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TOLARAM GROUP

COMMUNICATION ON PROGRESS

UNITED NATIONS GLOBAL COMPACT - THE TEN PRINCIPLES

Report for the year June 2010 – May 2011

Tolaram Group became a signatory to the ten principles of UN Global Compact in July 2008 and submitted its first report on Communication on Progress (COP) on 11th June 2010.

This is the Annual Report for the 12-month period June 2010 to May 2011.

The Group continues to support the ten principles of the Global Compact in respect of Human Rights, Labor Rights, the Protection of Environment and Anti-Corruption, which are listed in Annexure 1.

The statement from Mr. Sajen Aswani, Chief Executive Officer of the Group, is enclosed as Annexure 2.

The Group, headquartered in Singapore, has its main operations in Nigeria, Indonesia and Estonia. The COP is being given in the following pages region-wise/ company-wise as applicable in Annexure 3.

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The Ten Principles of United Nations Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.



STATEMENT FROM OUR GROUP CEO, MR. SAJEN ASWANI

The top management of our Group subscribes to the ten principles and strives to ensure implementation of these principles in our business operations. We look at these principles as ideals and aspirations for our businesses to work towards achievement on a sustainable basis.

We have adopted the principles of Win-win, Transparency, Mutual Respect, Long-term Commitment and Trust as our five guiding principles and communicated them widely in the Group. It is our endeavor to ensure that all our dealings within the organization and outside are in harmony with our guiding principles.

We are continuing our efforts to learn more about CSR through various measures like on-going participation in the activities of Singapore Compact for CSR, attending talks on CSR, conferences/ seminars, networking sessions etc. We study the literature circulated by Singapore Compact and get to know how other companies in Singapore have tackled the various issues in their quest to become more socially responsible.

Our Group won a Special Mention Award in the 2nd International CSR Summit organized by Singapore Compact for CSR in October 2010 in Singapore. This is in recognition of the work done by our Group in the area of Community Development in Nigeria and Estonia.

We are currently embarking on an exercise at the top management level to articulate a CSR Vision/ Policy for our Group. We intend initiating a Group-wide CSR movement so that all our regions/ operating entities take concrete steps to become more socially responsible.

For a deeper understanding of the various aspects of Social Responsibility and for deciding the methodology for our initiatives in this area, we are using the guidelines provided by ISO 26000. It is our intention to look at the issue of Social Responsibility on a holistic basis and strive to make improvements on an on-going basis in all the core areas by embracing the principles of social responsibility as outlined in ISO 26000.

As a Group, we employ a total of about 8,000 people in the various operations and our employees profile consists of various nationalities like, Indian, Singaporean, Indonesian, Estonian, Nigerian, Ghanaian, Pakistani, Ethiopian, South African, German, and Russian etc. We believe that our people hold the key to success of our businesses and achievement of our dreams. Our philosophy concerning human resources is clearly articulated and is incorporated prominently in our website.



We consider communication to be an important tool in our CSR journey. We do not miss an opportunity to communicate with our employees on the importance of Social Responsibility in general and the UNGC principles in particular. In our Newsletter, "Connect", we have provided for an exclusive section for "CSR Initiatives". We also carry special feature articles on CSR from time to time.

We are also continuing our initiatives in the area of community involvement/ development in Nigeria, Indonesia and Estonia, where we have manufacturing operations.

We will make on-going efforts in our journey towards building a sustainable organization giving importance to all the three P's namely People, Planet and Profit. We understand that Social Responsibility goes beyond philanthropy/ volunteerism and goes to the core issue of how money is earned and spent in a socially responsible way.



**IMPLEMENTATION OF THE 10 PRINCIPLES OF UN GLOBAL COMPACT IN RUNNING
THE BUSINESSES OF TOLARAM GROUP**

Corporate Headquarters, Singapore

In Singapore, we support and respect the protection of internationally acclaimed human rights and ensure that there are no human rights abuses.

Re. labor standards, we ensure that there is no child labor, forced or compulsory labor. We do not discriminate people on age, sex, race, caste, religion etc. in matters of employment and occupation.

We ensure that the various provisions of the Employment Act in Singapore are complied with and the benefits given to the employees are better than/ equal to the provisions of the Act.

