

GLOBAL COMPACT

Communication on Progress

January 2007



Toms

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Over the last couple of years Toms Gruppen has made an increased effort to run our business in a socially and environmentally sustainable manner whilst maintaining a strong focus on growth and profitability.

We chose the Global Compact as framework for our CSR approach. The principles have helped us set the agenda and prioritize our activities.

To help promote Global Compact further in the business community I have accepted to speak publicly on a number of occasions giving me the opportunity to explain the business reasons behind our support. Our company also participated in the "Creative Nation" initiative in October 2008 in New York where I had the opportunity to explain to an audience why our group strongly supports Global Compact.

We continue to have a strong commitment to Global Compact and will endeavour to take our CSR activities forward as we learn more about issues and opportunities within our group's sphere of influence.

Toms Gruppen A/S

Jesper Møller
CEO



The Toms logo, featuring the word "Toms" in a stylized, white, cursive font on a red background.

PRACTICAL ACTIONS AND MEASUREMENT OF ACTIONS

In 2006 Toms Gruppen adhered to the Global Compact and has since used it's principles as guidelines for how best to engage responsibly with our stakeholders.

Our business is based on a long supply chain and thus, we have many processes in which we need to consider our responsibility and influence. Our responsibility covers constituents in the supply chain as well as our direct employees.

In early 2006 Toms Gruppen established an inter-company CSR committee based on our Global Compact commitment. The CSR committee is chaired by the CEO and management from all divisions is represented to consolidate and mainstream CSR into the business. The first year the committee met once a month to establish a high level of knowledge sharing and coordination of initiatives. Subsequently, the committee has met every quarter.

Being based in Denmark, Toms Gruppen always strives at ensuring compliance with the often high standards in Danish legislation. However, we ongoingly assess if there are goals and standards beyond legal requirements that we wish to meet.

We believe that Toms as a company has a decisive influence on society. Therefore, we wish to play a proactive role in dealing with social and environmental issues locally as well as internationally. We believe that we best do so by embedding our CSR efforts into our core business strategies CSR objectives and business goals which are mutually supportive ensure long term viability of activities on both levels.

Please, note that the actions taken are primarily mentioned once only, though some might cover more than one principle.



Toms

HUMAN RIGHTS

The human rights are at the core of the value system by which Toms operates its business and base its policies.

Supplier Code of Conduct (Principle 1-10)

Toms Gruppen works with innovative, competent and participatory suppliers, whose contribution to the strength of our supply chain is evident. We believe that this contribution is strengthened by the adoption of our Code of Conduct as well as the completion of our CSR Questionnaire both of which are described in more detail below.

- **Practical action:** Toms Gruppen decided to broaden the existing Supplier Code of Conduct which only addressed selected issues. The new Supplier Code of Conduct was developed based on our commitment to the ten principles of Global Compact. The Code of Conduct has been distributed to all suppliers to the company.
- **Measurement of action:** The dialogue with suppliers about the core values and principles of Toms Gruppen is an ongoing process and has so far not led to any necessary sanctions.

CSR Questionnaire (Principle 1-10)

- **Practical action:** As a concrete measurement tool we developed a CSR Questionnaire – based on the principles of Global Compact. The CSR Questionnaire was first distributed to our Danish suppliers and subsequently to the international suppliers. The CSR questionnaire is now a part of the contractual foundation when being a supplier to Toms Gruppen.

We introduced the Supplier Code of Conduct and CSR questionnaire by inviting all our Danish suppliers to a one day conference to initiate the dialogue about the increased importance CSR issues have for our future trading relationships.

- **Measurement of action:** The final conclusion and assessment based on our suppliers' completion of the CSR questionnaire has so far not created a need for closer audits or sanctioning actions.

Stakeholder dialogue (Principle 1-6)

- **Practical action and measurement of action:** Stakeholder dialogue is an integrated part of our activities. Eg. as member of Amnesty Business Forum we get the opportunity to enhance our knowledge. This is achieved through participation in membership meetings and annual meetings with Amnesty International Denmark addressing specific issues related to our industry and the geographies with which we interface.

