CORPORATE STRATEGY / BUSINESS PLAN

Frontier Oil Company-II (Private) Limited
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CORPORATE STRATEGY / BUSINESS PLAN
UNDER RULE 5(6) OF
THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

1. **Strategic Business Plan** Frontier Oil Company-II (Private) Limited was established to design, procure, construct, build, own, operate, maintain, acquire, transfer, lease, and sub-lease facilities or projects related to the establishment of Oil Refinery capacity of 40,000 BPD (Modular Refinery) on BOO basis including infrastructure, operations and storages, for all kinds of petroleum products. For smooth business operations, Frontier Oil Company-II (Private) Limited will have to place appropriate policies and plans in place related to management, operations, purchases, imports, hiring, information exchange, and business relations. Special considerations will be given to formulations of HSE and CSR policies and their implementation in line with the latest industry trends, international standards and regulatory guidelines.

2. Frontier Oil Company-II (Private) Limited has developed an outline of its Strategic Business Plan (SBP) which provides direction for the Company in its future endeavors to achieve desired objectives. The Plan aims to:

   a. Providing a framework for setting the strategic direction of the Company.
   b. Providing a basis for more detailed planning (setting High-Level Corporate Objectives and Targets (High-Level COTs));
   c. Aligning corporate resources and energies towards common objectives of shareholders, business partners, management, employees and society;
   d. Developing benchmarks for corporate performance monitoring;
   e. Explaining Corporate Objectives and Targets (COTs) to all levels of management for informing, motivating and involving them; and
   f. Stimulating desired change and building on past successes.

3. **The Strategic Business Plan** is periodically reviewed and monitored to keep it relevant, strategically active and capable of channeling the corporate resources towards the achievement of the High-Level COTs. The Plan is operationalized through successive annual Corporate Objectives and Targets (COTs). The allocation of resources for various activities is guided by the priority given in SBP.

4. **Strategic Planning Process** The strategic planning process is systematic, and rational and is based on the guiding principle that the "planning process is as important

as the plan itself". All possible efforts are made to keep the process open, iterative and flexible so that it is dynamically evolving. While the overall direction is provided by the Chief Executive Officer, the strategies and COTs are evolved at the departmental level to ensure ownership and commitment of those responsible for implementing the plan.

5. **Overall Strategic / Corporate Objectives** **To** ensure balanced growth of the Company, Frontier Oil Company-II (Private) Limited Business Plan focuses on the following strategic areas while setting Company's annual corporate objectives and targets:

a. **A Core Business/Establishment of Oil Refinery:** The focus in this area is on the establishment of an Oil Refinery capacity of 40,000 BPD (Modular Refinery) on BOO basis.
b. **Diversification:** This area focuses on diversification of the Company's operations by entering into related businesses such as petroleum product marketing and distribution.
c. **Financial:** The targets in this area include increasing return to the shareholders, increasing gross and net revenues through prudent utilization of company funds, cost cutting/ budgetary control measures, reduction in outstanding receivables, and achieving financial self-sufficiency for Frontier Oil Company-II (Private) Limited Operations Division.
d. **Internal Processes:** The focus is on refining internal processes, and the use of modern technology and innovative techniques to increase efficiency in the Company's operational activities.
e. **Stakeholders:** The emphasis is on meeting the expectations of the Company's stakeholders including shareholders, JV partners, customers, employees and more importantly the local communities in the areas of the Company's operations.
f. **Corporate Responsibility:** Measurable targets are set for the safety of operations related to (AIR) Accident Incidence Rate, (LTIF) Lost Time Incident Frequency, (TRCF) Total Recoverable Case Frequency, and CSR spending.

6. **Short, Medium- and Long-Term Strategic Objectives** The objectives and targets in each focus area are classified into short, medium and long-term:

a. **Short-Term (0-3 Years):** The Company aims to capitalize on the business development activities related to the establishment of an Oil Refinery capacity of 40,000 BPD (Modular Refinery) on BOO basis. Relevant tariff approvals and Through-put Guarantees shall also be ensured to streamline revenue stream in the short and medium term.

b. **Medium-Term (0-5 Years):** The Company plans to focus on investments aimed at adding developing petroleum products storage and transportation to achieve and consolidate its position as an active market player. The focus will be on sustainable capacity building, growth, revenue, and diversification by extending its network to additional Oil Depots in the area of operations. This would be done by financial capacity achieved through revenue generation and cash flow maximization in the short term.

c. **Long-Term (0-10 Years):** The Company places a strategic focus on diversifying investments for adding value to its existing business and on securing sources of income other than the core oil transport business to ensure growth expansion on a sustainable basis in varying oil price regimes. The Company shall not only be looking to transform into a leading energy transport Company in Pakistan but also aim to become an energy supply company dealing in oil products, LPG and LNG supply chain.

7. **Management Strategies to Meet the Objectives** For effective monitoring, the following measures are adopted by the Management:

a. To ensure achievement of corporate goals within the stipulated period a Management Control System (MCS) has been instituted for close monitoring and reporting of the progress and mid-course corrections in case of slippages from the planned course.

b. Monthly review meetings of the senior management are held to make adjustments or alterations in course of actions to achieve the targets within the specified time.

c. Besides monitoring corporate performance under each COT, a set of Key Performance Indicators (KPIs) covering a larger spectrum of performance indices are calculated bi-annually to monitor and compare the overall performance of the Company.

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8. **Key Performance Indicators** Frontier Oil Company-II (Private) Limited's business planning system is based on key performance indicators. The Company has implemented specialized management control systems for reviewing its past performance vis-à-vis a set of 'look-behind' key performance indicators (KPIs). The formulation of the following year's business plan draws input from the preceding year's performance on the 'look-behind' KPIs listed in the following:

a. Project Development Performance
b. Milestones Achieved
c. Successful Scheduling
d. Costs Analysis
e. AIR, LTIF and TRCF per year
f. EBITDA per employee
g. Technical professionals per capitalized assets

Since there has been no change in the core objectives and targets, the KPIs identified above will continue to be relevant in the future.