GHGs)</td>
<td>EN16, ENV-3</td>
</tr>
<tr>
<td>2</td>
<td>Flared and vented gas</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Other relevant greenhouse gas emissions</td>
<td>EN17, EN20, ENV-3, ENV-A6</td>
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<tr>
<td>4</td>
<td>Emissions to Water (including Spillages)</td>
<td>EN21, ENV-2, ENV-A2</td>
</tr>
<tr>
<td>5</td>
<td>Discharges to water</td>
<td>EN23, ENV-1 ENV-A1</td>
</tr>
<tr>
<td>6</td>
<td>Spillages (number of spills or volume of oil spills)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>EMS (certified management system)</td>
<td>-</td>
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<tr>
<td>Social (8 in total)</td>
<td>Characterization of the workforce</td>
<td>LA1, SOC-4, SOC-7</td>
</tr>
<tr>
<td>8</td>
<td>Employee turnover rate</td>
<td>LA2, SOC-4, SOC-7</td>
</tr>
<tr>
<td>9</td>
<td>Basic salary ratios</td>
<td>LA14, SOC-4, SOC-7</td>
</tr>
<tr>
<td>10</td>
<td>Occupational Health &amp; Safety of the workforce</td>
<td>LA7, H&amp;S-3, H&amp;S-4</td>
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<tr>
<td>11</td>
<td>Occupational Health &amp; Safety Management Systems</td>
<td>-</td>
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<td>12</td>
<td>Training &amp; Education</td>
<td>LA10, -</td>
</tr>
<tr>
<td>13</td>
<td>Anti-corruption Measures</td>
<td>SO2, SOC-2</td>
</tr>
<tr>
<td>14</td>
<td>Business units at risk of corruption</td>
<td></td>
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<tr>
<td>15</td>
<td>Non Retaliation and Grievance Systems</td>
<td>-</td>
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<tr>
<td>16</td>
<td>Direct economic revenue generated (including charitable donations)</td>
<td>EC1,</td>
</tr>
<tr>
<td>17</td>
<td>Coverage of defined benefits packages (including commercial initiatives)</td>
<td>EC3, SOC-7, ECO-A2</td>
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<td>18</td>
<td>Policies and practices to support local suppliers</td>
<td>EC6, SOC-8, SOC-A4, SOC-A6</td>
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<tr>
<td>19</td>
<td>Infrastructure development (including community investment)</td>
<td>EC8, SOC-8, SOC-A4, SOC-A5, SOC-A6</td>
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Performance Categories Selected for Creation of SMART Targets

The resultant KPIs were finally identified as:

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<tr>
<td>Corporate Governance</td>
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<tr>
<td>1 Risk Index</td>
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<tr>
<td>Climate Change Challenge</td>
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<tr>
<td>2 Green House Emissions (trial program)</td>
</tr>
<tr>
<td>Environmental Performance</td>
</tr>
<tr>
<td>3 Spillages</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>4 Fatality Cases</td>
</tr>
<tr>
<td>5 Lost Time Injury Rates</td>
</tr>
<tr>
<td>Economic Sustainability and Community Development</td>
</tr>
<tr>
<td>6 Return on Average Capital Expended (ROACE)</td>
</tr>
<tr>
<td>7 Customer Satisfaction Survey</td>
</tr>
<tr>
<td>8 Local Content Index (a+b+c)</td>
</tr>
<tr>
<td>a. Share of Opex Spent Locally</td>
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<tr>
<td>b. Share of Capex Spent Locally</td>
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<tr>
<td>c. Sponsorship and Charity Spending</td>
</tr>
<tr>
<td>9 Number of Technology Opportunities to be Identified</td>
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<td>Employment and Diversity</td>
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<td>10 Percentage of Kuwaitis in KNPC</td>
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Reporting Boundaries

There are no reporting boundaries beyond the fact that we, as a subsidiary of KPC, are a national company and not therefore considered to be active beyond the shores of Kuwait. This means that many of the indicators and disclosures within the GRI and IPIECA/API are not applicable. Of course, KNPC may well be involved in offering assistance to other subsidiaries anywhere in the world, and may even be charged with leading on specific projects. However, this will be done under the auspices of KPC.
At KNPC we believe that our stakeholders deserve to know not just where we are now, but where we hope to be over the next year and beyond. This chapter gives a breakdown of each of our six sustainability focus areas, detailing some of the achievements from the past year and looking forward to what we hope to accomplish. It also highlights the approved performance indicators (Targets) that will be utilized to monitor progress towards our CSR vision.

Development of SMART Targets

KNPC, as a subsidiary of KPC, is committed to develop a set of Key Performance Measures (KPMs) on an annual basis that reflect the Company’s overall performance and to report them as part of KPC’s Performance Management System. Those KPMs are developed from policies, long term strategic plan and medium term plan. Our CSR Team reviewed and evaluated those KPMs to identify which were most aligned to identified CSR-reportable data and that could, therefore, be utilized as targets against which to monitor our CSR performance. Additionally, they defined the “SMART” criteria for setting new targets, which need to be:

- Significant
- Measurable
- Achievable
- Relevant
- Timely
For each CSR-related policy, objectives are identified that will support the policy. SMART targets are then established to achieve each of the objectives, with progress monitored through collection of appropriate data (KPIs). To meet the targets, of course, any number of programmes and/or projects may be initiated.

In order to propose a list of CSR-related SMART targets, and as part of our structured approach, the CSR team adhered to the following methodology:

| 10 step methodology for determining & setting CSR objectives, targets and programmes within KNPC |
|---|---|
| **Objectives** | 3.1 From the agreed KPIs group similar issues together (e.g. environment / social / economic) |
| | 3.2 Ensure that the objectives are in line with KNPC’s existing Mission, Vision, Values and Policies |
| | 3.3 Keep the number of objectives low |
| **Targets** | 3.4 For each objective, review the issues and KPIs, and develop a series of targets |
| | 3.5 Ensure that all targets are SMART |
| | 3.6 Targets should be thoroughly researched |
| | 3.7 Ensure that targets bear a direct relationship to their parent objective |
| **Programs** | 3.8 For each target, establish an outline project plan: a series of actions within the time frame for that target |
| | 3.9 Each element of the program should be auditable in terms of actions completed and timeline |
| | 3.10 Each action should include a measurable criterion using SMART and should be assigned to a person or a team |

After a series of meetings and discussions, the CSR Project Implementation Group (IG) approved the following SMART targets for our six sustainability focus areas. Whilst not part of the scope of any CSR-specific initiative, our operational and financial performance is integral to our economic sustainability and consequently relevant for inclusion within identified key targets. The resultant target categories were finally identified as:

<table>
<thead>
<tr>
<th>KPI</th>
<th>SMART TARGET for 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Governance</strong></td>
<td></td>
</tr>
<tr>
<td>1 Risk Index</td>
<td>2 or less</td>
</tr>
<tr>
<td><strong>Climate Change Challenge</strong></td>
<td></td>
</tr>
<tr>
<td>2 Green House Emissions (trial program)</td>
<td>Under trial</td>
</tr>
<tr>
<td><strong>Environmental Performance</strong></td>
<td></td>
</tr>
<tr>
<td>3 Spillages</td>
<td>329 BBLs or less</td>
</tr>
<tr>
<td><strong>Occupational Health and Safety</strong></td>
<td></td>
</tr>
<tr>
<td>4 Fatality Cases</td>
<td>0</td>
</tr>
<tr>
<td>5 Lost Time Injury Rates</td>
<td>0.101 per 200,000 hrs</td>
</tr>
<tr>
<td><strong>Economic Sustainability and Community Development</strong></td>
<td></td>
</tr>
<tr>
<td>6 Return on Average Capital Expended (ROACE)</td>
<td>8.44%</td>
</tr>
<tr>
<td>7 Customer Satisfaction Survey</td>
<td>Under development</td>
</tr>
<tr>
<td>8 Local Content Index (a+b+c)</td>
<td></td>
</tr>
<tr>
<td>a. Share of Opex Spent Locally</td>
<td>KD 202.7 million</td>
</tr>
<tr>
<td>b. Share of Capex Spent Locally</td>
<td>KD 25 million</td>
</tr>
<tr>
<td>c. Sponsorship and Charity Spending</td>
<td>KD 128,000</td>
</tr>
<tr>
<td>9 Number of Technology Opportunities to be Identified</td>
<td>2 or more</td>
</tr>
<tr>
<td><strong>Employment and Diversity</strong></td>
<td></td>
</tr>
<tr>
<td>10 Percentage of Kuwaitis in KNPC</td>
<td>81.3%</td>
</tr>
</tbody>
</table>

Whilst future reports will be able to contain a detailed analysis of performance against targets, as this is our first verifiable CSR Report we have concentrated on highlighting targets established for the coming fiscal year 2011-2012.

These target categories are fully complementary to our six sustainability focus areas, and allow us to use an existing framework without adding extra layers of bureaucracy within the Company.
Corporate Governance
Managing risks at all levels

What we have done

KNPC has a robust, transparent and accountable system of corporate governance. As part of our CSR Program we have developed a Strategic Project Management Hierarchy that ensures CSR has a presence at the highest levels in the Company. Over the past couple of years, we developed new systems and applied new initiatives to enhance communication within our organization, and to reinforce our ability to accomplish multiple tasks at the same performance level.

- We achieved company-wide certification to ISO 9001:2008.
- We established KNPC Regular Communication Meetings (KRCMs), which ensure company updates and management messages are communicated smoothly and transparently from management down to operator level and also enable all employees to have the opportunity to express their feedback, ideas and concerns for escalation to higher management.
- We established a Crisis Management Centre and published a Crisis Communications Manual.
- We introduced Enterprise Risk Management to the organisation. We initiated implementation of KPC’s new Process Safety Management (PSM) system.
- We established a Strategy Monitoring System to oversee the implementation and progress of the Long Term Strategic Plan (LTSP) 2030 for Downstream Sector.

What we plan to do next

One of our SMART target categories is to aggregate and manage the number of identified risks to our organisation. We have set ourselves targets to:

- Monitor the total number of identified risks that rest above the risk tolerance threshold which KNPC has set for itself. The Risk Index identifies those risks that reside in the very high risk quadrant of the KNPC risk matrix, where:
  - Impact is designated “Severe”
  - Probability is designated “Frequent” (up to once in 5 years)
- Measure our organization’s ability to mitigate risks within the current year.
- Further implement the PSM system.
- Observe the guidelines of ISO 26000.

TARGET for FY 2011-2012: To achieve a risk index of 2 or less

Refer to chapter 9
Climate Change Challenge

Committed to minimizing our environmental footprint

What we have done

As we believe that all major Oil & Gas companies should accept their responsibility towards the global community, KNPC pays great attention to Climate Change and the Global Warming issue. We have started the process of registering two Clean Development Mechanism (CDM) projects to reduce Green House Gases (GHG) emissions:

- Leak Detection and Repair (LDAR) Program
- MAA Refinery Flare Gas Recovery Unit (FGRU)

Additional initiatives which have been rolled out include:

- Installation of new HVAC (Heating, Ventilation, and Airconditioning) units provided with environment-friendly refrigerants in various units at MAB;
- Commencing implementation of a new project for the upgrading of obsolete Fire Detection, Alarm and Suppression Systems at our sites including the phase out of Halon System. The main objective of the project is to replace Halon with non ozone-depleting substances, and it is anticipated that the project will be completed by December 2013;
- A Wastewater Awareness Campaign, which was conducted at all our KNPC sites in November 2010 to further improve awareness level of Employees and Contractors;
- Commencement of Phase 1 of our Nature Reserve Project at Wafr. This project is in association with Public Authority of Agriculture Affairs & Fish Resources (PAAF). For more details on this, please refer to Inside Story “Preserving Kuwait’s Habitat for Future Generations”;
- Ensuring that all our premises and buildings are asbestos-free, in compliance with its total ban.

In April 2010 we sponsored Earth Day celebrations at the United Nations (UNDP) Offices in Kuwait. Various programs, including awareness sessions and drawing activities, were conducted. We also participated in World Environment Day celebrations organized jointly by KPC and all its subsidiaries, for which the theme was “Many Species. One Planet. One Future.”

What we plan to do next

- Launching of New Refinery Project (NRP);
- Launching of Clean Fuels Project (CFP);
- A study on “Assessment of Wild Life Habitat (Flora & Fauna) in and around KNPC Sites” will be undertaken. The main objective of the study is to develop a comprehensive database of flora and fauna for KNPC sites and to develop a conservation plan for wild life species;
- We will continue the Tarsheed Campaign, and aim to further conserve our energy and water usage.

Whilst it had been intended that Green House Gas (GHG) measurement would be included in the overall KPC Key Performance Measures for FY2010/2011, it has now been decided that there will be a one year trial before this is included in KPC’s Corporate KPMs and, consequently, available for monitoring against KNPC’s CSR SMART Targets. This will allow time for our HSE Department to establish a process that tracks these emissions through the year.

TARGET for FY 2011-2012: Operate Green House Emissions Trial Program

Refer to chapter 10
TARGET for FY 2011-2012: No more than 329 BBLs spilled.
What we have done

We continue our endeavours to ensure that our Health and Safety systems professionally stand up to international standards, and we are proud of our many achievements:

- We established necessary systems and obtained OHSAS 18001 Certification;
- We received RoSPA Gold Awards 2011 for MAB Refinery (6th consecutive year) and for our Local Marketing Department;
- We received RoSPA Silver Awards 2011 for MAA and SHU Refineries, and also for our Projects Department;
- We suffered zero fatalities;
- We upgraded our Emergency Response System;
- We were awarded “The British Safety Council International Safety Award” (8th consecutive year);
- We implemented Process Safety Management (PSM);
- For Emergency Preparedness, we formed a two level organization to monitor preparedness across sites:
  - Emergency Preparedness Steering Committee (EPSC);
  - Site Emergency Preparedness Committees (SEPCs).

In addition, a number of campaigns and awareness initiatives were carried out for the benefit of our employees, contractors and the community.

One of our enduring principles has been zero tolerance of fatalities. Since suffering major accidents at SHU and MAB Refineries in 2000, we rapidly progressed towards OHSAS 18001 compliance (which we achieved in April 2010) by developing our ground-breaking Health, Safety and Environmental Management System (HSEMS). We are pleased that we suffered zero fatalities in FY 2010-2011.

What we plan to do next

Our plans are to continue refinement of our processes and systems to try and maintain our zero fatality rate and to reduce our lost time injury rate.

TARGETS for FY 2011-2012: Fatalities (0). Lost Time Injury Rate (below 0.101 per 200,000 hours).

Refer to chapter 12
Social Performance

Recognizing our responsibilities towards the community.

What we have done

KNPC is a major contributor to the Kuwaiti economy through our employment of over 13,500 workers, our use of local businesses, and our commitment to corporate social responsibility at a local level. Throughout the year we further developed our initiatives in the following areas:

- **Promoting Education**
  Every year we help to educate students of different ages, through school visits, about the effects of the local oil industry on the local community. This year alone, we:
  o Visited various public schools and provided safety & fire training as well as presented various environmental issues to children of different ages;
  o Made available a range of school text books at discounted prices to all our employees;
  o Organized celebrations to honour distinguished students and their mothers;
  o Sponsored Kuwait's first Cultural Forum for Kindergarten Supervisors Council.

- **Helping Less-abled Children**
  At KNPC we have a strong history of paying particular attention to less-abled children. During the year, our employees:
  o Visited children in various public hospitals;
  o Organized a large-scale event for special needs children, named Celebrate Ability, where special needs children and their families and friends joined us at our Social Club (Bait Al-Wataniya) for an afternoon of fun activities.

For more details on our initiatives to help children in our communities, please refer to the Inside Story “Helping Children in Need”.

- **Helping Global Communities in Need**
  Following the devastations caused by floods in September 2010, we launched a donation campaign to support the flood victims in Pakistan.

- **Supporting Religious Activity**
  For many consecutive years we have:
  o Constructed an Iftar tent opposite our Head Office during The Holy Month of Ramadan, from which we distribute a thousand meals each day to Muslims who may not be able to afford their own food;
  o Subsidized Omrah trips to Saudi Arabia for our employees.

- **Providing Entertainment for Children**
  Throughout the year, we organize entertainment events for our employees’ children. Examples include trips to Entertainment City and to Khiran Park, and private cinema theatre bookings. We also enjoy celebrating festivities with our children, such as Gurgi’an and Eid.

- **Encouraging Environmental Action**
  In appreciation of our role in protecting the environment through sponsoring and taking part in beach sweep campaigns, our efforts were formally recognized by the “Keeping Kuwait Clean” society when they presented us with the society’s shield. Furthermore, we continued to deliver our environmental awareness talks at various public schools. We also participated in, and sponsored, global celebrations such as World Environment Day and Earth Day. For more details please refer to Chapter 13a- Community Engagement.