We recently organized a Climate Survey in the Corporate Office, which was well participated in. We have taken feedback from our staff on various issues like work culture, working environment, work processes, employee relations, employee communication etc. The valuable feedback received from the staff is being utilized to address areas for improvement and to formulate and implement strategies going forward.

We now have plans to organize such surveys in our operating entities in the regions as well.

Re. environment, we are ensuring that the new office building at 1A, International Business Park, Singapore in which our Singapore Office is situated is maintained “green”.

Re. anti-corruption, we target to work against all forms of corruption, extortion and bribery. We have internal checks and controls to ensure that these things do not happen in our operating units in the Regions as well. In addition, we have an Internal Audit function, which, among other things, conducts periodic checks to help in our aspirations that corruption/ extortion/ bribery are not used as tools to enhance the businesses.



Annexure 3 (Contd.)

NIGERIA

Our Nigerian operations are the biggest within the Group. We employ a total of more than 5300 people, with 51% of the strength being permanent and the balance being casual/ contract labor. In addition, we employ nearly 260 expatriates in Nigeria.

The main operations are:

<u>Sl. No.</u>	<u>Activity</u>	<u>Company Name</u>
1.	Instant Noodles manufacture	DUFIL Prima Foods Plc./ De-United Industries Limited
2.	Manufacture of carpets & rugs	Lucky Fibres Plc.
3.	Selling & Distribution of FMCG products	Multipro Enterprises Limited
4.	Selling and After-Sales Service of telecom equipment & office automation products	Panabiz International Limited
5.	Selling and After-Sales Service of Commercial Vehicles	Asian Motors Limited
6.	Road Modal Logistics	BHN Limited
7.	Manufacture of dyestuff, printing inks and industrial adhesives	Multichem Industries Limited
8.	Technical Services & Projects in Transmission & Distribution of Power	MBH Power Limited
9.	Manufacture of liquid bleach	Hypo Hygiene Products Limited
10.	Building and Operating of a deep sea Port	Lekki Port LFTZ Enterprise

HUMAN RIGHTS

- All the companies of Tolaram Group support and respect the protection of the internationally proclaimed human rights within their sphere of influence; and make sure that they are not complicit in human rights abuses.



LABOR STANDARDS

We are strictly following the 4 principles of Labor Standards.

- We respect the unions in our companies and believe that the Security of Representation is the foundation for building trust on both sides.

Dufil Prima Foods Plc and **De-United Foods Industries Limited** (the companies manufacturing instant noodles) have a union for senior and junior employees known as **FOBTOB** (Food, Beverages & Tobacco senior staff association) **NUFBTE** (National Union for Food, Beverages and Tobacco Employees.)

Lucky Fibres Plc (the carpets manufacturing company) has two unions **NUTTIG** - National Union of Textile, Tailoring and Garments and **TTGSSAN** - Textile, Tailoring and Garment Senior Staff Association of Nigeria.

The company maintains the factory premises on a “green basis” to prevent environmental degradation and to maintain a conducive atmosphere for the staff, customers and suppliers to operate and obeying and complying with all the policies of the regulatory agencies in the state.

The communities around the factory have benefited from the company in that indigenous youth are given top priority when the company is in need of manpower.

The company has also engaged five hospitals to cater for the health of its staff and some of their family members in and around Lagos to ensure that the staff are in good health at all times. It also provides financial help to the local community hospital (AGBOWA community hospital) for medical treatment /Drugs for the needy residents.

Multipro Enterprises Limited (the FMCG sales & distribution company) and **Panabiz International** (the company dealing with sales & after-sales service of Office Automation & Telecom equipment) have **JCC** (Joint Consultation Committee) formed by us. Previously, staff associations were non-existent in these companies and hence we took the initiative and formed these JCCs for them. This way, we have ensured that there is collective bargaining from the employees’ side, which is one of the principles of labor standards.

BHN is affiliated to **SHOPDIS** (Shop and Distributive trade senior staff association) and **NUSDE** (National Union of Shop and Distributive employees). These unions ensure smooth working relationship of employees and management.