LABOUR STANDARDS

As an overall framework for initiatives which Toms Gruppen has initiated to comply with, these principles the company is committed to the ILO conventions as well as to ensuring compliance with Danish legislation.

Education Project in Ghana (Principle 1-6)

- **Practical action:** To address the issue of child labour and to take a direct responsibility in the supply chain for cocoa Toms Gruppen has engaged in a Public Private Partnership with a Danish NGO, IBIS, and Danida. Together the partners have established an education project in two cocoa producing districts in Ghana.

The project will run for at least three years affecting up to 15.000 children who will gain from improved education. The project funds education of untrained teachers, training of teachers and improved school materials.

Furthermore, the project includes establishment of support to Parent-Teacher Associations, radio programmes – all with the focus of raising the parents' awareness of child labour, children's rights and the importance of education as a measure towards eradication of poverty.

- **Measurement of actions:** The project started in the fall of 2007 and a quarterly follow up process with quantitative and qualitative milestones has been established.

Project on improvement of cocoa growing in Ghana (Principle 3-6)

- **Practical action:** In a Public Private Partnership with the Cocoa Research Institute of Ghana and Danida, Toms Gruppen is supporting the introduction of improvement of the fermentation method for cocoa beans in selected districts of Ghana.

This method has both social and commercial benefits as it creates better working conditions for farmers, is less time consuming and decreases the strain on the eco-environment due to less use of plantain leaves. At the same time the method helps to ensure a more even fermentation of the cocoa beans resulting in higher quality and potentially better prices for the farmers.

- **Measurement of action:** The project started in the fall of 2007 and a quarterly follow up process with quantitative and qualitative milestones has been established.



World Cocoa Foundation (Principle 1-10)

- **Practical action and measurement of action:** As a member of the World Cocoa Foundation Toms Gruppen has supported the many WCF programs aimed at improving the lives of cocoa farmers and encouraging responsible, sustainable cocoa farming. One example of such WCF programs is the STCP Farmer Field Schools through which the Ghanaian cocoa farmers have benefited with up to 30 % improvement in yield while taking better care of the environment.

Fair Trade Products (Principle 1-10)

- **Practical action:** Toms Gruppen has introduced a variety of Fair Trade marked products to the Danish and International consumers.
- **Measurement of action:** Fair Trade is an international labeling organization ensuring that farmers of the raw materials are given a fair price for their products and work under proper working conditions. Furthermore, environmental issues are also taken into consideration.

Freedom of association (Principle 3)

- **Practical Action and measurement of action:** All employees at Toms Gruppen have unsupervised and voluntary access to representatives from national labour unions. Each employee has the right to individually decide on membership.

Employee Satisfaction Survey & Personal Development talk (Principle 1-6)

- **Practical action:** For the last couple of years employee satisfaction surveys have been performed amongst all group employees in Denmark and Sweden. Follow up meetings talks have been "cascaded" through the organization to discuss status and possible actions for improved satisfaction. Annual personal development talks have been performed for years amongst employees in administration. In 2007 these talks were also initiated for employees throughout the production.
- **Measurement of action:** The last half year Employee Satisfaction Survey showed that employees of Toms Gruppen on average rated the company 3.78 on a scale from 1 to 5 (5 being the highest). This was just above the European average for companies using the same survey, (12 Q). The Personal Development talks are conducted by the manager of the respective employees. Actions are subsequently taken if necessary with the guidance of the Human Resources staff.

Diversity Policy (Principle 1-6)

- **Practical action:** As part of the core values of the company Toms Gruppen has composed and implemented a Diversity Policy focusing on the rights of all employees independent of race, gender, disabilities, political orientation and age. Furthermore, Toms Gruppen is part of a project, Diversity Lab, lead by The Institute of Human Rights, in which Toms Gruppen has chosen to focus on diversity in the recruitment of employees.
- **Measurement of action:** As a result of a dialogue with the female employees based on the diversity policy a structure for pre- and post maternity leave talks has been established.