- **Caring for Our Employees’ Welfare**
  During the year our Medical Department undertook many initiatives to raise awareness on key health issues among employees. Seminars and lectures were held on a wide range of health issues ranging from coping with diabetes to controlling cholesterol; from stress management to weight & obesity control.

What we plan to do next

For the Financial Year 2011/2012 we have set several SMART targets for this topic. Return on Average Capital Employed (ROACE) is designed to measure the profitability of operations in relation to input, i.e. the average capital employed. This can provide an indication for overall success, since the capital employed can be either safely invested or returned to the Kuwaiti economy. The Local Content Index measures the share of opex spent locally and the share of capex spent locally, as well as the level of sponsorship and charity spending. We will also be further promoting initiatives in each of the areas listed above.

**TARGETS for FY 2011-2012:**
- ROACE: 8.44%
- Customer Satisfaction Survey: Under Development
- Share of Opex Spent Locally: 202.7 Million KD
- Share of Capex Spent Locally: 25 Million KD
- Sponsorship and Charity Spending: 128,000 KD
- Identify Technology Opportunities: 2 or more

Refer to chapter 13
Employment and Diversity

Maximizing employment opportunity.

TARGET for FY 2011-2012: Percentage of Kuwaitis in KNPC: 81.3%

What we have done

At KNPC, we believe that our people are our greatest assets. That is why we reinvest so much of our resource into training and education, and into rewarding our employees through sharing our success. This has been another successful year for us in which training intensity remained high, and in which collective bargaining and grievance procedures were highlighted through our “Better Employee Service Transformation (BEST)” Project.

We engaged in two programs to help ensure transparency in human relations:

- KNPC Regular Communications Meetings (KRCMs) since 2008;
- The BEST Project in 2010, designed to enable employees to access all the functions of Human Resources through their work stations.

Our policy of Kuwaitisation, giving Kuwaitis access to jobs within KNPC, achieved record figures with 4503 employees being Kuwaiti Nationals; and our basic salary ratio between men and women remained equal. In the meantime, our HR profile comprises experienced professionals from a range of other nationalities. We are keen to treat all of our people with respect and honesty, and we focus on both morale and motivation as tools for the successful accomplishment of our strategies.

What we plan to do next

We plan to extend our Kuwaitisation policy to ensure that the local community continues to benefit from the success of KNPC.

Refer to chapter 14
At KNPC we understand that we play an important role in the community and economy of the State of Kuwait. We take our responsibilities to our multiple stakeholders very seriously and, in future, we intend to apply for the AA1000 Stakeholder standard.

As one of the largest employers in the State of Kuwait, with over 5,500 direct employees and many more contractors, we believe we are in a unique position to positively engage a broad range of stakeholders and to demonstrate the benefits of genuine corporate citizenship.

With three large refineries – MAA, MAB and SHU, two local marketing depots at Subhan and Ahmadi and a large Head Office in Ahmadi; KNPC is a highly important and visible part of the fabric of Kuwait life.

We Understand and Listen to our Stakeholders

In line with our efforts to ensure continuous improvement in our engagement with stakeholders, we have put in place a robust methodology for dealing with those affected by our activities.

Stakeholder management is a two-way communication process. Project Management guidelines were introduced across KNPC in 2008. Central to each and every new project is stakeholder profiling and the creation of a stakeholder profiling matrix. These tasks are completed during the study stage of each new project, before implementation starts. The objective of the stakeholder profiling matrix is to create and maintain an understanding of the values and expectations of stakeholder groups.

A stakeholder profiling matrix captures and documents the goals and expectations of all of the program’s primary and secondary stakeholder groups. The matrix is updated throughout the lifetime of the project, and is a key part of the internal and external communications program handled by a Project Communications leader.

It is our goal, for continuous improvement in relations with our stakeholders, to build an overall stakeholder program that will increasingly be dependent on consultation with and feedback from stakeholders. We are aware that we have more work to do to convince stakeholders that their views are taken into consideration.

We conduct comprehensive corporate perception surveys every two years, but the intention is to ensure that more targeted surveys are conducted more frequently, with greater use of representative focus groups.

- This year we conducted a public survey to sound the customers’ reaction to the quality of service at the petrol stations.

We are interested in our stakeholders helping to formulate strategy and improve operational performance. That is why we are looking for external participants to join our discussions on CSR here at KNPC, which is an unprecedented move for a state utility company in Kuwait.

- Regular surveys are also carried out internally to assess our employees’ satisfaction of a specific service or project.

Structured Stakeholder Engagement

KNPC is currently putting together a Stakeholder Engagement Program that will govern all our contacts with external groups. This is a new direction following a gap analysis that revealed different departments across KNPC were engaging different stakeholders at
different times. This will be made more clear in future reports.

Key stakeholders

Government and the Kuwait Parliament

As a state-owned company, KNPC reports to the Government of Kuwait, and the Chairman and Managing Director of KNPC sits on the Board of mother company KPC. The Board reports to the Supreme Council of Petroleum, which debates strategy. New initiatives are debated by MPs within the Parliament. Relations with these figures are conducted at a very high level and the transparency of these relationships is improving at all times. Kuwait has free elections and has some of the most democratic institutions in the region. A female Minister holds a key portfolio in the cabinet. In 2008 two women were members of the cabinet running four key posts. The parliament comprises of four female MPs out of 50. As a result of such openness, government relations are rapidly developing as a practice in Kuwait. KNPC actively engages with individual government departments to support the CSR program.

Media

Kuwait has one of the most free and diverse medias in the Gulf and the Middle East. There are a total of 17 newspapers, many magazines and a variety of popular blogs. KNPC features regularly on Kuwait TV and other channels, and has an on-going relationship with journalists in the region, both locally and in the international bureaux.

KNPC Employees

KNPC realises that our best ambassadors are our employees, and our company’s success is a product of our investment in our people. It is our policy to be open and transparent with our employees. We maintain a programme of Kuwait Regular Communications Meetings (KRCMs) through which employee concerns can be raised to higher management and information flows from executives down to the front line.

The intranet and internal email systems are also used to maintain full and open communications, including the publicising of special offers for staff such as discounts on school study books for the children of KNPC employees. In addition, our Chairman and DMDs are also accessible through their personal emails to every employee in the company.

Family is important to KNPC and a Spring Camp is organised each year, with tents erected, and leisure activities organised for employees and their families to enjoy during the weekends.

International NGOs

KNPC is reporting in accordance with the Global Reporting Initiative and the IPIECA/API guidelines, and considers itself an active stakeholder of both. We keep a close eye on developments in the reporting guidelines and are establishing mechanisms so that we can update our reporting criteria as necessary.

Kuwait Community and Charitable Organisations

KNPC has established working relationships with a cross-section of local organisations and supports a variety of good causes that reflect the company’s concern for all aspects of society. We regularly visit schools to explain our activities and to encourage children to learn about energy and the environment. Representatives from our Corporate Communications Department are also regular visitors to Children’s Hospitals to entertain the children. We also have a strong relationship with KACCH (Kuwait Association for the Care of Children in Hospitals). Every year, during Ramadan, we erect a tent opposite our Head Office where thousands of workers are able to break their fast with food paid for by KNPC and its employees.

Furthermore, a number of our employees actively participate in the civil society organization activities. This year we launched the STAR (Special Team Acting Responsibly) Volunteer Program in KNPC to further encourage our employees to donate some time to community activities.

Local Suppliers

KNPC always tries to ensure that local suppliers are given preference in the supply chain, for a number of reasons. Firstly, we believe that we should reinvest the proceeds of our endeavours into the communities that own the resource and, secondly, this is a national company that believes that, where possible, we should minimise long distance transport and the associated emissions. One of the major recent developments at KNPC has been the introduction of dedicated
feedback meetings between contractors and higher management and the creation of a ‘Supplier Partnership Advisory Council’, where issues can be discussed and resolved in an open and frank manner, and potential improvements can be discussed that will contribute to better processes across our company.

**Local Residents**

KNPC’s activities have a major effect on nearby communities. It is for this reason that we encourage regular dialogue with local groups and residents. We host ‘awareness’ talks in schools and universities, given by representatives from our HSE and Corporate Communications departments. It is our goal and ambition to make community engagement one of the biggest priorities of our CSR program going forward. We also hope that our ambitious new volunteering program will be one of the major pillars of KNPC’s community engagement process.

The success of our HSE Rolling Trophy will be extended next year to allow local residents to compete for the best project in categories of Health, Safety & Environment. So far schools from across all Kuwait governorates, 6 universities, and 44 private industrial companies have registered to participate.

**Customers**

Although not a customer-facing company (apart from a few petrol service stations) we are very focussed on the requirements of our customers, both now and in the future. All of our products comply with the requisite international standards and the Clean Fuel Project is planned to serve as a direct response to market demands to produce fuel to increasingly demanding environmental standards. The stringent criteria for quality of hydrocarbon products means that KNPC is constantly developing more sophisticated refining processes. This cycle of improvement means, in turn, that we are part of the global effort to produce cleaner, more efficient fuel. We could not do this without constant interaction with regulators and customers across the globe.

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**Stakeholder Group**

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Executive, Prime Minister, Minister of Oil</td>
</tr>
<tr>
<td>Agencies, Regulators and Authorities</td>
<td>E.g. K-EPA, Coast Guard, Police and Civil Defence</td>
</tr>
<tr>
<td>Politicians</td>
<td>Parliamentarians, Local Governorates and Municipalities</td>
</tr>
<tr>
<td>Unions</td>
<td>Active across oil sector</td>
</tr>
<tr>
<td>‘K’ Companies</td>
<td>KPC and other subsidiaries</td>
</tr>
<tr>
<td>Media</td>
<td>Local, National, Regional, International, Trade, Economic, General, Broadcast, Print, Online</td>
</tr>
<tr>
<td>Academics</td>
<td>Experts who can advise and form opinion</td>
</tr>
<tr>
<td>Educational facilities</td>
<td>Schools and universities</td>
</tr>
<tr>
<td>Local NGOs</td>
<td>Kuwait Institute for Scientific Research, Kuwait Foundation for the Advancement of Sciences, Universities</td>
</tr>
<tr>
<td>International NGOs</td>
<td>E.g. United Nations Development Program</td>
</tr>
<tr>
<td>Interest Groups</td>
<td>Special interest groups, e.g. environmental</td>
</tr>
<tr>
<td>Customers</td>
<td>Global Markets, Local Markets</td>
</tr>
<tr>
<td>Suppliers and Contractors</td>
<td>Local and international service providers</td>
</tr>
<tr>
<td>Staff</td>
<td>KNPC Employees, direct and contractors</td>
</tr>
<tr>
<td>Standards Organisations and Awards Bodies</td>
<td>ISO, Regional and International Awards</td>
</tr>
<tr>
<td>Local Community</td>
<td>Local Residents and businesses</td>
</tr>
<tr>
<td>Trade Associations</td>
<td>Kuwait Engineer’s Society, various professions</td>
</tr>
<tr>
<td>sWider Kuwait Public</td>
<td>Broken down into several demographics</td>
</tr>
<tr>
<td>Competitors and business partners</td>
<td>International and national oil companies</td>
</tr>
<tr>
<td>Community Groups</td>
<td>Charities and single-issue groups, sporting groups, Ministry of Social Affairs &amp; Labour</td>
</tr>
</tbody>
</table>
This time of reflection is also a time of giving, especially to those less fortunate or in need. Among the ways we choose to recognize the importance of this special time is our long standing commitment to provide a comfortable place to eat for those breaking their fast at sunset.

For many years KNPC has funded ‘Iftar’ tents opposite the Head Office Building in Ahmadi. Here, a thousand meals a day are distributed to those Muslims in Kuwait who may not be able to afford their own food. The tents are a place where all can join together, particularly lower-paid workers, to eat and to discuss their activities during the Holy Month. Many of the meals were donated by KNPC workers who offered charitable contributions in the form of deductions from their salaries.

This year the deputy Managing Director for Corporate Planning and Local marketing, Bakhit Al-Rashidi, and the Manager of Corporate Communications, Mohammad Al-Ajmi, opened the tent on the first day of Ramadan and welcomed the many visitors. Furthermore, Mr. Al-Rashidi helped serve some of the meals and attended the tent daily.

During Ramadan, KNPC also offers subsidized travel and other organizational services to those employees wishing to undertake Hajj and Omrah.

Mohammad Al-Ajmi said: “While giving back to the community, the Iftar tent is and will continue to be an objective of KNPC. It is important to recognize that the sense of community is directly fuelled by the generous contributions from the employees who selflessly give each and every year to feed the less-privileged during Ramadan.”
Corporate Governance

a. Corporate Governance and Management Systems

The practice of high quality corporate governance is indispensable for building employee and stakeholder confidence and sustained growth. Corporate Governance refers to the conduct of our board of directors and managerial staff and their ability to have the culture of good governance cascaded to the broad base of our employees.

KPC and the Supreme Petroleum Council (SPC)

- Ultimately, through KPC, KNPC reports to the Supreme Petroleum Council (SPC) which considers any major matters concerning the oil industry.
- The KPC Board also considers the major issues confronting the oil industry. The Board is appointed by an Amiri decree and chosen on the basis of expertise, position and achievement, and its members meet every eight weeks.
- Both KPC and KNPC are Members of the International Petroleum Industry Environmental Conservation Association (IPIECA).

We are proud of our transparent corporate governance, and we are committed to being open and accountable for our actions. We believe that the more open we are with our stakeholders, the better the company will perform.

Running the Company

Management decisions are communicated through the company via a programme of KNPC Regular Communication Meetings, or KRCMs.

Our Chairman and Managing Director is a member of KPC Board of Directors and heads the KNPC Board, which meets every eight weeks to discuss major issues confronting the refining business. In addition, there are Weekly Leadership Meetings for the Company’s senior management, as well as monthly meeting
of the Executive Portfolio Management Committee, or EPMC.

Executive Portfolio Management Committee (EPMC)

As part of our commitment to ensuring close corporate oversight of our major projects, the Company’s senior management established the EPMC. This committee, which meets once a month, is headed by KNPC’s Chairman & Managing Director and is attended by the highest ranking members of the Company. It provides the executive steering to programs and projects, especially for the most high-profile and essential projects, such as the Clean Fuels Project, the Acid Gas Removals Plant Project, the New Refinery Project, and the Supply Chain Optimisation Initiative.

Since the CSR Program began at KNPC in August 2008, CSR has been considered a Strategic Project. We believe this demonstrates our commitment to put CSR at the centre of everything we do.

Long Term Strategic Plan

For the first time, we have worked with KPI and KAFCO to develop a robust and integrated downstream sector strategy for KPC. The effort was initiated at end of 2009 and launched in June 2010. Being at the core of the oil & gas value chain, we have also closely collaborated with all relevant stakeholders, including KPC-Corporate Planning, PIC, KPC-International Marketing, KOC, and the KPC Energy Team.

A unified KPC Downstream sector clearly setting our Mission and Vision and aspirations as an integrated sector has been developed. Our vision for the future of KPC Downstream sector is highly ambitious. We aspire to be a leading player in the global oil & gas downstream sector.

Based on KPC strategic directions, the long term strategy was developed for two main areas, Core Business and Functional Areas (FAs). Domestic Refining, Core Business for KNPC, has included 6 Strategic Objectives broken down into 16 Strategic Initiatives. Its main focus was on the implementation of major projects and other initiatives that are mostly CSR related. Strategic objectives were also developed for Functional Areas (e.g. HSSE, CP, IT, R&T, Risk etc.).

Risk was one of the important Functional Areas considered while preparing our strategy that included 4 main strategic objectives:

- Implement ERM best practices;
- Ensure optimal risk balance;
- Develop competency;
- Become a well-recognized ERM practitioner.

A major part of our executive management commitment is to lead, support, and follow-up the implementation process of our strategy.

Management Systems

We are committed to implementing the best management systems and business processes within our company.

The standards, to which we are certified (ISO 9001, ISO 14001 and OHSAS 18001), are part of our program of long term commitment to environmental and safety excellence in front of our stakeholders.

In 2010, we were certified by Bureau Veritas to OHSAS 18001 (Occupational Health & Safety Assessment Series), which was a tribute to the incredible work accomplished by our employees since 2000 on the SHEMS system, as well as our specific efforts on the standard. To maintain our OHSAS 18001 accreditation, we will be audited internally and externally every six months and recertified every three years.

We believe that meeting international standards is only the beginning. At KNPC, we aim to exceed them. That is why even when an international standard does not exist, we still aim to put world-class programs in place.