Multichem Industries Limited (the company dealing with manufacture of dyestuff, printing inks and adhesives) has recognized labor union for both senior and junior employees and follows the rules and guidelines laid down and agreed between the National Labor Union and CANMPEE (the apex body of employers).

- There is no forced or compulsory labor in our operations in Nigeria.
- Child labor doesn't exist in any of the companies.
- We practice non-discrimination in employment and occupation and the employees are selected on the basis of their ability to do the job. There is no distinction, exclusion or preference made on other grounds like caste, religion, gender, race, disability etc. in matters of employment/ engagement of manpower.

ENVIRONMENT

We support a precautionary approach to environmental challenges and undertake initiatives to promote greater environmental responsibility.

1. Dufil Prima Foods Plc and De-United Foods Industries Limited

- These companies are complying with **ISO 22000**, certifying that they are maintaining the highest safety in food manufacturing.
- We organize Environmental Impact Assessment study by external agencies deputed by Federal Ministry before setting up a new factory. Thereafter, Environmental Audit is carried out by the same agencies every alternate year.
- We have detailed internal guidelines GMP (Good Manufacturing Practices) and GLP (Good Laboratory Practices) to inculcate self-discipline and best standards amongst staff.
- We have an effective Waste Recycle System wherein we recycle our waste, if required.
- We also maintain the use of carrier bags, which are entirely biodegradable in nature.

2. In Lucky Fibres Plc, we are

- complying with **ISO 14000**, certifying that our manufacturing processes follow the environmental laws and best practices and
- complying with **ISO 9001**, certifying that we are following the quality standards and procedures.
- OEKO-TEX certified which implies that our product is safe to the human skin.



The company has consistently won the best kept industrial premises competition award organized by the Manufacturers Association of Nigeria (M.A.N.) in the years 2007, 2008 and 2009 consecutively and has won Lagos State Environmental Protection Agency (LASEPA) - 2010 award on good environmental practices during the World Environmental Day celebration.

3. **Multichem Industries** complies with the measures stipulated by LASEPA and FEPA (Lagos State and Federal Governing authorities respectively) and has invested in the creation of Effluent Treatment Plant in the factory. We maintain the landscape of the factory garden and provide funds to maintain the garden and plant trees in the factory. We are consistently pursuing suitable options to adopt environment friendly technologies.

ANTI-CORRUPTION

- We work against all forms of corruption including extortion and bribery in all the companies. No conscious effort is made to encourage it.
- We strictly follow ethical business practices and do not encourage covertly or overtly any form of corruption. It is part of the Group culture to however provide hospitality and seasonal gifts to our various stakeholders.



ESTONIA

We currently have three manufacturing operations in Estonia: (a) Horizon Pulp & Paper (HPP), manufacturing sack kraft paper, (b) Horizon Tissue (HT), a tissue conversion operation and (c) Qualitex, a company producing knitted garments and knitted & dyed fabric. We employ a total of nearly 600 people in all these operations including a dozen expatriates.

Estonia being a part of the European Union, we adhere to strict laws governing human rights, labor, environment and anti-corruption. All our business entities have a good track record in all these areas.

HUMAN RIGHTS

The companies follow the Estonian Human Rights Laws, which are also recognized by the European Union.

- Since their inception in the nineties, our companies in Estonia do not have any human rights abuses issue in their operations.
- Individuals of different nationalities and with different religious / ethnic background are employed in our operating units. Common rules and practices are applied to all employees of the Companies.

LABOR STANDARDS

HPP, employs more than 400 people, HT employs 50 and Qualitex 120 people. In all, there are totally 13 expatriates in our Estonian operations.

HPP and HT are the organizations providing employment opportunities in Kehra. Qualitex is the largest employer in Sindi.

- The companies do not practice forced and compulsory labor.
- Also, we do not employ child labor in any of the companies.
- Women form a large part of employee force in our companies, which do not discriminate between male / female employees. Common rules / practices are applied to all employees of the Companies.