As the Diversity Lab project is still on going no measurements of actions have yet been established.

Employee Health Initiatives (Principle 3-6)

- **Practical action:** The health and well being of our employees' has in the past years been an important priority. Being exposed to confectionery products each working day poses a risk to some employees who may eat too much and become overweight. Toms Gruppen wants to act as a responsible employer and acknowledge that there is a risk of overeating. On the other hand such an approach has to be tactful and avoid being perceived as intruding on the personal sphere of each employee. We have chosen to focus on programmes which invite employees to seek information and try out different forms of physical exercise, as an opportunity to achieve increased energy and become well informed about how to live an active and healthy life. An external consultant was hired and led a programme including 'health ambassadors', afternoon inspirational meetings and a health club event. The program was documented on the national TV station, DR1.

Another way for Toms Gruppen to emphasize the priority of the employee's well-being has been the introduction of a Health Care Service supplied by the Falck company. Through this initiative all employees in Denmark have free access to physiotherapy, chiropractor, and massage – all available options to help prevent and treat work related injuries.

- **Measurement of action:** Both initiatives have been successful and have in many ways infused the company with energy and enthusiasm as stories continue to surface about employees and relatives who have changed to more healthy life styles.



ENVIRONMENT (Principles 7-9)

We see protection of the environment as an important aspect of our business conduct. Since committing to Global Compact we have sought to assess in which areas we need to take action to further reduce negative side effects of our activity throughout the supply chain.

Environmental certification (Principle 7-9)

- **Practical action and measurement of action:** Our largest production site, the chocolate factory in Ballerup, Copenhagen has become ISO 14001 certified. It is a requirement for the certification to make environmental risk assessment and take the actions needed. As part of the certification Toms Gruppen has decided to focus on noise reduction, reducing emissions of cyanide and dry matter into the waste water, and CO² emissions. The two remaining factories will become certified during 2008.
- To reduce negative effects from the car fleets we operate, an effort was made in Denmark in cooperation with the Danish Council for Safe Driving. The sales force received training on safe and responsible driving with a threefold objective: to protect themselves from traffic injuries, to protect fellow road users against speed related accidents and finally to reduce fuel consumption and CO² emissions through respect of speed limits and responsible driving.

British Retail Consortium (BRC) standard (Principle 7-8)

- **Practical action and measurement of action:** The BRC standard is a recognized standard covering food safety as well as factory conditions and much more. All three factories of Toms Gruppen have been BRC certified at the highest level.

QES Questionnaire & Audits (Principle 7-9)

- **Practical action and measurement of action:** Based on the regularly distributed QES Questionnaire dialogue is initiated with our suppliers. Furthermore, Toms Gruppen audits its suppliers based on possible critical issues and level of strategic importance. Based on the individual audit necessary action have been initiated and followed up.

Environmental networks (Principle 9)

- **Practical action and measurement of action:** To promote the diffusion of environmental friendly technologies Toms Gruppen takes part in a local environmental network where big companies participate and share knowledge.

Working environment (Principle 7-8)

- **Practical action and measurement of action:** Toms Gruppen has introduced working environment inspection rounds in the factories where safety groups check their own section as a means of preventing accidents and a bad working environment. Furthermore, all incidents and near incidents are registered. Based on this registration the necessary actions are taken to improve the working environment.

ANTI CORRUPTION (Principle 10)

Supplier Code of Conduct & CSR Supplier Questionnaire (Principle 1-10)

- **Practical action:** Toms Gruppen's commitment to fight corruption is clearly stated in our Supplier Code of Conduct and is part of the CSR Questionnaire – both of which have been distributed to all our suppliers.
- **Measurement of action:** The dialogue with the suppliers about the values and principles of Toms Gruppen is an ongoing process and has so far not led to any necessary sanctions.