For OHSAS 18001 alone we:

- Organized awareness training sessions for 1600 employees across all KNPC sites;
- Organized awareness training sessions for 210 Management personnel;
- Trained 78 employees as Internal Auditors;
- Trained 30 employees as Lead Auditors.
b. CSR Governance: Our Approach to CSR

There is no overall universal standard for CSR reporting, but there are a number of sets of important guidelines, all of which were considered by KNPC. Choosing the right guidelines for our CSR reporting was just one of the big decisions made by our management and employee representatives. As a strategic project, the Corporate Social Responsibility Project is included under the oversight of the EPMC.

Engaging Employees across KNPC in CSR

As CSR continues to evolve within KNPC, a dedicated CSR function is also evolving. In September 2009, 35 employees drawn from across the company were nominated to form Task Force Teams (TFTs) to work on different areas of the CSR program. These Teams were:

1) Data Capture and Management
2) Continuous Improvement
3) Reporting
4) People, Resources and Infrastructure
5) Media Strategy and Special Projects

It was the responsibility of the TFTs to discuss, amend and approve framework reports that are prepared as part of this CSR program efforts. These reports included technical papers on subjects such as:

- Data Collection and Storage;
- Benchmarking against other oil and gas sector reports;
- Review of International and Non-International Management Systems at KNPC;
- CSR Policy Analysis, and suggested future policies;
- Reviews of reporting guidelines;
- Reporting timetables and frequencies;
- Selection of the appropriate CSR-related Key Performance Indicators from KNPC Corporate KPMs;
- Identification of the objectives and targets for CSR reporting that are Significant, Measurable, Achievable, Relevant and Timely (SMART).

If the TFTs agreed with the relevance and accuracy of a report, then it was approved and escalated to the Implementation Group. Sometimes, and under certain conditions, these reports were presented to the EPMC to be ratified. In this way, decisions were taken at all levels, not just at the top, and understanding of CSR flowed through the company. KNPC has approved a new structure whereby a permanent division for CSR is currently being developed within the Corporate Communications Department. We are also in the process of creating a CSR Council, comprising many of the members of the TFTs, who will act as an advisory board to the permanent new CSR Team.

Policies

As part of their responsibilities, one of the Task Force Teams was charged with ensuring that KNPC has considered the policy requirements necessary for successful CSR. Policies provide the framework for the development of guidelines, and consequently allow planners here at KNPC to set objectives and targets. They are also the first step towards drafting the programs that support the achievement of those
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targets. Just as our Mission, Vision and Values statement (see Company Profile) guides how we approach our business, CSR demands that we develop policies to guide every aspect of our operation.

KNPC has robust policies covering Environment and Occupational Health and Safety, partly as a result of our certification to ISO 14001.

However, there are several areas where policies are still in development and this intensive policy work is currently being undertaken in association with our legal team. Over the next year, and as our reporting matures, we expect to publish policies covering all aspects of CSR. These will be published widely and, signed by the Chairman and Managing Director, will be a public statement of our commitment to our CSR obligations.

Data Collection and Verification

A total of 72 staff across all KNPC departments have been trained in data collection and verification, and selected individuals will produce the data for each report.

It is impossible to overestimate the importance of correct procedures for data collection and verification. CSR Reporting must be as accurate as possible, and a true reflection our processes. It is because of our insistence on a technical, data-led reporting structure that we believe we are leaders in CSR reporting in the oil industry in the Gulf.

There is a triple-lock on all data.

- After data is collected, the first stage is verification, where the data will be challenged.
- Secondly, a Process Owner, at manager level, has to sign off on the data.
- Thirdly, independent auditors scrutinize the data before they consider it to be verified.

Our company-wide data collection and verification strategy puts CSR at the core of everything we do.

This is our first CSR Report that has undergone external verification, which contains an independent assurance statement. We will continue to issue audited CSR Reports regularly in the future as we believe that this step is crucial to winning the trust of our stakeholders.

Continual Improvement

The Task Force Teams that were forums for extensive debate on the CSR Project were intended to operate for only a limited time. The Implementation Group continued until the publication of this FY 2010-2011 CSR Report, but the TFTs had all completed their work and were disbanded in August 2010. A permanent CSR team will soon be assigned to take over ownership of the CSR program, including all CSR Reporting and initiatives. The team will consist of appointed KNPC employees who are currently involved with CSR activities, and will be supported by a CSR Council comprising some of the most active members of the TFTs.
KNPC is a major producer of refined petroleum products. Petroleum is an energy source that produces Carbon Dioxide and other ‘Green House Gases’ (GHGs) when burnt, and these have been identified as causal factors in Global Warming. Since the oil refining industry causes harm to the environment, it is our goal to take all possible measures to ensure that we minimize our environmental footprint.

**Global Efforts to Tackle Climate Change**

The first genuine worldwide attempt to tackle the issue of global warming was the UN Framework Convention on Climate Change (UNFCCC) which is an international environmental treaty that was a result of the major UN Conference on Environment and Development (UNCED) in Rio in 1992, otherwise known as the ‘Earth Summit’. Kuwait is proud to be a member of the UNFCCC as well as a signatory to the subsequent Treaty, the 1997 Kyoto Protocol.

The major objective of this activity is to reach an agreement on stabilising GHG concentrations in the atmosphere. KNPC has identified measuring its GHG production as an overall, corporate Key Performance Measure from FY 2011/2012.

**Kuwait and Climate Change**

As detailed above, Kuwait is a signatory to the Kyoto Protocol as well as to the UNFCCC. His Highness the Prime Minister of Kuwait, Sheikh Nasser Al-Mohammad Al-Ahmed Al-Sabah, attended the Climate Change Summit in Copenhagen, Denmark, in 2009 and called for a greater transfer of relevant technology to developing countries. He argued that it was the responsibility of more developed nations to provide material help and technology to less developed nations, to help accelerate a deal on climate change.

**The Oil Industry’s Impact on Our Environment**

Since vast reserves of oil were discovered in the 19th Century, the hydrocarbon industry has enabled huge strides in industrial and social progress. Oil and petrochemicals created new products and global networks that saw a huge transformation in the way we all live our lives. We are proud to be a major part of that and, with as much as 10 per cent of the world’s known oil reserves, Kuwait will be playing a major role in the hydrocarbon markets of the future.

But there are downsides to such progress. Refining crude oil, especially the heavy oil typical of Kuwait, is complicated and hazardous work. KNPC recognises that strict adherence to stringent regulations on health safety and pollution control are absolutely vital to ensure safe operations.

**KNPC and Climate Change**

We have started the process of registering two Clean Development Mechanism (CDM) projects to reduce GHG emissions:
- Leak Detection and Repair (LDAR) Program
- Implementation of Odor Management System (OMS) at all our facilities is an on-going activity to achieve an odor-free environment from all sites by end of this year. One of the major accomplishments is the LDAR program, which is currently under implementation to detect and repair Hydrocarbon and Non-hydrocarbon leaks thus reducing fugitive emissions.

- MAA Refinery Flare Gas Recovery Unit (FGRU)
  We are introducing a new FGRU at MAA Refinery. The objective of this project is to recover waste gases generated in the refinery and to reuse it as fuel.
gas. This will preserve hydrocarbon resources and ensure a reduction in NOx and SOx emissions.

Measures we are taking to minimise environmental impact:

- In line with the Stockholm Convention, we are aiming to ensure replacement of Polychlorinated Biphenyls (PCBs) with environmentally-friendly substitutes by 2025.
- In line with the Montreal Protocol, of which Kuwait is a signatory, we are continuing our planned phase-out and replacement of refrigerants and Halons (see Legislation and Regulation). All Halon will be phased out by December 2013.
- To ensure we remain at the forefront of discussions, we sent a senior representative to the round of climate talks in Copenhagen.

There is far greater detail on all the measures that we are taking to minimise environmental impact in the ‘Environmental Performance’ chapter.

**On-going Operations**

A variety of projects designed to:

- Reduce particulate emissions;
- Eliminate all non-emergency flaring;
- Eliminate ozone depleting substances;
- Prevent fugitive emission from the units and tanks;
- Treat and neutralise all effluent;
- Reduce the impact of containment failures and spillages;
- Dispose of hazardous waste to international standards;
- Minimise our use of power, water and fuel.

We also have a conservation project - the KNPC Nature Reserve Project at Wafra –which we hope will be a pilot project for even greater environmental protection initiatives that will allow us to take ownership of land on behalf of the government and the people of Kuwait, in order to ensure the territory is preserved as a natural habitat.

**Mega-Projects**

- **Clean Fuels Project**
  A project designed to ensure cleaner production of the final products through refinery upgrades.

- **New Refinery Project**
  A proposed new refinery which is designed to produce low sulphur fuel oil for cleaner Kuwait domestic power generation, cutting national emissions.
Conserving Our Resources Daily

We have many initiatives that allow us to minimize our office energy and water consumption.

Recycling

Our General Services Department is actively implementing the Company’s waste management/waste recycling program to preserve and recycle some of our natural resources. Office waste such as glass, paper, metal, and plastics are being segregated at source and are being sent for recycling and effective disposal.

Saving water

To water our surrounding greenery we use a sprinkler irrigation system that conserves water and energy. The sprinklers are timed in accordance with the requirements of different seasons and the specific plants.

Saving energy

During the tendering/procurement process, CSR requirements are incorporated by our Supply Management Team, to ensure that all services provided by our suppliers are in line with our CSR vision of conserving resources. Our offices are equipped with energy-efficient lamps and machinery that revert to a ‘sleep’ mode when not in use.

Freon-free gases

We are using Freon-free gases for our Head Office air-conditioning system. Freon gases have been linked to Ozone depletion in the upper atmosphere and have been named as global warming gases. We use Freon-free gases not just to help save our planet but also for the health benefits to our employees, since Freon can cause dizziness, irregular heartbeat and skin & eye irritations.

Alternative Energy

Our mother company, KPC, is investigating various forms of low-carbon energy production. A new committee focussed on investigating long-term involvement in renewable energy was formed in May 2010, and is being led by some of the most senior staff within our organisation. This is a new priority for us, and we expect our progress in this area to be rapid. For regular updates, please contact us on csr@knpc.com
Inside Story

The Tarsheed Project

As part of our on-going effort to conserve energy and water, we formed a Tarsheed Committee on 16th August 2010. Our approach has been to adopt energy saving practices which endure throughout the year and are aimed at long-term continuation.

Through the efforts of the Committee members and staff throughout KNPC, significant efficiencies have been made in both electricity and water.

Power saving initiatives across the Company have focused on the following:-

- Efficient use of lighting covering areas such as timer switches/energy efficient bulbs/ removing some of the fluorescent tubes/ and an education campaign to turn off unwanted lights.

- HVAC and independent air conditioning units have been set to 25 degree centigrade and MAB have undertaken a programme to replace HVAC thermostats at 13 locations across the refinery. These new smarter devices allow a slight warming of the air temperature during non-working hours and ensure the correct temperature is restored for the part of the working day.

- With the aim of reducing the thermal effect on air temperatures, sun control thermal glass screens have been fitted. This simple measure reduces the effect of ambient air temperature on the internal workplace.

- By far the most impressive energy savings have been made by the refineries and the focused use of Steam Turbines instead of electrical motors. Additional initiatives looking at spreading consumption loads have also ensured more efficient consumption of power. Similarly, making sure the maximum benefits of gravity are obtained during tanker loading has reduced the pumping required from the storage tanks.

- A impressive amount of energy has been saved by these combined initiatives amounting to a 12% reduction in energy consumed.

The drive to conserve water has been equally as successful with an awareness campaign across the Company. The efforts to reduce conscious waste of water have been reinforced by a greater emphasis on managing leakages. The rapid identification and rectification of leaks has been achieved following the introduction of more frequent monitoring of water meters providing early detection of leaks. These initiatives have saved over 6.5 million Imperial Gallons over a 3 month period.

We take great pride in saving such volumes of water during the height of the summer when demand for water is at its peak. Similarly, the 35MW per day of power saving is testimony to the determination of everyone at KNPC to play their part in helping Kuwait meet its power needs during the nation’s period of highest demand. Recognition of our efforts has been given by Kuwait’s Ministry of Electricity and Water.
The project is developed in two phases:

Phase 1 is the construction of the protective fence around one million square meter nature located in Wafra.

Phase 2 involves the construction of an education center, which includes a laboratory for research, an auditorium and lecture room for seminars and presentations, and a visiting area and exposition room that will contain a variety of educational and informative exhibits on Kuwait’s flora and fauna.

In addition there are activities to preserve the natural habitat. This requires care of existing native plant life within the reserve and the removal of any foreign plants and their replacement with native plants.

Interactive and visual exhibits will stimulate visitors and offer an interesting and fun experience for visitors while learning about Kuwait’s native animals and natural landscape. The Public Authority for Agriculture Affairs and Fish Resources commented that, “This is a very important step in preserving the natural flora and fauna of Kuwait. It is a duty of our generation to preserve Kuwaiti wildlife as much as we can and it is by working together, as the PAI and KNPC are doing, that we can ensure the best of Kuwait is preserved for the future. In the last, I would like to thank all the management and concerned workers at KNPC for their support for the reservation of native plants in the environment”.

Nature Reserve

As part of our commitment to preserving the local habitat and supporting the community, we have planned an extensive project to build a nature reserve called the KNPC Center for the Development and Propagation of Native Plants, in partnership with the Public Authority for Agriculture Affairs and Fish Resources (PAAF) for the protection of the environment. The purpose of this reserve is to provide an education centre where visitors can see and experience Kuwait’s natural environment firsthand and gain better understanding of what can be done to help protect this ancient and precious land.
At KNPC we believe that there has to be a balance between supplying energy sources essential to our way of life and protecting and conserving the Earth’s natural resources. That is why we are committed to sustainability.

Refining hydrocarbons is a difficult and hazardous business. It also may have a long-term impact on the environment. In the same way that it is our duty to look after the safety of our employees, it is our duty to ensure that we protect our environment.

We want to be recognised as a company that takes its environmental responsibilities seriously. In this chapter we highlight some of the major environmental challenges that we face as a company, and outline how we are tackling these issues head on.

**Significant Environmental Impacts**

As a major refiner of hydrocarbons we are at risk of causing damage to the environment. Such risks include:

- SOx/SO2 (Sulphur Dioxide), NOx (Oxides of Nitrogen) and particulate emissions from stacks;
- Flaring;
- Release of Ozone Depleting Substances such as Halons and other refrigerants to atmosphere;
- Fugitive emission from the units and tanks;
- Treated effluent discharges to sea;
- Containment failure, oil spillages;
- Disposal of hazardous waste such as oily sludge, spent catalysts, contaminated soil and waste;
- Use of power, water and fuel.

**Meeting the Challenge: Proactively Protecting our Environment**

**Particulate Emissions:**

- KNPC had commissioned a Tail Gas Treatment Unit at SHU refinery in 2006 to reduce SOx emissions. Further efforts are in progress to meet K-EPA limits from all Sulfur Recovery Units on a continuous basis. K-EPA is regularly updated on the progress of the plans.

- KNPC recently received permission to increase our Incinerator Stack Height of the Tail Gas Treatment Unit (TGTU) at MAB Refinery to 110 metres. This will ensure that ground level concentration of SOx will be within K-EPA limits, and also ensures further reduction of levels in and around MAB Refinery.

- At MAA Refinery, KNPC has replaced older burners in one of the boilers with ‘low NOx’ models. This initiative, combined with daily monitoring of fuel/ flue gas emissions, has allowed us to take all efforts to minimize SOx and NOx emissions from heaters and boilers across the refinery.

- We shall exert maximum effort to minimize particulate emissions from heaters and boilers by maximizing fuel gas firing.

- We have been able to minimize dust emissions from Fluidized Catalytic Cracking Units (FCCUs) using a Cyclone Separator and an Electrostatic Precipitator.

- We have developed an advanced ‘Leak Detection Program’ using infrared cameras and equipment to monitor fugitive emissions.

- We are introducing a major modification to the Acid Gas Removal Plant (AGRP) unit at MAA refinery. Currently the SOx emissions from the AGRP unit of MAA are exceeding the K-EPA limit. When this project is fully implemented, SOx emissions from the AGRP incinerator outlet will be well within the K-EPA limit of 250ppm. The feasibility study for the AGRP modification has been completed, and the
program is expected to be completed by November 2014. A new AGRP unit will also be installed.

**Phasing Out Ozone Depleting Substances:**

- In line with the Montreal Protocol, of which Kuwait is a signatory, we are continuing our planned phase-out and replacement of refrigerants and Halons (see Legislation and Regulation).
- All Halon will be phased out by December 2013.