ENVIRONMENT

Horizon Pulp & Paper

- HPP has been proactively investing in machinery and equipment for over 9 years now for the purpose of environment compliance. Till date, the aggregate investment in environmental projects have been over Euro 40.0 M. Specifically, during the last two years, HPP has invested Euro 9.5M aimed at
 - reduction and eventual elimination of physical waste from its mill
 - elimination of emission of harmful gases from its mill
 - reuse of waste water in process
 - new cooking plant, which reduces CO₂ emissions and is energy efficient.
- Very soon, the company is getting certified by FSC (Forest Stewardship Council).
- The Company is implementing Quality Management System ISO 9001 and Environmental Management System ISO 14001 and is expected to get the said certifications in June 2011.

Horizon Tissue

- The company ensures that employees that procure, store, handle and use fuels and chemicals have the right competence and are adequately trained.
- The company ensures and demonstrates continuous environmental improvements relative to increases in operations in various areas e.g. reduction of emissions to air, discharges to ground and water and hazardous and non-hazardous wastes.

Qualitex

- Qualitex is one of the few manufacturing companies in the Baltics with facilities to knit fabrics from environment friendly bamboo, hemp and organic yarns.
- We have an efficient and modern waste disposal system.
- The consumers of our products are very particular in making sure that we are not violating any environmental norms and the company measures high on these expectations. Some of the customers like Oeko Tex of Germany have conducted extensive reviews of our production systems and certified that we are operating in accordance with the acceptable norms of human-ecological requirement. This certificate has a very good standing in textile circles of Europe. Qualitex has also been certified by the Institute of Marketecology, Switzerland, to be following Global Organic Textile Standards.



ANTI-CORRUPTION

All the companies' policies are strongly against all forms of corruption/ bribery/ extortion. The companies have a transparent and open system for this purpose. They work proactively to totally prevent corruption and illegal activities and dissociate themselves from corruption in any form, whether direct or indirect.

We are in the process of implementing Anti-Corruption clause to all the agreements and contracts possible in order to avoid any issues concerning corruption/ bribery/ extortion. Furthermore, being part of European Union, we are strictly following the laws and regulations that are against money laundering.



Annexure 3 (Contd.)

INDONESIA

PT LOTUS INDAH TEXTILE INDUSTRIES LIMITED

HUMAN RIGHTS

- We give the aspect of human rights the utmost importance and fully support and respect the cause.
- We can say with confidence that there is no incidence of any human rights abuse of any kind in any of our operations in Indonesia.

LABOR STANDARDS

- We have a registered Workers Union in our factory at Surabaya, which operates as per the laws of the country. Regular meetings of the management with the Union (elected representatives of the employees/workers) are held on matters of common interest. All demands/complaints of the workers are discussed in this forum and resolved with the mutual consent of all concerned.
- We ensure that there is no form of forced or compulsory labor in the factory premises.
- We screen the ages of all employees joining our work force and make sure no one is under-age. This is done in a very thorough and professional manner.
- The Personnel Department is under strict instructions not to show discrimination of any kind in respect of employment and occupation.

ENVIRONMENT

- We are well aware of the environment challenges being faced by our planet and hence our endeavor is to play our part in keeping a clean environment and minimizing all harmful emissions.
- We are continuously taking steps to promote greater environmental responsibility and have made some significant strides in this field. Some of the examples at the factory include:-
 - Converted all boilers using diesel as fuel to Natural Gas fired ones thereby reducing emissions
 - Installed a very modern waste water treatment plant and ensured that the water meets all parameters set by the Government agencies



- All Air Conditioning systems are now compliant with non-CFC refrigerant requirements
- Introduced measures to reduce attic temperatures using wind powered ventilators
- All Government approvals on environment-related matters are obtained and parameters monitored.
- SGS, ISO and PROPER certifications have been obtained and we keep striving to upgrade our accreditation
- Have increased overall awareness in conserving electricity
- All our team members are encouraged to develop and suggest methods, which would result in newer and efficient technologies, which, in turn, will improve our environment. Regular reviews are done to stress their importance.

ANTI-CORRUPTION

10. Our Endeavour has always been to maintain a clean image and not to encourage any form of corruption, extortion and bribery. All our senior officers are made aware of the Company policies in this matter and we do not accept any laxity in this respect. (However, limited and small occurrences are unavoidable due to the old living culture and local habits.)