**Odor Management System (OMS):**

- OMS is designed to ensure that KNPC is odorless/fugitive emission free, by identifying odor issues, and then by developing and implementing mitigation plans such as our Leak Detection and Repair (LDAR) Program. At the start of the OMS activities, plans were developed following an employee consultation process during an odor stressor identification phase.
- During the fourth year of implementation, the Leak Detection and Repair Program was implemented at the three refineries and at our Local Marketing depots. The LDAR program at KNPC employs Optical Imaging Cameras (infra Red) for detecting Hydrocarbon leaks from equipment. Detected leaks are further quantified using Flame Ionization or Photo Ionization Devices. Two cycles of monitoring have been completed in this fourth year.
- There are an additional four affiliated programs under OMS: a Chemical Decontamination Program; a Wastewater Management Program; a Bulk Chemical Program; and a Relief Gas Management System.
- Tote bins (sited in a mother/daughter arrangement) have replaced drums for Boiler Water Treatment chemicals at MAB and SHU as part of our Bulk Chemical Program.
- In a bid to implement Chemical Decontamination as a standard shut down practice, packages have been developed for all three refineries within a unified contract. It is expected that, once the tender is awarded, this program will reduce odor during shut downs.
- By March 2011, 75.6% of OMS Implementation Plan had been completed.
- Stakeholder training on ‘Environmental Complaint Response’ has been restarted for personnel from each of the Operations Departments and Emergency Coordination Communication Centres (ECCCs) of MAA and MAB refineries.

**Flaring and Relief Gas Management:**

- KNPC has instituted the Relief Gas Management Program, aiming to ensure that there is zero non-emergency flaring by 2015.
- We are introducing a new Flare Gas Recovery Unit at MAA Refinery. The objective of this project is to recover waste gases generated in the refinery and to reuse it as fuel gas. This will preserve hydrocarbon resources and ensure a reduction in NOx and SOx emissions.
- The MAA unit is based on a successful pilot of a Flare Gas Recovery Unit at Shuaiba, which has resulted in savings of approximately 10-12 Million Standard Cubic Feet per Day (MMSCFD) of gas, and a reduction in NOx and SOx emissions of 40-50 tonnes per day.
Effluent

- We are currently in the process of upgrading the Effluent Treatment Plant at all three refineries to further enhance the quality of treated effluent. The project will significantly reduce the pollutant in the treated effluent, and will enable us to meet K-EPA limits. K-EPA approval has been received on the final Environmental Impact Assessment (EIA) Study report, and the project is expected to be completed by March 2012.

- To meet K-EPA’s requirement for discharge of treated effluent to be at a distance of at least 500 metres from the coastline, a project for the installation of a 500metre effluent discharge line has been initiated.

- We have installed a Water Recycling Plant to avoid contaminated water run-off during steam engine cleaning of drains in Local Marketing at Sabhan.

- Implementation of an Impervious Ground Level requirement in tank dyke areas has been started at all three refineries and work on a number of tank dykes has been completed.

- In order to study the impacts of refinery operations on groundwater quality and levels, 47 ground water wells have been drilled at the three refineries. A final report from the Kuwait Institute of Scientific Research (KISR) has been received, and is being studied.

- KNPC and KOC Teams are studying the option of routing treated effluent from KNPC for use by KOC.

Preparedness for Emergencies: Containment Failure, Oil Spill and other Emergencies

- KNPC’s Major Incident Procedure Plan (MIPP) for KNPC Refineries and Marine Terminals, introduced in 1992, underwent its eighth major revision in February 2010. The MIPP is very well known and understood across the company.

- Regular drills are undertaken to the MIPP guidelines by staff across KNPC, and also involve external organisations like the Kuwait Environmental Protection Agency (K-EPA) (See Case Study on Oil Spill Drill).

- Our specialised Oil Spill Recovery Team is tasked with cleaning up any oil spills around the coast of Kuwait – and not just spillages from Kuwaiti companies. Many tankers from around the world flush their tanks in the Gulf despite intensive efforts by Kuwait to prevent it, and some of that oil washes up on the shores of Kuwait. KNPC considers it our duty to clean up any oil on our coastline, no matter what the source.
• In 2010, KNPC awarded a new contract for the production of a world-class Crisis Management Plan, and inaugurated a new Crisis Management Centre at the Head Office Building, Dar Al-Wataniah.

K-EPA-Approved Disposal of Waste

• An elaborate procedure on Solid Waste Management approved by the Management meets all requirements of K-EPA/KPC HSEMS Guidelines regarding generation, recycling, handling, storage & disposal of hazardous & non-hazardous waste. Responsibilities of waste generating, handling, transporting departments have clearly been fixed. According to this procedure, authorization training is imparted to the concerned employees including contract employees to discharge their duties properly towards Solid Waste Management. The procedure is well understood & followed at all KNPC sites.

• All hazardous as well as non-hazardous waste are segregated at the generation source itself, manifest are properly filled-in and duly signed by authorized signatories and then transported to K-EPA/Government approved waste disposal sites. Proper record of the waste disposal is maintained at all sites.

• Following the success of our Sludge Treatment Facility at MAB Refinery, the remediation of both sludge pits within Shuaiba Industrial Area was completed and formal K-EPA approval received for handing over both remediated pits to the Public Authority for Industry (PAI).

• To boost our environmental protection efforts, saplings have been planted on the backfilled area of the pit. Post-handover, contaminated soil treatment is being continued through a Anaerobic Thermal Desorption Unit (ATDU) and the operation is monitored by K-EPA.

• KNPC generates around a significant amount of Spent Catalyst per year. To engage in long term management of spent catalyst at KNPC, a new contract has been established to handle, treat and dispose of 4500MT of spent catalyst in accordance with international regulations (e.g. Basel Convention, etc.) and Kuwait EPA standards. Within the terms of this contract, spent catalyst is collected from the respective KNPC units/sites by the contractor and directly transported to the contractor’s own site. The contract covers all aspects of handling, treatment and disposal of metallic, non-metallic, and reclaiming the Noble Metals from spent catalyst. Contractor will submit to KNPC all required transportation, treatment & disposal certificates from applicable governmental authorities/regulatory bodies, thereby confirming that all jobs have been carried out in an environmentally friendly manner.

Utilization of Power, Water and Fuel

Efforts to conserve resources by optimizing the use of power, water, steam and fuel are continuing. One of our major goals is to reduce water consumption, and we are installing automatic blow down control valves in boilers to optimise blow down quantity and thus reduce waste water generation at MAA Refinery.

Other Major Initiatives to Protect our Environment

• Bio-Remediation of Contaminated Soil at MAB Refinery

A project is being undertaken for bio-remediation of two outdated crude reservoirs, and several other contaminated sites, within MAB Refinery. This involves complete decontamination and clean-up of the areas concerned, and the project is designed so that this land can be re-used and the refinery will not have to increase its geographical footprint. The project is expected to be completed by July 2013.

• KNPC Nature Reserve Project at Wafra

To protect, propagate and rehabilitate the few rare plant species indigenous to Kuwait, we approached the government with the aim of establishing a protected Nature Reserve at Wafra, in South Kuwait. The project is being undertaken in collaboration with the Public Authority of Agriculture Affairs & Fish Resources. Baseline environmental monitoring for EIA study purposes is currently being undertaken and the first phase of the project is expected to be completed by June 2012. There are no areas of genuinely high biodiversity value in Kuwait which, being a desert terrain, does not possess endangered species and threatened habitats in the traditional sense. This project emphasises the active role of KNPC in encouraging and backing up various activities of governmental and private sectors in the field of environmental conservation.

• Recycling: ‘Reduce, Reuse, Recycle’

An electronic campaign to raise awareness about the importance of recycling solid waste: “Reduce, Reuse, Recycle” - was conducted in April 2009 in a joint effort by the Corporate Communications Department and the Environment Division as part
Similarly, the criteria for the classification of wastes given in Article 1 of the Basel Convention have been considered while developing our “Solid Waste Management Procedure”. The Basel convention is an international treaty that aims to protect human health and the environment against the adverse effects which result from the generation, management, trans-boundary movement and disposal of hazardous and other wastes. The convention came into force in 1992 and encompasses 170 countries, including Kuwait. Basel also covers a regional treaty - the Protocol on the Control of Marine Trans-boundary Movements and Disposal of Hazardous Wastes and Other Wastes. As part of our supply chain responsibilities, we insist that our contractors also adhere to the terms of the Basel Convention. For instance, we have a long-term contract with a spent catalyst processing unit. Refinery spent catalyst being listed in List B of Basel Convention is not covered under requirement for trans-boundary movement of hazardous waste. However, we have incorporated requirements for K-EPA approvals and acknowledgement of shipment by receiver in the contract.

In accordance with the Kuwait Regional Convention for Co-operation on the Protection of the Marine Environment from Pollution, KNPC is committed to taking all appropriate measures to prevent, abate and combat pollution of the marine environment in the sea area. On rare occasions in the past, it had
been observed that some of the parameters of treated effluent from refineries were not meeting the K-EPA norms. In order to make sure this doesn’t happen again, two Effluent Treatment Facilities at MAA and at MAB (for MAB and SHU) are planned. Since we cannot realistically prevent ships dumping oil in the Gulf we have created an Oil Spill Prevention Team to ensure that any oil that reaches Kuwait's coast is cleaned up as quickly as possible, and that damage is minimised.

• To ascertain the status of compliance with the requirement of Stockholm Convention we carried out tests on random sample of electrical equipment / transformers and results indicated they were PCB free. Also, plans are to test all possible sources of PCB and if confirmed to the same would be replaced it in a planned manner.

• Taking measures for the protection of ambient air from pollution, both KNPC (with stationary and mobile detectors) and K-EPA monitor the level of pollutants in the air in and around the refineries. We adhere to the United States Environmental Protection Agency emission criteria in order to comply with international best practice where applicable and feasible based on side conditions. Constant monitoring has led to new initiatives such as the Tail Gas Treatment Unit at Shuaiba Refinery, which is designed to recover 99.5 per cent of sulfur emissions. K-EPA is informed of any emissions above maximum allowances.

• KNPC adheres to KPC’s comprehensive Health Safety and Environment Management System (HSEMS) which has a number of documents that relate specifically to management of waste water discharge, management of air emissions, and to environmental impact assessment guidelines. A gap analysis that had been conducted as each of these elements was introduced showed that we already complied with, or exceeded, KPC guidelines.

• KNPC is a signatory to the 1989 Montreal Protocol on Substances that Deplete the Ozone Layer. The Ozone Layer is the Earth’s natural protection against damaging ultraviolet radiation (UV) rays from the Sun, and the objective of this international protocol is to phase out the production and consumption of Ozone Depleting Substances (ODS). Much of our on-going work in this area is designed to remove CFC and Halon gases in our air conditioning systems, and to replace them with environmentally-friendly alternatives.

• With regard to protocol concerning regional cooperation in combating pollution by oil and other harmful substances in cases of emergency, we have arrangements with other KPC subsidiaries to tackle oil spills under joint agreements, especially with our upstream partner Kuwait Oil Company (KOC), and KPC has an agreement with Oil Spill Response Limited for all subsidiaries. This dovetails with KNPC’s Major Incident Procedure Plan which, as mentioned earlier, is regularly exercised in drills.
across the company. Our recently published Crisis Management Plan is a further resource to ensure smooth operational coordination in the event of a major incident. In 2010 a dedicated Crisis Management Centre was set up in the basement of our Head Office to act as a Command Centre for the Higher Management and selected Managers.

Environmental Management and Governance

KNPC is certified to ISO 14001, which means that we are regularly audited to ensure that we are compliant with international best practice on environmental management. In May 2010, we celebrated the fifth anniversary of our first successful certification. Our adoption of ISO 14001 was designed to foster a cycle of continuous improvement and continues to ensure that environmental strategies and standards at KNPC are aligned with national and international standards and regulations. KNPC is also ISO9001 and ISO 18001 compliant.

The ISO 14001 Standard requires that we:

- Establish an environmental policy;
- Identify legal and other legislative requirements applicable to KNPC;
- Provide and allocate adequate resources to fulfil identified environmental requirements;
- Identify activities which can impact, or have impacted, on the environment;
- Identify activities which have significant impacts on the environment;
- Ensure appropriate controls are in place to limit significant impacts;
- Ensure policies, objectives and targets are set and met for improving our environmental performance;
- Check and verify our compliance status through audits and management reviews.

Environmental Monitoring and Measurement

KNPC has a comprehensive Environmental Management System (EMS) in place to monitor environmental issues. Our EMS fully complies with ISO 14001 and, as per the guidance of ISO 14001, is subject to continual improvement consistent with KNPC’s policy.

Our compliance with ISO 14001 is verified by:

- Internal audit auditors (every six months);
- Top-level management review (every six months);
- External audit (every six months).

The results of these audits are available for inspection and can be obtained by emailing csr@knpc.com.

Safety, Health and Environment Executive Committee (SHEEC)

It is important to KNPC that our corporate governance in the area of Health, Safety and Environment is transparent and trusted. The most important reporting system within the company is the regular reporting to the Safety, Health and Environment Executive Committee (SHEEC). The SHEEC is headed by the Chairman and Managing Director of KNPC, and attended by all of the Senior Management team, and is regarded as important as any committee within the company. The SHEEC meets monthly to receive updates on HSE Performance, on HSE Management System Performance, on Projects, on Medical Department Performance and on updates to permanent action items. Safety is tracked via a Safety Performance Audit Tracking System and overall performance is monitored via the Balanced Scorecard method, in line with best practice. Minutes are published, and are widely available.
## Key Data

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<td></td>
<td>Emissions to Atmosphere</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Total direct and indirect emission of greenhouse gases (GHG)</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Total CO₂e from direct energy consumption (calculated from 1.1 &amp; 1.2)</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Total CO₂e from indirect energy consumption (calculated from 1.3)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Flared and vented gas</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Total flared and vented gases (m³)</td>
<td>2,358,573 m³</td>
</tr>
<tr>
<td>4</td>
<td>Other relevant greenhouse gas emissions</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Total CO₂e from CO₂ (Fuel Gas Combustion Flaring and Hydrogen Processing and MAA Fluidized Catalytic Cracking unit)</td>
<td>10,933,321 tonnes</td>
</tr>
<tr>
<td>4.2</td>
<td>Total CO₂e from CH₄ (Fuel Gas combustion, Flaring, Fugitive emission from equipment leak)</td>
<td>13,213 tonnes</td>
</tr>
<tr>
<td>4.3</td>
<td>Total CO₂e from N₂O (Fuel Consumption and Flaring)</td>
<td>18,056 tonnes</td>
</tr>
<tr>
<td></td>
<td>Emissions to Water (including Spillages)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Discharges to water</td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Total volume of water discharged</td>
<td>1,185,090,360 m³/yr</td>
</tr>
<tr>
<td>5.2</td>
<td>Volume of water that is treated</td>
<td>11,427,847 m³/yr</td>
</tr>
<tr>
<td>5.3</td>
<td>Volume of water that is discharged to sea</td>
<td>1,185,074,179 m³/yr</td>
</tr>
<tr>
<td>5.4</td>
<td>Volume of water that is discharged to other destinations</td>
<td>16,181 m³/yr</td>
</tr>
<tr>
<td>5.5</td>
<td>Proportion of water that is recovered, recycled or reused</td>
<td>32.35%</td>
</tr>
<tr>
<td>5.6</td>
<td>Volume of wastewater that is used by other organizations</td>
<td>0</td>
</tr>
<tr>
<td>5.7</td>
<td>Total discharged Biological Oxygen Demand (BOD)</td>
<td>28,224 tonnes</td>
</tr>
<tr>
<td>5.8</td>
<td>Total discharged Suspended Solids</td>
<td>7,211 tonnes</td>
</tr>
<tr>
<td>5.9</td>
<td>Total discharged Hydrocarbons</td>
<td>2,971 tonnes</td>
</tr>
<tr>
<td>6</td>
<td>Spillages</td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Total hydrocarbon spillages</td>
<td>21</td>
</tr>
<tr>
<td>6.2</td>
<td>Total amount of hydrocarbon spilled</td>
<td>37.36 m³</td>
</tr>
</tbody>
</table>

For more information on KNPC’s environmental performance, please contact us at csr@knpc.com
Health and Safety Management at KNPC

In 2000 we suffered a major accident in which a number of employees were killed or injured. Since that time we have taken extensive measures to establish standards which protect employees, the community and our environment.

Refining hydrocarbons is hazardous work, but we refuse to accept that this means casualties are inevitable. Our employees are our most valuable assets and their safety is paramount. For this reason, safety is our most immediate and most important priority.

Our Safety Standards and Procedures

The Importance of Transparency and Accountability

Published HSE Policy

We have a widely published, publicly available Health, Safety and Environment policy that is current, and that has a proper procedure for renewal in line with ISO 14001. This commits us to making safety our ‘Prime Objective’. One of the major elements of this policy is that we emphasize the need for collective responsibility for continuous improvement, so not only employees but also contractors are actively encouraged to contribute their ideas and help us to minimize risks.

Safety, Health and Environment Executive Committee (SHEEC)

The SHEEC is the body that oversees all safety issues at KNPC. The SHEEC is led by the Chairman of KNPC and comprised of the senior management team, meeting every month for two hours to be briefed on updates from the HSE Department. Each meeting studies Safety and Health Performance, from Lost Work Cases (LWCs) to Near Miss Incidents Reported (NMIRs) and discusses how to improve and remedy any lagging indicators. In line with Best Practice, safety is tracked via the Safety Performance Audit Tracking System (which, for example, calculates the Total Accident Frequency Rate and LWC Severity Rate) and overall performance is monitored via a Balanced Scorecard. Minutes are published and distributed as needed.

KPC and KNPC: A Double Lock on All Safety Procedures

KNPC as a subsidiary of KPC, adheres to more than one management system. KNPC is now certified to OHSAS 18001, to ISO 14001 and to ISO 9001:2008. There are various internal, non-international, management systems to which we also adhere. For instance, KPC has a set of Corporate HSE Standards in which there are nine Standard areas comprising 59 documents and associated elements. KPC is very clear: “All KPC Subsidiaries MUST follow the KPC HSE Management System and MUST have documented systems and procedures in place in their own HSE Management System.” This puts a double lock on all safety procedures as, not only must they be approved internally, but they
must also be approved at a corporate level. Specifically, it is worth noting that KPC Corporate HSE Standard - Document 4 - an HSE Management System Guideline - is further subdivided into 16 HSE Management System Elements which subsidiary companies are required to follow, namely:

<table>
<thead>
<tr>
<th>Element 1: Management Commitment and Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 2: Integrated HSE Organization</td>
</tr>
<tr>
<td>Element 3: Challenging HSE Goals and Objectives</td>
</tr>
<tr>
<td>Element 4: High Standards of Performance</td>
</tr>
<tr>
<td>Element 5: Continuous Training and Performance</td>
</tr>
<tr>
<td>Element 6: Effective Two-Way Communication &amp; Motivation</td>
</tr>
<tr>
<td>Element 7: Behaviour and System Audits</td>
</tr>
<tr>
<td>Element 8: Incident Prevention through Effective Investigation</td>
</tr>
<tr>
<td>Element 9: Management of Change</td>
</tr>
<tr>
<td>Element 10: Managing Contractors</td>
</tr>
<tr>
<td>Element 11: Mechanical Integrity and Quality Assurance</td>
</tr>
<tr>
<td>Element 12: Hazards Identification and Risk Management</td>
</tr>
<tr>
<td>Element 13: Emergency Preparedness and Response</td>
</tr>
<tr>
<td>Element 14: Environmental Management</td>
</tr>
<tr>
<td>Element 15: Occupational Health Management</td>
</tr>
<tr>
<td>Element 16: Legal Compliance and Other Requirements</td>
</tr>
</tbody>
</table>

**The Health, Safety and Environment Management System (HSEMS)**

_In essence, this is a world-class system, and its quality was proven in May 2010 when we were awarded OHSAS 18001 certification._

We have our own Health, Safety and Environment Management System (HSEMS) based on these 16 Elements, which has 14 Elements and satisfies the criteria of KPC Corporate HSE Standard Document 4. HSEMS was created in 2000 (known then as SHEMS) in response to major accidents at MAB and SHU Refineries. It was officially launched across the Company in May 2002 and was set up using a model provided by Det Norske Veritas (DNV), a global risk management services provider, based on their International Safety Rating System (ISRS). Our system continues to meet the requirements of ISRS, and is assessed by DNV every five years.

**OHSAS 18001**

OHSAS 18001 is an internationally recognized standard for Occupational Health and Safety Management. It is a voluntary Standard, but one that demands strict adherence to achieve certification. We are proud to have been one of the first companies in Kuwait to elect to put ourselves forward for accreditation.

The Standard provides a framework based on the established management principle of ‘Plan-Do-Check-Act’, which is also known as the Deming Cycle. This involves the identification and investigation of health and safety risks related to all of our activities and products. Once identified, risks are then evaluated, and control plans with clear objectives are put in place to manage the risks. Thereafter, all occupational health and safety issues affecting employees are addressed through this system.

**Through OHSAS 18001 certification, we ensure**

- The provision of a structured approach to managing HSE department;
- Assistance in tracking and satisfying regulatory requirements;
- The ability to systematically plan, control and monitor operations;
- An increase in employee involvement and awareness;
- Establishment of a framework to move beyond compliance.

At the beginning of this fiscal year we rolled out comprehensive training programs to ensure that employees know what is expected of them to maintain the Standard. This is crucial. A final but important requirement of the OHSAS 18001 certification process is the mandatory internal and external audits conducted every six months, and mandatory recertification process every three years. This will ensure continuous evaluation and improvement of the system.
Subjects for these are chosen by employees as well as management. Over the past twelve months, campaigns have included:

- Excavation Safety
- Safe Handling of Chemicals
- Working at Height
- HSE Safe Crane & Rigging Operations Campaign
- Environmental Incident Awareness campaign, covering 935 employees and contractors.

The company also provides regular medical checks and annual flu shots, all of which are offered free of charge to staff members thus helping to prevent the spread of flu amongst employees. Our emphasis is always on prevention ahead of cure.

Emergencies and Crises

We are always prepared.

Major Incident Procedure Plan (MIPP)

KNPC’s Major Incident Procedure Plan (MIPP) for the Company’s refineries and marine terminals was introduced in 1992 and underwent its eighth major revision in February 2010. The MIPP underpins our

Workplace Health

Our emphasis is always on prevention ahead of cure.

Health Campaigns

Our aim is that our employees benefit from our health campaigns, and also that they take the messages back from their working environment and help to change attitudes within the community and thereby help to change attitudes within the larger community.

As part of our commitment to our stakeholders, both internal and external, we invest a lot of time to ensure that our audiences receive the right messages about health and lifestyle. This is part of the KNPC Preventative Health Program. We often combine internal campaigns with larger national efforts, such as the Blood Donation drive. Usually, health specialists are invited to address employees in the auditorium at Head Office and interactive sessions encourage employees to learn more about the subject.

Internally, we run more than a dozen campaigns each year that aim to promote healthier lifestyles.
response to any emergency, and our initial response to a crisis situation. Because of its longevity, and because of repeated drills with different scenarios and complexities (situations are divided into three levels, or ‘Tiers’, according to their severity) there is a familiarity with the document across the Company that ensures key personnel are comfortable using it in all circumstances. The MIPP covers notification and call-out procedures, roles and responsibilities, coordination within emergency centres, and evacuation planning. It is activated in the case of injuries to personnel, process incidents such as an explosion or a release of toxic material, or a security incident such as a breach or a bomb threat. It is divided into four levels with three Categories.

- A Minor Incident is one that can be dealt with effectively by the site personnel and the refinery fire crew responding to the incident, using the equipment and resources that are readily available to them.
- A Category I Incident is one that requires more than one fire crew to bring it under control, but which can still be dealt with effectively by the resources of the refinery concerned.
- A Category II Incident is one that requires a response beyond the scope of the resources of the affected refinery, and hence requires assistance from the unaffected KNPC Refineries and, if necessary, from outside agencies for effective containment.
- A Category III Incident is one which may have serious effects beyond the site boundary of the affected refinery. Such an incident, possibly an explosion or toxic gas release, may require the evacuation of the site or specific warning to the nearby general public.

However, if a single event is of sufficient size, or if one event turns into a series of issues that begins to challenge the Company’s ability to bring the situation under control, it may be that a crisis is declared.

Crisis Management

KNPC’s new Crisis Management Plan is a major step forward for our ability to meet our responsibilities in a crisis. There was already a draft plan in place, but in 2010 we brought in experts from the USA to help us establish a truly world-class set of procedures. Our key goal is to ensure resilience. It is important to understand that crisis cannot always be planned for. Instead, any plan must be flexible enough to deal with any threat to the integrity of the Company’s operations. This may be an accident, but it may also be a reputational issue. In 2010, a Command Centre for the senior management and selected managers was established in Head Office, which is intended to be the nerve centre of any response effort.

Security and Fire Prevention

Ensuring the best protection

Security Services

KNPC has always been proud of the professionalism and dedication of our security and emergency services, which were until recently under the direct control of KNPC. However, on July 1st 2010, KPC and the Higher Security Committee of the Oil Sector officially transferred responsibility for security from KNPC to another KPC subsidiary, the Oil Sector Services Company (OSSC) with the aim of this move being to improve security by centralizing responsibility within one organization. Over the last few years, OSSC has developed into a 2000 strong services company providing strategic security, fire and general service support (including fleet, contracts and supply) to all 10 subsidiaries of KPC, including KNPC.

This means that OSSC is taking over responsibility for some of the stakeholder engagement with outside organizations such as Ministry of Interior, Coast Guard and the National Guard. These relationships are often relied upon during major drills that we regularly undertake. However, due to the requirements of the MIPP and the long-standing relationships built up over
many years, we expect to retain a strong connection to these stakeholders.

**Some of the security team’s responsibilities include:**

- Perimeter protection (land & water);
- Command and control computer communication and information;
- Observations and communication system monitoring;
- Underwater surveillance & detection;
- Facility access control (including issuance of gate passes and work IDs).

**In order to achieve this, the service is split into forces and teams, including:**

- Coastal Protection Force (CPF);
- Critical Infrastructure Security Force (CISF);
- K-9 Explosive Detection Team.

**Fire Services**

Our refineries are well equipped to control minor and even major fires. We make this claim based on the implementation of a variety of ‘passive’ and ‘active’ fire protection measures. In short, passive measures include careful planning ahead for any incidents, and smart design of facilities in line with international standards. This reduces the likelihood of the fire spiralling out of control. Active protection is achieved by installing proven communication and fire monitoring devices, in line with best practice, and ensuring the availability of the best portable and fixed fire-fighting equipment.

Of course, these protection systems mean nothing if they are not maintained and operated to the best possible standards, and that is why we have invested significant time and resource into training the fire crews and staging regular drills to ensure their readiness. OSSC will continue this proud tradition.

**Key Data**

<table>
<thead>
<tr>
<th>Health &amp; Safety</th>
<th>Unit and Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of injuries (includes all employees and contract workers)</td>
<td>83</td>
</tr>
<tr>
<td>Injury rate</td>
<td>1.879 per 000,000 hours</td>
</tr>
<tr>
<td>Total number of lost time injuries (includes all employees and contract workers)</td>
<td>7</td>
</tr>
<tr>
<td>Lost time injury rate</td>
<td>0.158 per 000,000 hours</td>
</tr>
<tr>
<td>Number of days lost through illness and occupational disease (excluding contracted workers)</td>
<td>39476</td>
</tr>
<tr>
<td>Illness and occupational disease rate</td>
<td>3884.26 per 000,000 hours</td>
</tr>
<tr>
<td>Total number of reported accidents (includes all employees and contract workers)</td>
<td>83</td>
</tr>
<tr>
<td>Accident rate</td>
<td>1.879 per 000,000 hours</td>
</tr>
<tr>
<td>Total number of fatalities</td>
<td>0</td>
</tr>
<tr>
<td>Fatality rate</td>
<td>0</td>
</tr>
</tbody>
</table>

For more information on our commitment to Health and Safety, please contact us at csr@knpc.com
Inside Stories

ERM - Taking The Initiative On Risk

We continue to develop our Enterprise Risk Management program, building upon the initial intensive workshops held in 2008 to secure maximum return on investment with regard to the ERM division.

Now an integral part of the Functional Excellence Group (FEG), the ERM team are highly proficient at identifying risk and proposing commercially viable mitigation strategies. The work of the ERM team is highly valued and their role is the core element of our Risk Oversight Committee.

All risks at KNPC are tracked through the ERM Risk Register, where risks are classified according to type, severity and probability, and ranked according to risk degrees (from high to low). The register then addresses ‘treatment options’ to minimize or neutralize the risks. Where risks are very high they are described as ‘key group risks’. These risks that combine severe impact with high probability are put into a risk index. The highest priority risks are reported to KPC each quarter which in return include these risks in its quarterly performance measures. The Risk Index is major focus for us, and the aim is to reduce the number of risks within this index to zero.

All risks are subject to mapping across the following impact areas: Health and Safety implications/ Natural Environment/ Social or Cultural Heritage/ Community/ Cost of Event/ Government and Regulation/ Media/ Legal/ Overall. Once this is accomplished (although not complete, the process of review is continuous), the team monitors the process of any strategic action taken to resolve risks. The ERM Team trained and assigned team members that were assigned to KNPC. They are responsible for liaising with the ERM Team and entering any new risks into the online ‘Bi-wise’ Risk Entry system. There is an ERM presentation to Managers through KNPC Regular Communications Meetings (KRCMs) every month. We are proud to have reduced the number of ‘very high’ risks by more than half since 2009.

The project has been a huge success, and continues to go from strength to strength.
Social Performance

a. Community Engagement

At KNPC, sustainability means more than simply achieving economic growth year-on-year. It means balancing economic growth with social development and environmental protection. We are constantly working towards meeting the world’s growing energy needs, but we also know that our future depends on the well-being of the community and the environment.

Of course, as a major local employer and a state entity that feeds its revenues back to the government to distribute and invest on behalf of the people of Kuwait, it can be argued that we already provide a high level of economic support to the community. But that is not the way we choose to think about it. We want to be involved directly in helping to make a difference at a local level. That is why we take an active role in organizing and participating in community events, and why we encourage our employees to contribute to the community through initiatives like our Celebrate Ability event and Blood Donation drive.

KNPC and Community

Kuwaitisation

Community support takes many forms. Our policy of ‘Kuwaitisation’ – providing job opportunities to local people, particularly university graduates – has helped many families. We are one of the largest employers in the country, with over 5,500 directly-employed staff. In the past we have relied on international experts to supplement our national workforce in the oil industry. However, in 2003 we initiated a nationalization program to ensure nationals are given the best opportunity for employment. This program has been extremely successful and more than 80% of our employees are now of Kuwaiti nationality, which is the highest percentage we have ever recorded. As more qualified Kuwaitis become available due to better education and training (supported by organizations such as ours) we are taking an active role in recruiting and employing the best local talent, thereby contributing to Kuwait’s high employment rate and to the development of a new generation of business leaders. It is also important to acknowledge our belief in continuous adult learning, and we are proud to invest in training and staff development throughout our employees’ careers.

Employees and the KNPC Family

We commit significant resources to fostering a sense of belonging among our employees. We are keen to demonstrate that our employees are our most important assets. Each year we organize a series of camps, with family activities, that take place at a special location in the desert. These camps provide entertainment as well as an opportunity for families to spend time together and to get better acquainted with each other. Many benefits are available to our employees, including access to low interest loans and to discounts and special offers throughout the year on items ranging from travel and electronics to food and entertainment. We encourage our employees and their families to seek membership of the health clubs and subsidize the fees of their membership by 50 percent.

We are particularly keen to support the educational success of our employees’ children, which is something that we know is close to every parent’s heart. One of our most popular preferential schemes for employees is subsidised revision and text books for school-age children.

We also choose to honour exceptional students directly, with regular ceremonies celebrating the success of our employees’ children in partnership with their families. These ceremonies are usually attended by higher management, and are followed up with opportunities for the students to learn about KNPC’s activities and operations.
Employee Welfare

Nothing is more important to us than the welfare of our staff. Throughout the year, our Medical Department undertakes numerous initiatives to raise awareness on key health issues among employees. Seminars and lectures are regularly staged in the auditorium at our Head Office, covering a wide range of health issues. These talks typically cover a variety of topics ranging from diabetes and obesity to female specific health issues such as breast cancer, and to topical threats such as swine flu. Qualified dieticians are located in each of our refineries and at the Head Office to offer free consultancy regarding employees’ food habits, in order to minimize dietary impact on modern day ailments such as hypertension, diabetes, and cardiac problems.

In addition, our General Services Department arranges to supply, upon request, healthy meals to any of our employees and contracted employees. Employees’ general dietary requirements are taken into account while designing the healthy meals, and we also educate our employees about the benefits of eating healthy meals, highlighting potential benefits such as reduction of LDL (Cholesterol), optimization of blood sugar levels, reduction of obesity, and reduction of hypertension.

Education and Learning

We take pride in our relationships with local educational institutions. These relationships are an illustration of the importance we attach to our long-term role as a central pillar in Kuwaiti community life.

Many of our staff have strong connections with local establishments, particularly with the engineering faculties of local tertiary education providers. For example, some employees have close ties to the Kuwaiti Engineers Society (KES) and often offer help to students at the Engineering and Petroleum College at Kuwait University, either through the KES or directly.

KNPC also concluded an agreement with the Public Authority for Applied Education and Training (PAAET) to admit nearly 100 students annually to study Refinery Operator and Lab Technician majors in the Authority of Higher Education College. We pay salaries to these students and employ them immediately upon graduation.

But our links go further than this, as we also want to play a role in actively encouraging the best standards from a young age. During the week commencing May 16th 2010 we sponsored the first Cultural Forum for Kindergarten Supervisors Council, which is part of a larger national project designed to assist teacher development and improve educational quality in Kuwait. We are not just interested in short-term success, but we also understand the need to reinvest for the future.
School Visits Program

Our school visits program is a continuous and growing aspect of the work undertaken by our Corporate Communications Department as well as by our Health, Safety and Environment Department. We also give practical assistance whenever possible.

This year members from our Corporate Communications Department visited 6 high schools and 2 elementary schools, helping to educate the students about the importance of conserving the environment and about safety at home, school, and outdoors. Our HSE department also conducted educational visits to 6 schools, and presented an Environmental Awareness lecture during Earth Day celebrations in April 2010 at the UN in Kuwait.

We gave one hour presentations on each topic at the schools, geared specifically to each of the age groups we were addressing. We believe that instilling good core values in children is a great way of reaching out to our community and of ensuring a better future for both the society and environment.

Community Investment

Community support is an integral part of Kuwaiti life, and we like to think that our actions play a part in demonstrating this commitment. We supports our stakeholders through its contributions to educational, environmental, social, recreational, religious and cultural programs in Kuwait.

Investing in Relationships

We try to build long-lasting relationships with our key stakeholders. These include the media, government institutions and, of course, the public. Specifically, however, since our inception we have been deeply involved in supporting the development of many of the non-governmental organizations (NGOs) that are so critical to improving the lives of Kuwaiti citizens. What follows is a breakdown of our activities across a variety of stakeholder groups.

Helping Those in Need

We invest a lot of time and resource in trying to ensure that those suffering from illness, and those who are otherwise less fortunate than the majority of us, feel that they are cared for and that they are valued.

During the year we have extended our help and support to a number of organizations and institutions, including:

- Kuwait Association for the Care of Children in Hospital (KACCH) – working together to elevate understanding of the talents of all Kuwait’s children through the “Celebrate Ability” activities in March 2011;
- Hussain Mekki Jum’ah Hospital for Cancer, The Kuwait Orphan Care House and the Kuwait Center for Autism – we have been proud to offer support to all three of these organizations during the year, including donations of money, in-kind gifts and visits by staff;
• Al-Razi Hospital in Al-Sabah health zone in Shuwaikh – one of the most emotional events of the year, some of our employees organized an extended visit in which they could spend time with children who were unable to spend Eid at home with their families;

• We launched a donations campaign to support the flood victims in Pakistan after the destructive floods and violent torrents resulted in hundreds of fatalities and thousands of families and individuals being left homeless. We made four donations to the Kuwait Red Crescent Society (KRCS) totalling over 9,500 KD.

• As part of the on-going drive to encourage all our employees to donate blood, two donor sessions have been held at each of our locations between December 2010 until mid-February 2011. We collected an impressive 844 pints of blood in total. KNPC was officially recognised as the “Best Donor” by the Blood Bank.

Encouraging Environmental Action

Our commitment to the environment does not end at the gates of our refineries. We try to foster dialogue and action throughout the community, leading by example whenever possible.

• We sponsored the 4th Kuwait Environment Festival in June 2010, which was addressed by Mr. Mohamed Al-Nasiri, Acting President for United Nations Development Program (UNDP).
• We continued our beach cleaning activities, recruiting volunteers from both inside and outside the Company for the successful cleaning of several beaches.
• We participated in a series of environmental events and lectures at local schools.

Of course, these activities are taking place alongside other initiatives being undertaken within the Company to reduce our negative impact on the environment. These investments, combined with more detail on our partnerships with environmental stakeholders, are documented in the chapter on ‘Environmental Performance’.

Promoting Sport and Exercise

We invest in sporting activities on the basis that they encourage healthy exercise and leadership skills, and we are particularly proud that our cricket team won the Oil Sector Cricket Tournament again in 2010. Playing at a purpose-built stadium next to the Head Office, employees were given time off as necessary to participate in this competition, and we also provide financial support as needed. Equally, we enthusiastically supported the Second Ramadan Oil Sector Martyrs Championship from August 25 to September 1, 2009, held at our “Dar Al- Wataniah Club”. The now annual Championship comprises competitions across games such as soccer, volleyball and table tennis, as well as swimming.

We also support traditional Kuwaiti sports such as camel racing, and help to fund local groups such as the Al-Ahmadi Governorate Society for Shooting and Equestrian Activity. This provides further opportunities to show our appreciation to our local stakeholders.

Supporting Religious Activity

Kuwait is a deeply traditional society, and religion is at the centre of community life. As well as the annual provision of an Iftar tent opposite our Head Office building during Ramadan, we are active in supporting our stakeholders to practice their faith. Our activities during the year have included:

• Subsidising Omrah trips to Saudi Arabia for our employees, in which we provided a 50% discount for employees and 40% for each guest;
• Donation of Suhur meals and gifts during Ramadan, in coordination with the Ministry of Awqaf and Islamic Affairs;
• A Holy Quran memorizing competition for children of employees, for both boys and girls.
We contacted a number of Special Needs schools and collected artwork that each pupil had worked on and painted. We then displayed and sold them at our Celebrate Ability event so that everybody could see the beautiful work that was put into each and every painting. The proceeds went back to the schools and hospitals to buy whatever was needed to help make their everyday life easier and happier.

This year’s event was also held at our Social Club, Bait Al-Wataniya, and over 400 people attended. The range of activities provided included beach games, bouncy castles, face painting, children’s art displays, magic shows, and indoor games. A wonderful display of food was provided and our smiling guests all left with a special gift. The event was a huge success and a credit to the devotion and enthusiasm of the STAR Volunteers.
Inside Story

Hospital Visits

At KNPC, we have a long history of helping those in need. This does not just mean financial assistance, although of course that is important. Sometimes the most valuable gift we can give is time. That is why we encourage our staff to visit less fortunate members of the community and share precious moments with them, particularly on special occasions.

We support a number of special causes, including the Hasan Mekki Jum’ah Hospital for Cancer, the Kuwait Orphan Care Housem, the Kuwait Center for Autism, as well as the Red Crescent. There are a number of hospital visits each year, usually undertaken by the Corporate Communication Department.

On the second day of Eid, we visited the Children’s ward at Al-Adan Hospital to share and celebrate this special occasion and help alleviate their suffering and pain. Each child received a special gift and time was spent with each and every one of them. It was a joy to see the smiles of the sick children open their gifts and this is something we shall continue to do for many years to come.

Our staff also undertook to brighten up the lives of ill children by arranging a visit to the Al-Amiri Hospital for Sick Children on 22nd February 2011. Accompanying the KNPC team were life-sized characters Barney and Pooh Bear who entertained the children and brought laughter to the hospital wards. Few things in life affect our emotions as much as seeing an ill child, and we are very proud to have made this day a day of smiles and laughter for these very ill children. The visit concluded with a magic show and every child was given a special present.
Stakeholder Dialogue

Community Safety

Because of the nature of our business activities, it is extremely important that extensive prevention and emergency plans are in place to ensure the safety of the community. It is for this reason that we are updating our community preparedness and neighbourhood alerting protocols. Communicating in an emergency or a crisis is critical, but so is preparing for the time when that communication will be needed.

We also take great steps to ensure that our work locations are safe environments to work in, and we not only participate in as many local and regional health conferences, seminars and discussions as we can, but we also encourage our staff to do so independently.

Across our company, and throughout our adjacent communities, we have established comprehensive occupational health and safety programs and plans, and we are continually making improvements at all sites to ensure the safety of our employees, and of the communities where we work. This involves learning the right ‘safety habits’ at an early age, and that is why we continue to invest our resources in school visits.

Contractors

Just as ‘Kuwaitisation’ demonstrates the commitment by KNPC to the people of Kuwait, we are constantly looking for ways to encourage and support Kuwaiti businesses. It is one of our supply chain commitments that if we can source competitive services and products locally, then we will. One of the achievements of which we are most proud is the creation of our Supplier Services Centre and Supplier Partnership Advisory Council (SPAC). This is a forum where contractors and suppliers can tell us about their needs so we can ensure that we anticipate any potential problems before they arise, and solve them through dialogue. We have invested in a new division with eight people to coordinate this activity, but this initiative is much more than that. As well as a new division to help them communicate with KNPC, contractors and suppliers are also invited to many of the social camps that we organize. This breaks down barriers and helps the suppliers to feel part of the KNPC family. We are proud to work so closely with local traders and business owners.

Press engagement

Kuwait has one of the best records for press freedom in the Gulf, and KNPC has one of the best reputations for press engagement within the oil industry. We pursue a policy of regular contact with correspondents from local, national, regional and international media outlets. Corporate Communications Manager, Mohammad Al-Ajmi, believes that KNPC’s relationship with the media depends on “providing accurate, transparent and clear information about the Company’s policy and its projects”. This kind of engagement is still unusual within Kuwait. With such a progressive approach, KNPC is setting the trend for companies in Kuwait. During the fiscal year 2010-2011 we had 57 press releases. Most press releases were published several times in various newspapers.

Key Data

<table>
<thead>
<tr>
<th>Economic Value</th>
<th>Unit and Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues (net sales plus revenues from financial investments and sales of assets)</td>
<td>12,070,319,000 KD</td>
</tr>
<tr>
<td>Total operating costs (payments to suppliers, non-strategic investments, royalties, and facilitation payments)</td>
<td>506,229,000 KD</td>
</tr>
<tr>
<td>Total employee wages and benefits (total monetary outflows for employees(current payments, not future commitments))</td>
<td>228,320,000 KD</td>
</tr>
<tr>
<td>Total payments to providers of capital (all financial payments made to the providers of the organization’s capital)</td>
<td>89,453,886,000 KD</td>
</tr>
<tr>
<td>Total payments to Government (gross taxes)</td>
<td>0 KD</td>
</tr>
<tr>
<td>Total community investments (voluntary contributions and investment of funds in the broader community – including donations)</td>
<td>107,455,440 KD</td>
</tr>
</tbody>
</table>

Boundaries

KNPC does not undertake any political lobbying activity. It is also noted that the Indigenous Communities and Resettlement and Land Rights indicators within the IPIECA/IPA Guidelines do not apply. For more information, please contact us on csr@knpc.com.
Inside Stories

Blood Donation

Caring for others who are less fortunate is an honourable thing to do, and this attitude toward others has become an integral and important part of our CSR programme.

During the year, there have been not one but three major initiatives held to specifically benefit those in need of medical care. As part of the on-going drive to encourage all our employees to donate blood, two donor sessions have been held at each of our locations. We all expect blood to be available for when we may need it, and initiatives as such help to ensure that blood is readily available for those who need it urgently.

- On 2nd December MAB provided 203 Units of Blood
- On 10th January Head Office provided 100 Unit of Blood
- On 17th January Local Marketing provided 63 Units of Blood
- On 24th January MAA provided 125 Units of Blood
- On 31st January SHU provided 113 Units of Blood
- On 7th February MAB provided 147 Units of Blood
- On 15th February Head Office again provided 93 Units of Blood.

The last donor session saw KNPC provide 844 Units of blood to the Kuwait Blood Bank. Well done to everyone who played their part in helping us reach such an impressive total!

We are very proud to be the number 1 blood donor in Kuwait.
b. Customer Satisfaction

Customers

Investment in Customers and Product

KNPC is not a customer-facing organisation in the classic sense, but we do refine hydrocarbons into a variety of products that are then marketed internationally by KPC. Products are also marketed locally, and we currently operate 39 petrol stations across Kuwait as well as continuing to act as sole supplier of products to local market. Anticipating future demand of Gasoline, Kerosene and Diesel for domestic use is one of our major concerns. We also commit to comply with the needs and regulations of the international market.

Continuous Improvement

We take our product stewardship obligations very seriously. One of the key drivers of our Clean Fuel Project (CFP) is the need to continue to meet stringent specifications on marketable products. The aim is to develop our refineries into integrated merchant refining complexes to meet diversified market demand and the specifications for local and international markets. New Refinery Project (NRP) is also a mandate in the years to come, for reasons that are as much environmental as strategic to our nation, we want to be able to stop producing High Sulfur Fuel Oil and to be able to provide cleaner products, satisfying our domestic fuel requirements.

Quality

ISO 9001:2008 – Meeting the Standard

In order to strengthen customer confidence in our management systems and help to improve our processes, in 2008 we decided that we wanted to put ourselves forward for testing against the ISO 9001 Standard. While many departments within the Company were certified to ISO 9001, the Chairman and Managing Director had asked that we should be fully-certified, across the board, by 2011.

This was a major project. ISO 9001 is part of a family of Standards that is published by the International Organization for Standardization (ISO). It is one of the widely-accepted measures that allow comparisons between companies, and that enable customers to see if a company meets a certain baseline. Essentially, if a company is ISO 9001-compliant, it has a Quality Management System. This means that the company can demonstrate that they have management systems in place to ‘achieve consistent quality goods and services’. This helps customers have confidence in their suppliers. We have historically always had robust Quality Management Systems in place, but wanted to provide our customers with the extra confidence that comes with accreditation to internationally recognized systems. After nine months of continuous preparatory work we received our certification to ISO 9001:2008 in February 2011.

Although ISO developed the Standard and publishes it, ISO is not responsible for certifying a company to the Standard. That is done by an independent, external specialist Certification Body or Registrar that has been approved to certify companies. In this way, customers can be certain that a company is independently verified.

Other Standards at KNPC

We are also certified to ISO 14001 and OHSAS 18001. These are the most widely-acknowledged standards in environmental management systems and occupational health and safety systems. The Projects Department is certified to ISO/TS 29001:2003, which is a sector-specific quality management system for product and service supply organizations for the petroleum, petrochemical and natural gas industries. It is anticipated that other departments across the Company, which support the activities of the refineries, will pursue ISO 29001 certification in the future.
Quality and Process Engineering

KNPC has elaborate product testing facilities in all refineries. The laboratories at all sites test the intermediate streams at each major stage during the refining process to ensure that our final products meet KPC specifications, which is in line with international specifications. Our laboratories follow the international testing methods for products qualities that are specified by international bodies like:

- American Society for Testing and Materials (ASTM)
- UOP Laboratory Test Methods
- IP Standard Test Methods

Research & Development

Our procedures and methodologies are constantly evaluated and reassessed. Research & Development is one of the critical areas which has been given more concern over the last decade, establishing a dedicated department to manage our R&D activities, coordinate with external R&D bodies and provide the Company’s senior management with advisory views for taking the appropriate decisions.

Some of the projects and research-led initiatives that we are currently working on include:

- Consultancy services for evaluating the integrity of existing refinery equipment – Phase II;
- Investigation of the effect of feedstock quality and ammonia addition on the performance of the hydrocracking process;
- Routine monitoring of microbial growth in the fuel storage tanks;
- Synergistic effects of hydrogen sulphide and chloride on stress corrosion cracking of stabilized austenitic steel;
- Oil stream from Kuwait heavy crudes to produce ultra-low sulfur diesel;
- Performance improvement at Mina Abdullah on the Online Catalyst Replacement (OCR) reactor through cold flow modelling and non-invasive techniques.

All these initiatives are amongst many others that are undertaken to ensure customer satisfaction with our products. Our efforts have been recognized and honoured internationally. We have been awarded “The International Energy Company of the Year” for the year 2011 by Hart Energy Publishing, which is one of the world’s largest energy industry publishers. This award is presented to companies that have demonstrated commitment to investment, operational excellence and social responsibility.

Working with Globally-Renowned Companies

In order to ensure that KNPC meets and exceeds customer requirements, we actively seek partnerships
and knowledge-transfer opportunities with international oil and gas companies working in the Middle East and around the world.

Chevron employees have provided consultancy at our three refineries under a long-standing agreement with KNPC. That agreement had been extended into 2010. Chevron licenses refining technology, and supplies catalysts to our refineries through its subsidiaries ‘Advanced Refining Technologies LLC’ and ‘Chevron Lummus Global LLC’.

We also have arrangements with Shell, who have helped us with many projects including a Process Hazard Analysis at Shuaiba Refinery which concluded in 2009. Furthermore, we have a long-standing contract with Shell Design and Engineering Practice (DEP) to access the most recent best practice developments in the industry across the world. This includes several thousand pages of designs and plans, and we are in constant contact with Shell regarding the latest revisions.

In July 2009 we hosted a delegation from the joint Aramco-Total Joint Venture aimed at sharing best practice, in order to exchange ideas on best operation practices and maintenance operations. In particular, we were able to discuss the factors behind the outstanding performance of MAB Refinery, which the Aramco-Total delegation were keen to apply to the operations processes at their “Al-Jubail Refinery” that is set to be the second biggest refinery in Saudi Arabia when it comes on line in 2013.

Similarly, we also conducted a visit to GASCO, Abu Dhabi Gas Industries Ltd, in August 2009. This helped both teams become familiar with the software applications Oracle and Maximo, each of which were being rolled out at both GASCO and KNPC. Oracle has a critical role in managing our Financial related activities and it is also essentially allows employees to process their HR requirements online and to receive news about the company. Maximo is one of key success factors for our Enterprise Assets Management, and also it provides the ability to track invoices and automate payments, thereby minimising chances of corruption.

Talking to our suppliers

As discussed in the Stakeholder Engagement chapter, we have recently established a Suppliers Services Centre and inaugurated our Supplier Partnership Advisory Council (SPAC), which is a forum where customer comments can be fed back into the supply chain faster, meaning that any issues can be addressed rapidly and transparently.

Customer Satisfaction Survey

This is currently under development, and will be included as a Corporate Key Performance Measure in future years. For more information, please contact us on csr@knpc.com.
KNPC is already well respected for our numerous environmental initiatives. Amongst these, some have required large scale investment and the Oily Sludge Handling and Treatment Facility is one such project.

With an original investment of over US $8.5 million, the Facility was a major initiative aimed at reducing the environmental impact of our significant oil storage activities. Since its original inception in 2005, we have continued to invest in the Facility and ensure it remains at the forefront of global best practice.

Like the best of environmental projects, the Oily Sludge Handling and Treatment Facility is underpinned by sound economic and business principles. The Facility has now matured its processes to such an extent that 98% of the oil contained within the waste is reclaimed and sent for re-processing.

This is not the only commercial and environmental benefit. The washing of the large solid particles has been perfected so that this volumetrically significant by-product can now be disposed of off-site without detriment to the environment in which it is taken. This saves time, money and avoids the potentially costly issues of soil contamination and seepages into the ground water.

The success of the Facility has also enabled it to take action to remediate previously contaminated areas. The decision to take this action is yet another illustration of our long term commitment to our Corporate Social Responsibility programme.
At KNPC we believe that our people are our greatest assets. That is why we reinvest so much of our resource into training and education, and into rewarding our employees and their families so that everyone in the Company can share in our success.

We are committed to ensuring the best possible working conditions for our people and to introducing progressive employment policies that recognize talent, regardless of gender or race. Basic pay at KNPC is the same for female employees as for male employees, and we have a number of female staff in leadership roles. One of our goals is to see greater representation of women at all levels within the company.

The first pledge of our adopted Code of Conduct states that “I pledge to respect my colleagues regardless of their nationality, race, religion or gender”.

**Code of Conduct and Ethics**

The Code of Conduct, which is largely uniform across all KPC subsidiaries, contains detailed passages on business ethics, conflict of interest, bribery and corruption, and strict rules on staff behaviour that demand that all employees uphold the highest standards of integrity and personal conduct in relations with colleagues, vendors, customers, contractors, government agencies and the public. Any employee who feels that rules have been breached, or that they have been personally harassed, is able to contact the Company’s Compliance Officer in strictest confidence. There is also a new online form, introduced in May 2010 as part of our ground-breaking Better Employee Service Transformation (BEST) Project, which enables employees to anonymously report HSE breaches. One of the major benefits to our employees is the profit-sharing bonus, which amounted this year to four months’ basic salaries for each employee in the K-companies.

**Training**

- Our employees are expected to attend around 30 hours almost mandatory training each year, either in Kuwait or abroad. Training courses are held on a variety of subjects and chosen by the employee in conjunction with their line management. We believe this is one of the most comprehensive training programs in any company in the world, and demonstrates our belief in the professional development of all of our employees.

- When employees reach a pre-determined grade there is a dedicated Technical and Professional Ladder (TPL) program intended to boost professional development and help middle managers develop to the next stage of their careers. Previously this was only open to senior management but has now been extended to a greater number of employees as confirmation of our belief in rewarding talent.

- For new recruits we provide a detailed orientation program which includes three days of health and safety, fire-fighting and first aid training, although the total duration of the program can last from 13 to 15 weeks. A mentor is appointed for each new recruit, and great emphasis is placed consistently on health, safety and environmental considerations.

- Training is particularly constant at the refineries where each employee undergoes at least 10 hours of specialised HSE training. Considering that we have employees who work in shifts, we arrange training sessions at different times throughout both day and night.
Caring for Our Employees

We realize that we are in a position to help people improve their lives, and that we have a responsibility to help where possible. That is why we offer employees help with school fees, as well as offering an annual bonus to all staff related to the performance of the company as a whole. We want to create an environment where we are recognized as a ‘family-oriented’ company, and where excellence is rewarded. We host a number of family days for all employees and sponsor children’s entertainment. We also assist with payment for employees and their families to fly to Mecca, should they wish to participate in Omrah.

Ensuring Transparency in Human Relations

We believe that communication is a two-way process, and employee feedback is therefore very important to us. Our efforts to understand and respond to the concerns of our employees have resulted in two major projects that we are proud to have launched during the last three years.

In 2008 we introduced our KNPC Regular Communications Meetings (KRCMs) following an assessment that had highlighted poor communication throughout the organization. The KRCMs have been up and running ever since, and have now become an established and vital part of KNPC’s operations.

Building on feedback received through the KRCMs, in early 2010 we started the roll-out of a major new program called the Better Employee Service Transformation (BEST) Project. This allows employees to be in control of their work schedule through self-service on the Oracle e-Business Suite. Employees are encouraged to keep the system up-to-date with their personal information, such as dependents, beneficiaries and emergency contacts, in case of any incidents. High management emails are also available through which all KNPC employees can directly access the CMDs and DMDs.
Women in the Workforce

The field of CSR and sustainability is focused on environmental and social issues. Gender is a key social issue which is frequently invisible in CSR reporting and research.

With the majority of employees in oil industry being engineers, and most of those male, there is a pressing need to encourage more women to join and excel in these vocations. As a first step in addressing the wider issue of employment diversity, several departments at KNPC have seen an increase in women joining the workforce. There are currently 7 women in middle management across the company, and we hope that the figure will increase as greater numbers of females across departments earn their promotions. With the aim of fostering greater employment of women, women at KNPC are treated fairly, and also have additional benefits such as fewer years of service required before retirement.

As a subsidiary of KPC, it is not uncommon for staff to be further promoted from KNPC to our mother company, as was the case with two female employees in higher management.

Collective Bargaining and Grievance Procedures

All directly-employed staff are permitted to be members of unions, which are traditionally strong within the Kuwait oil sector. We are committed to transparent and open relations with the unions, and have a long history of constructive negotiation. As far as grievance procedures are concerned, our BEST process also functions as a further point of access for employees to express their grievances. Any employee may submit a complaint that will be forwarded to the relevant manager within Employee Relations, and may also inform their union representative.
## Key Data

<table>
<thead>
<tr>
<th>KPI</th>
<th>Totals</th>
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</thead>
<tbody>
<tr>
<td>Total number of workers (Employed both directly and indirectly)</td>
<td>13,571</td>
</tr>
<tr>
<td>Number of male workers (Employed directly by KNPC and temporary staff only)</td>
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<tr>
<td>Number of female workers (Employed directly by KNPC and temporary staff only)</td>
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<td>Total number of full-time workers</td>
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<td>Total number of part-time workers</td>
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<td>Total number of KNPC employees</td>
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<td>Total number of non-KNPC employees</td>
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<tr>
<td>Total number of male workers who are less than 30 years old</td>
<td>1,413</td>
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<tr>
<td>Total number of male workers who are 30 - 50 years old</td>
<td>2,838</td>
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<tr>
<td>Total number of male workers who are greater than 50 years old</td>
<td>966</td>
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<tr>
<td>Total number of female workers who are less than 30 years old</td>
<td>174</td>
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<tr>
<td>Total number of female workers who are 30 - 50 years old</td>
<td>223</td>
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<td>Total number of female workers who are greater than 50 years old</td>
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<tr>
<td><strong>Employee turnover rate</strong></td>
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<td>Employees who joined KNPC?</td>
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<td>Male employees younger than 30 years old who joined?</td>
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<tr>
<td><strong>Training &amp; Education</strong></td>
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<tr>
<td>Total number of recorded training hours</td>
<td>244,490</td>
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<tr>
<td>Average number of training hours</td>
<td>45</td>
</tr>
</tbody>
</table>

To learn more about our approach to employment and diversity, please contact us on csr@knpc.com
Leading the Way

KNPC prides itself on its regional leadership in the hydrocarbons industry. During the 1980s we embarked on a ground-breaking modernisation drive to ensure our refineries were among the cleanest and safest in the world. Also, Kuwait and KNPC were first in the Gulf to ban leaded fuel from all petrol stations. KNPC has a strong history of regional leadership, and we intend to remain at the forefront of innovation in the Middle East.

We realise that we have a responsibility to future generations, not just in Kuwait but across the world. That is what drives us to keep seeking solutions to today’s problems.

Our Strategic Projects

Our Goal: To Minimize our Environmental Footprint

We are currently undertaking major investments that are drawing the future of the refining business in Kuwait. The main objectives are:

- Replacement of aging infrastructure with new facilities;
- Elimination of flaring and production of cleaner fuel meeting stringent environmental regulations.

We believe that together the Clean Fuel Project, New Refinery Project, (NRP) 4th & 5th Gas Trains and Acid Gas Removal Plant (AGRP) will transform the current state of refining in Kuwait, ensuring that we are well placed to meet our environmental targets.

Our Method: To Optimize our Performance & Reduce our Pollution

Clean Fuels Project (CFP)

CFP is intended to:

- Develop KNPC refineries into an integrated merchant refining complex to meet diversified marketing requirements;
- Meet year 2020 market demand and specification for local & international markets;
- Respond effectively to KPC/KNPC strategic directives for expanding the refining capacity in Kuwait;
- Enhance the environmental & safety performance of KNPC refineries;
- Upgrade MAA and MAB refineries to convert high sulfur oil to higher value products;
- Provide new employment opportunities for Kuwaitis in the refining sector;

Modernize and add new units to the existing MAA & MAB Refineries.
The scope of this multi billion dollar undertaking comprises significant revamp of MAA and MAB Refineries. Their total Distillation capacity will be increased from 730 to 800 KBPSD, by installing a new 264 KBPSD crude distillation unit at MAB refinery and retiring an old 120 KBPSD crude unit at MAA refinery. Additionally, more than 25 new process units will be added in both refineries, that include Hydrocracker, Delayed Coker, Hydrotreating, Hydrogen production, Sulphur recovery, Amine Regeneration and utilities. Moreover some of the existing process units in both refineries will be revamped to enhance their performance.

New Refinery Project

The NRP, otherwise known as the ‘Al-Zour’ due to its location, will be the biggest refinery in the Gulf region and the fourth or fifth biggest in the world by the time it is completed. Al-Zour is located south of the MAB refinery, approximately 90km south of Kuwait City.

NRP is designed to process 615,000 barrels a day of Kuwait Export Crude (KEC) or 535,000 barrels a day of mixed heavy crudes. A giant project of significant national importance for Kuwait as, besides lighter adding value products, it will produce 225,000 barrels a day of Low Sulfur Fuel oil to fulfill the medium term energy demand in Kuwait.

The NRP is intended to:

- Produce Low Sulphur Fuel Oil (LSFO) for Kuwait Power Stations, while drastically reducing emissions;
- Assist Kuwait to achieve self-sufficiency in fuel for power generation on the medium term;
- Reduce power shortages at peak electricity consumption times;
- Moreover, it will create new opportunities for Kuwaitis.

NRP Environmental Design Considerations:

- Multipoint Ground Flares designed for smokeless and low noise operation;
- High-efficiency Furnaces;
- Strict ‘Emissions Target and Control’ Strategies;
- Odorless operation;
- Reduce, Reuse and Recycle (RRR) of process generated water streams;
- Zero Liquid Discharge.

The scale of our NRP project has attracted a huge amount of public scrutiny, and there has been widespread media coverage of the social, economic and political implications of the new infrastructure.

Major Operational Projects

As well as these mega-projects, we continue to introduce new projects designed to minimize our environmental footprint. Some projects have been underway for many years and undergo continuous improvement to optimize our performance. Our quest for improvement embraces all aspects of our operations. We have initiated major projects designed to:

- Reduce Particulate Emissions;
- Eliminate all non-emergency flaring;
- Eliminate Ozone Depleting Substances;
- Prevent Fugitive emission from the units and tanks;
- Treat and neutralise all effluent;
- Reduce the impact of a containment failure and spill;
- Dispose of hazardous waste to international standards;
- Minimise our use of power, water and fuel.

Commitment to CSR

In pursuit of continual improvement of our CSR Program, we plan to adopt the guidance of ISO 26000 in the near future. This new voluntary international standard provides guidance on moving beyond CSR theory towards successful CSR activity.

An all-encompassing CSR Policy is under development, and will cover the following aspects:

Commitment:

- We are committed to demonstrating our accountability in respect to developing our business towards social, economic and environmental Sustainability.
- We will achieve this objective by having identified the supporting policies listed within this CSR Policy
to support this objective.
  • This policy will be communicated to all personnel by making it available on the intranet.

Objectives:

We will deliver this objective through the following supporting policies:
  • Sustainable Development
  • Stakeholder Management - Engagement
  • Environmental Stewardship
  • Community Investment both Local and International
  • Labour Principles
  • Occupational Health & Safety
  • Equality & Diversity
  • Human Rights
  • Corruption and Whistle blowing
  • Customer Satisfaction
  • Ethical Trading and Development

Community and Environment

Building KNPC’s First Nature Reserve

We are particularly proud to be giving something back to the community in the form of a nature reserve protectorate in Wafra. The reserve is a major statement of intent for us. We are in a position to act as guardians of some of the flora and fauna unique to Kuwait, and are delighted to be working with the government of Kuwait to ensure that future generations will be able to enjoy an area of natural beauty.

KNPC S.T.A.R. (Special Team Acting Responsibly) Volunteering Program

Our CSR team, within the company’s Corporate Communications Department, has developed a company-wide volunteering program to enable KNPC staff to support worthy causes in the community. An initial call for volunteers was made through our intranet, and the information of those who responded is now held in a database so volunteers can be called when needed to help out with a CSR initiative. STAR volunteers were first summoned to help at Celebrate Ability, an annual event organized at our Social Club for special needs children and their families, where volunteers ensured the safety and enjoyment of all the children.

The STAR Program is still in its infancy but the first call for volunteers resulted in the registration of more than 50 employees, and the CSR Team will continue to issue regular calls for volunteers to build and maintain a solid support group.
## KNPC CSR Report Section with Cross Reference to the GRI and IPIECA/API

<table>
<thead>
<tr>
<th>Sec</th>
<th>Section Heading</th>
<th>Pages</th>
<th>Itemised Content</th>
<th>GRI cross-reference Standard Disclosure (SD) and/or Performance Indicators</th>
<th>IPIECA/API cross-reference Standard Disclosure (SD) and/or Performance Indicators (PI)</th>
</tr>
</thead>
</table>
| 1   | Contents page & About this Report | - List of contents for the report  
   - About this report text including reporting parameters  
   - Some key CSR KNPC facts | S0D.6-3.7  
   S0D.3.13  
   S0D.3.1-3.4 |  |
| 2   | Statement by the Chairman & Managing Director (C&MD) | - Letter/ statement  
   - Name, job title, and signature  
   - Picture of Chairman & MD | SD11  
   SD4.2 | SD11  
   SD2.8-2.10 |
| 3   | Company Profile | - Acknowledgement of link with KPC  
   - KNPC Mission and Vision including reporting parameters  
   - KNPC Company profile facts- organogram of KNPC Company Structure | SD0.1, S0D.3.8  
   S0D2.9, 4.8  
   S0D1.2, 2.1-2.7, 2.9 | S0D2.1-2.5, 2.7-2.9 |
| 4   | About KNPC | - Selection of highlights and any awards over the reporting period  
   - Selection of pictures on statement on key operational profile | S0D.10 | S0D.12, 2.2 |
| 5   | Vision for CSR | - Background & vision for CSR & Sustainability focus areas  
   - Corporate Governance  
   - Climate Change Challenge  
   - Environmental Performance  
   - Occupational Health & Safety  
   - Social Performance  
   - Employment and Diversity | S0D1.2  
   S0D3.5 | S0D1.2  
   S0D3.1-3.5 |
| 6   | Materiality & Indicators | - Definition of materiality  
   - Approach to selection of KPIs  
   - Our approach to CSR reporting  
   - Table of approved KPIs for CSR  
   - Reporting boundaries and link to KPC | S0D3.5-3.7  
   S0D3.9-3.11  
   S0D4.7 | S0D3.6  
   S0D3.5  
   S0D3.1-3.6  
   S0D4.1-4.17 |
| 7   | Performance Overview | - Development of smart targets and cross reference CSR policy  
   - Breakdown summary of each CSR & Sustainability focus areas: What we have done; What we plan to do next; Smart target | S0D4.4  
   S0D4.15 | S0D12  
   S0D2.10  
   S0D1.2 |
| 8   | Stakeholder Engagement | - List stakeholder groups and explanation of involvement with:  
   - Government & Kuwait Parliament  
   - Media  
   - KNPC Employees  
   - International NGOs  
   - Kuwait Community & Charity Organisations  
   - Local Suppliers  
   - Local Residents  
   - Customers | S0D2.8  
   S0D3.5  
   S0D4.14-4.17 | S0D6  
   S0D3.6  
   S0D2 |

### Inside Story

**Ramadan**

KNPC short story on the KNPC funded ‘Iftar’ tent set up to feed the less privileged during the Holy Month of Ramadan.

**Nature Reserve**

KNPC short story on the Nature Reserve Project at Wafra.

**The Tarsheed Project**

KNPC short story on efforts to conserve energy and water.

**Inside Story**

KNPC short story on the Tarsheed Project at Wafra.

**Inside Story**

KNPC short story on the Nature Reserve Project at Wafra.

**Inside Story**

KNPC short story on the Tarsheed Project at Wafra.

**Inside Story**

KNPC short story on efforts to conserve energy and water.
<table>
<thead>
<tr>
<th>Sec</th>
<th>Section Heading</th>
<th>Pages</th>
<th>Itemised Content</th>
<th>GRI cross-reference Standard Disclosure (SD) and/or Performance Indicators</th>
<th>IPIECA/API cross-reference Standard Disclosure (SD) and/or Performance Indicators</th>
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</table>
| 11  | Environmental Performance | 11   | - KNPC approaches to proactively protecting the environment  
|     |                 |       | - Energy consumption  
|     |                 |       | - Minimizing emissions  
|     |                 |       | - Flaring and gas relief  
|     |                 |       | - Phasing out ozone depleting substances  
|     |                 |       | - Odor management  
|     |                 |       | - Effluent treatments  
|     |                 |       | - Utilization of power, water & fuel  
|     |                 |       | - Preparedness for emergencies  
|     |                 |       | - KEPA- approved waste disposal  
|     |                 |       | - Major initiatives to protecting the environment  
|     |                 |       | - Legislation and regulations  
|     |                 |       | - Volume of spillsages  
|     |                 |       | - Emissions to water & water reused  
|     |                 |       | - Environmental Management and Governance  
|     |                 |       | - SHEEC committee  
|     |                 |       | - Key Environmental data | EN3, EN4, EN18, EN19, EN26, EN24, EN23, EN10, SD412, ENV-2, ENV-4, ENV-3, ENV-4, ENV-6, ENV-A3, ENV-A4, ENV-1, ENV-A1 | SD1, SD4.1-4.5, ENV-5, ENV-6, SD-3.2, SD-4.1-4.5 |
|     | Inside Story | 11 | Worm Farm Project | KNPC short story on the Worm Farm Project initiated as a waste segregation programme to lessen the environmental impact of activities and further positively improve the environment. | |
| 12  | Occupational Health & Safety | 12   | - OH&S Management at KNPC: Policy, SHEEC, Procedures, HSEPM, OHSAS 18001  
|     |                 |       | - Workplace Health  
|     |                 |       | - Emergencies and Crisis  
|     |                 |       | - Security & Fire Prevention  
|     |                 |       | - Key OH&S data | LA7, LA8, H&S-1, H&S-2, H&S-3, H&S-4, SD 3.2, SD 4.1-4.5 |
|     | Inside Story | 12 | ERM: Taking the Initiative on Risk | KNPC short story on Enterprise Risk Management program which identifies risks and proposes mitigation strategies. | SD4.9, ENV-6, H&S-1 |
| 13  | Social Performance  
|     | a) Community Engagement  
|     | b) Customer Satisfaction | 13   | - Description of KNPC’s role in the community  
|     |                 |       | - Procedures for local hiring  
|     |                 |       | - Employee welfare  
|     |                 |       | - Community Investment: Description of economic support and incentive programmes  
|     |                 |       | - Procedures for local hiring  
|     |                 |       | - Employee Volunteerism  
|     |                 |       | - Healthcare, hospitals  
|     |                 |       | - Charities, NGOs  
|     |                 |       | - Educational support  
|     |                 |       | - Supporting Religious activity  
|     |                 |       | - Promoting Sport and Exercise  
|     |                 |       | - Stakeholder dialogue  
|     |                 |       | - Key social data  
|     |                 |       | - Investment in customers and product  
|     |                 |       | - Quality assurance of products  
|     |                 |       | - Research and development  
|     |                 |       | - Working with global companies  
|     |                 |       | - Customer Satisfaction | EC6, EC7, EC8, EC3, SD14, SD 3.4, 3.6, SD 4.1-4.5, ECO3, ECO-A1, PR5 |
|     | Inside Story | 13 | Celebrate Ability | KNPC short story on annual event organized as ‘fun day’ for special needs children and their families | ECI, SOC-1, SOC-2, SOC-A2 |
|     | Inside Story | 13 | Hospital Visits | KNPC short story on various staff visits to children’s hospitals | ECI, SOC-1, SOC-2, SOC-A2 |
|     | Inside Story | 13 | Blood Donation | KNPC short story on blood donation initiatives that resulted in KNPC being number one donor in Kuwait Blood Bank | ECI, SOC-1, SOC-2, SOC-A2 |
|     | Inside Story | 13 | The Oily Sludge Handling & Treatment Facility | KNPC short story on new investment aimed at reducing the environmental impact of oil storage activities | EN29, ENV-6 |
| 14  | Employment and Diversity | 14   | - Overview of HR and employment diversity  
|     |                 |       | - Code of Conduct and Ethics  
|     |                 |       | - Transparency in relations  
|     |                 |       | - Training  
|     |                 |       | - Gender diversity: women in the workforce  
|     |                 |       | - Salary ratios and grievance procedures  
|     |                 |       | - Key data | LA1, LA2, SO2, LA8, LA10, PI SD2, LA14, LA1, LA2, SO2, SO2, LA8, LA10, PI SD2, LA14 | SD2.5, SD2.7, SD2.5, SD2.7, SOC-1, SOC-2, SOC-4, SOC-6, SOC-5, ECO-A2, SOC-7, PI SOC-A2, SOC-6, SOC-2 |
| 15  | Our Future Plans | 15   | - Where KNPC is in terms of CSR  
|     |                 |       | - What will be done next:  
|     |                 |       | - Strategic projects: intent, goals, and implementation methods  
|     |                 |       | - Major Operational projects & commitment to CSR | SD2.5, SD2.7, SD1.2 |
| 16  | Benchmarking Index | 16   | Table cross referencing statements, claims and key data with GRI & IPIECA/API reporting guidelines | SD3.12, SD5.3 |
| 17  | Assurance Statement | 17   | Assurance statement signed by Ernst & Young (verifier) | SD3.13, SD5.4 |
| 18  | Glossary | 18   | Definition of terms and abbreviations used in the Report | SD12 |
Assurance and Verification Statement

Independent Assurance Statement to KNPC Management

Our Engagement

Ernst & Young, Kuwait was appointed by Kuwait National Petroleum Company (the Company) to provide an independent assurance of its Corporate Sustainability Report (the Report) for the period April 2010 to March 2011. The Company’s management is responsible for the content of the Report, identification of key issues, engagement with stakeholders and its presentation. Ernst & Young’s responsibility is to provide independent limited assurance on the Report content as described in the scope of assurance.

Our responsibility, in performing our assurance activities, is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the Company’s overall performance except for the aspects mentioned in the scope.

Our Assurance Team

Our assurance team was drawn from our Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant international businesses. The work was led and reviewed by Sustainability Assurance Practitioners.

Scope of Assurance

The scope of assurance covers sites and indicators considered relevant to the Company and include:

- Data and information related to the Company’s sustainability performance for the period 1st April 2010 to 31st March 2011;
- The Company’s internal protocols, processes and controls related to the collection and collation of the sustainability performance data;
- Sustainability specific data and information related to the workforce, claims related to Environmental Management Systems (EMS 14001), health and safety, achievements and awards, training, climate change and environmental issues, flare gas reduction and community development initiatives;
- Visits to KNPC head office and selected refinery offices where our work comprised a review of the above mentioned indicators and interaction with the Company’s corporate sustainability team to understand current status of sustainability and progress made on commitments in the reporting period.

The Limitations of our Review

The scope of assurance excludes:

- Aspects of the Report other than those mentioned under ‘Scope of Assurance’;
- Data and information outside the defined reporting period 1st April 2010 to 31st March 2011.
- The Company’s statement that describes expression of opinion, belief, aspiration, expectation, aim of future intention;
- Review of “economic performance indicators” included in the Report which we understand are derived from the Company’s audited financial records;
- Physical inspection of any of KNPC’s operating assets.

Our Approach

The assurance engagement was planned and performed in accordance with Ernst & Young’s sustainability assurance methodology and independence policies, which cover all of the requirements of the International Federation of Accountants’ ‘International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)’. Our evidence-gathering procedures have been designed to obtain a limited level of assurance (as set out in ISAE 3000) on which we base our conclusions.
The nature and scope of our work was based on our professional judgment and we have performed procedures deemed necessary to provide a basis for our conclusions. The approach to the assurance exercise included interaction with key personnel to review the Company’s internal protocols, processes and controls related to the collection and collation of sustainability performance data as per GRI 2006 (GRI-G3) guidelines. The Ernst & Young assurance team conducted review and verification of the data collection process, measurement methodology and general review of the logic of inclusion/omission of necessary information/data based on sampling principles based on risk assessments, limited to:

- Review of any major anomaly within the Report as well as between the Report and source data/information;
- Verification of the data and information reported at the manufacturing units and corporate office;
- Execution of audit trails of selected data streams and information to determine the level of accuracy in collection, transcription and aggregation processes;
- Review of the Company’s plans, policies and practices, so as to be able to make comments on the completeness of the reporting and the degree to which Ernst & Young believes the Report provides a fair and honest representation of the Company’s activities.

Visit to the Company’s locations

An Ernst & Young multidisciplinary team of professionals visited the Company’s corporate offices and refinery offices (Mina Al-Ahmadi and Shuiba) to gain confidence on the data and selected claims presented in the Report. The sample data was tested for its auditability and accuracy. Assumptions made for arriving at final numbers against the sustainability performance indicators were understood and necessary clarifications were obtained. The stakeholder engagement process was reviewed through interviews with concerned personnel.

Appropriate evidences to support the conclusions in this assurance report were obtained. Most of the information and data were supported with documentary evidences and wherever such documentary evidence could not be collected, on account of confidentiality of information, our team reviewed the original documents at the site.

Observations

Our observations on the Report are as follows. These observations do not affect our conclusions on the Report in this statement.

- In view of the fact that the Company is reporting for the first time, there is a reasonable level of understanding and awareness about sustainability reporting. KNPC has invested significant amounts of time and effort to develop internal capability, engage with the communities and to formalize the processes of reporting sustainability performance.
- The Company has demonstrated the effort to prepare the Report on the basis of the G3 guidelines of the Global Reporting Initiative (GRI).
- The Company has adopted a unique Odor Management System, first-of-its-kind in the region, that has also led to resource conservation and reduced health and safety risks.
- There is scope for developing its materiality analysis further by incorporating external stakeholder views to delineate the most material issues for the Company.
- The reporting on some of the indicators related to GHG emissions, water consumption, wastewater management and waste generation can made more robust by extending the reporting boundaries and including further sources.
- There is scope to increase in reporting the number of GRI-G3 indicators to follow industry best practices and to improve upon the application level. We understand that the Company is taking all necessary steps to address this issue in the future.

Our Conclusions

On the basis of our review, and in accordance with the terms of reference for our work, nothing has come to our attention that would cause us not to believe that:

- The Report presents the Company’s material performance covering key issues as mentioned in the scope;
- The Report contents present a fair and balanced picture of the Company’s sustainability performance.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AA1000</td>
<td>Stakeholder Standard</td>
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<tr>
<td>AGRP</td>
<td>Acid Gas Removal Plant</td>
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<td>AIR</td>
<td>Accident Incident Rate</td>
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<tr>
<td>API</td>
<td>American Petroleum Institute</td>
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<td>ARDS</td>
<td>Atmospheric Residue Desulphurization</td>
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<td>Account Ability 1000</td>
<td>Accounting for Sustainability</td>
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<td>ATDU</td>
<td>Anaerobic Thermal Desorption Unit</td>
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<td>ASTM</td>
<td>American Society for Testing and Materials</td>
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<td>BAU</td>
<td>Business as Usual</td>
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<td>BEST</td>
<td>Better Employee Service Transformation</td>
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<td>Balanced Scorecard</td>
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<td>Barrels Per Calendar Day</td>
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<td>BS 8900:2006</td>
<td>Guidance for Managing Sustainable Development</td>
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<td>Critical Infrastructure Security Force</td>
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<td>Coastal Protection Force</td>
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<td>Corporate Social Responsibility</td>
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<td>Capital Expenditures</td>
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<td>Clean Development Mechanism</td>
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<td>Closed Circuit Television</td>
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<td>Chlorofluorocarbon</td>
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<td>Dar Al Watanlah</td>
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<td>DNV</td>
<td>Det Norske Veritas</td>
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<td>Deputy Managing Director</td>
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<td>Enterprise Risk Management</td>
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<td>EDC</td>
<td>Equivalent Distillation Capacity</td>
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<td>Emergency Coordination Communication Center</td>
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<td>Environment Management System</td>
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<td>Executive Portfolio Management Committee</td>
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<td>EIA</td>
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<td>FCCU</td>
<td>Fluidized Catalytic Cracking Unit</td>
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<td>FGRU</td>
<td>Flare Gas Recovery Unit</td>
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<td>GHG</td>
<td>Green House Gas</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>Abu Dhabi Gas Industries</td>
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<td>Intergovernmental Panel on Climate Change</td>
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<td>ISRS</td>
<td>International Safety Rating System</td>
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<td>Implementation Group</td>
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<td>KACCH</td>
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<td>KAFCO</td>
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<td>Low Sulphur Fuel Oil</td>
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<td>Lost Work Case</td>
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<td>Abbreviation</td>
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<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
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<td>LTSP</td>
<td>Long Term Strategic Plan</td>
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<td>Leak Detection And Repair</td>
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<td>Refinery Mina Al Ahmadi</td>
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<td>MAB</td>
<td>Refinery Mina Abdullah</td>
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<td>MIPP</td>
<td>Major Incident Procedure Plan</td>
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<td>Management System</td>
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<td>National Association of Underwater Instructors (America)</td>
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<td>NRP</td>
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<td>Ozone Depleting Substance</td>
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<td>Petrochemical Industries Company</td>
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<td>PMS</td>
<td>Performance Management System</td>
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<td>PAAF</td>
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<td>PAAET</td>
<td>Public Authority for Applied Education and Training</td>
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<td>Q8</td>
<td>Kuwait Petroleum International</td>
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<td>RECSO</td>
<td>Regional Clean Sea Organization</td>
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<td>ROACE</td>
<td>Return on Average Capital Employed</td>
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<td>RoSPA</td>
<td>Royal Society for the Prevention of Accidents</td>
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<td>RRR</td>
<td>Reduce, Reuse, Recycle</td>
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<td>SHU</td>
<td>Refinery Shuaiba</td>
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<td>Supreme Petroleum Council</td>
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<td>Sulphur Recovery Unit</td>
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<td>Social Accountability 8000</td>
<td>Global for Social Accountability Standard</td>
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<td>SMART</td>
<td>Significant, Measurable, Achievable, Relevant, Timely</td>
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<td>SOx</td>
<td>Sulphur Oxide</td>
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<td>Site Emergency Preparedness Committee</td>
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<td>STAR</td>
<td>Special Team Acting Responsibly</td>
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<td>TGTU</td>
<td>Tail Gas Treating Unit</td>
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<td>TFT</td>
<td>Task Force Team</td>
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<td>TPL</td>
<td>Technical and Professional Ladder</td>
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<td>UN</td>
<td>United Nations</td>
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<td>United Nations Conference on Environment and Development</td>
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<td>United Nations Development Program</td>
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<td>United Nations Framework Convention on Climate Change</td>
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</table>
With the end of the interim report we would like to thank those whose contributions have extended at all levels throughout the company. Through your positive leadership and devotion to this project you have demonstrated undeniable loyalty, and for that we humbly thank you:

Members of the EPMC
Mr. Farouk Hussain Al-Zanki
Mr. Asaad Ahmad Al-Saad
Mr. Fahad Fahhad Al-Ajmi
Mr. Hatem Ebrahim Al-Awadi

Members of the CSR Project Implementation Group
Mr. Mohammad Mansour Al-Ajmi
Mr. Khaled Saleh A/Rahman Al-Asousi
Mr. Khaled Hubarak Al-Mushahieh
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