



Date: May 31, 2013

TOLARAM GROUP

COMMUNICATION ON PROGRESS

UNITED NATIONS GLOBAL COMPACT - THE TEN PRINCIPLES

Report for the year June 2012 - May 2013

Tolaram Group became a signatory to the ten principles of UN Global Compact in July 2008 and has submitted so far three annual reports on Communication on Progress (COP) on 11th June 2010, 7th June 2011 and 1st June 2012.

This is the Annual Report for the 12-month period June 2012 to May 2013.

The Group continues to support the ten principles of the Global Compact in respect of Human Rights, Labor Standards, 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.

***1 A International
Business Park # 13-01,
Singapore 609933***

T : +65 6387 7777
F : +65 6324 2777
tolaram@singnet.com.sg
www.tolaram.com



Annexure 1

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.



Annexure 2

STATEMENT FROM OUR GROUP CEO, MR. SAJEN ASWANI

Our Group subscribes to the ten principles of UNGC 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 values 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 these 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.

As a Group, we employ a total of nearly 9,500 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. 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 had conducted Organisation Climate Survey in our Corporate Office and taken feedback from our staff on various issues like work culture, working environment, work processes, employee relations, employee communication etc. The survey was found to be a useful tool for the top management to understand the ground level realities and perceptions and take suitable actions as required for improvements. We have since then been rolling out similar surveys in our operating entities in the regions as well with the same objectives in mind.

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.



Annexure 3

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.

Re. environment, we are ensuring that our Corporate Office building at 1A, International Business Park, Singapore 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.

As part of our on-going initiative to improve corporate governance, we have recently given an impetus to the Internal Audit function. We have embarked on a plan of conducting concurrent audits, which entail reviewing our operating entities on an on-going basis, using our ERP system, Orion.



Annexure 3 (Contd.)

NIGERIA

Our Nigerian operations are the biggest within the Group. We employ a total of about 6750 people, with 45% of the strength being permanent and the balance being casual/ contract labor.

The main operations are:

<u>Sl. No.</u>	<u>Activity</u>	<u>Company Name</u>
1.	Food manufacturing (instant noodles and pasta)	DUFIL Prima Foods Plc.
2.	Manufacture of carpets & rugs	Lucky Fibres Plc.
3.	Selling & Distribution of FMCG products	Multipro Enterprises Limited
4.	Road Modal Logistics	Multipro Enterprises Limited (BHN)
5.	Selling and After-Sales Service of office automation products	Panabiz International Limited
6.	Technical Services & Projects in Transmission & Distribution of Power	MBH Power Limited
7.	Manufacture of liquid bleach	Multipro Enterprises Limited (Hypo)
8.	Retailing	First Choice Retailing Limited ("Best Choice")
9.	Information Services	VConnect Global Services Limited

We are currently in the process of building a deep-sea port in Lagos, Nigeria. Lekki Port LFTZ Enterprise, a subsidiary of our Group, is developing this project.

ORGANISATION CLIMATE SURVEY

We carried out Organisation Climate Survey in the following entities: Multipro (including BHN Division), Lucky Fibres, Panabiz, VConnect and First Choice Retailing covering a total of about 1,000 employees.

The Survey is currently being conducted in DUFIL entities and Hypo.

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.

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

a) **In DUFIL Prima Foods Plc.** and its subsidiaries,

- We have unions for both senior and junior employees known as **FOBTOB** - (Food, Beverages & Tobacco senior staff association) **NUFBTE** (National Union for Food, Beverages and Tobacco Employees).
- By right, the employees can freely leave in accordance with the established rules.
- Child labor doesn't exist in any of the companies.
- We bar all discrimination against employees on the basis of race, sex, and religion and give every employee the encouragement needed to develop his/ her potential to fullest and pay special attention to the individual employee's performance and progress;
- Our workers are tested on Food Handler's Test Proficiency, and only those who clear the standards are employed.
- All our factory workers are provided with clothing from head to toe at the factory and are supposed to leave them behind when they close, in order to have high standards of production quality.

b) **In Lucky Fibres Plc.,**

- We share a very cordial relationship with both the National Unions for Junior (NUTGTWN) and Senior staff (TGTSSAN). We strive to ensure that the highest safety and work standard measures are followed.
- In our endeavor to enhance our performance, we maintain a clean and green environment, thus preventing environmental degradation. Continuous focus on training our staff on technical aspects, HSE (Health, Safety and Environment) subjects, housekeeping and operational excellence through Six Sigma, are our priority. To this effect, we have conducted more than **70 training sessions** covering 600+ employees on the above topics.
- With a view to adding value to our neighboring communities, we always prefer hiring indigenous youth and training them. The company also provides basic amenities such as clean water/electric transformers to its neighboring communities.



- The company continues to engage five retainer hospitals to cater for the health of its staff and some of their family members in and around the Lagos region. This ensures that our employees are in good health both physically and mentally.
 - An in-house ambulance was purchased on September 2012 to decrease response time to emergency health issues/accidents.
 - c) **In Multipro Enterprises Limited and Panabiz International, we** have formed JCC's (Joint Consultation Committees). 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.
 - d) **BHN**, which is a division of Multipro Enterprises Limited, runs the road modal haulage logistics business. It 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.
2. There is no forced or compulsory labor in our operations in Nigeria.
 3. Child labor doesn't exist in any of the companies.
 4. 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.**
 - Dufil is complying with ISO 22000 and ISO 9001:2008 certifying that it is in conformity with International Standards and is maintaining highest safety in food manufacturing.
 - We organise Environmental Impact Assessment study done by external agencies deputed by Federal Ministry before setting up a new factory; thereafter Environment Audit is carried out by the same agencies every alternate year.
 - We have detailed internal guidelines in GMP (Good Manufacturing Practices) and GLP (Good Laboratory Practices) to inculcate self-discipline and best standards.



- We have an effective Waste Recycle System as per which we recycle our waste, if required.
 - We also maintain the use of carrier bags that are entirely biodegradable in nature.
 - We have an effluent treatment plant to treat all water generated from our operations to meet the standards specified by environmental regulations.
2. In **Lucky Fibres Plc.**, we have a clean and healthy working environment both within the premises and surrounding areas.
- The company was certified, on May 21st, 2012, for conformity of sustaining an Environmental Management System with NIS ISO 14001: 2004 standards. This clearly highlights our efforts in reducing environmental impacts through our manufacturing process.
 - Recently, we carried out a beautification upgrade along the roads surrounding our industrial layout by providing fencing and plantations.
 - We are the proud recipient of the award for the first place in the competition for "The Best Kept Industrial Premises" for 2012/2013 by the Manufactures Association of Nigeria. The company boasts of winning this award five times in last seven years (2007-2013).

Quality

- Lucky Fibres is the sixth company in the country to be certified with NIS ISO 9001:2008 standards for Quality Management Systems. This demonstrates our commitment to exceeding customer's requirements/expectations and our endeavor to conform to International Standards.
 - Oeko-Tex Standard 100 has certified that our products are free from harmful substances at all the stages of production.
3. **Hypo** has obtained **ISO 9001** certification in July 2012.
4. The road connecting **Lucky Fibres Plc.** and **Hypo** has been fenced and its beautification with plants on either side of the road is in progress.



5. Port Project – Lekki Port LFTZ Enterprise

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

Tolaram Group is developing a project to set up a multi-purpose, deep-water port within the Lagos Free Trade Zone, 65 km east of Lagos city in Nigeria. The Group has established a special purpose company, Lekki Port LFTZ Enterprise (LPLE) in a joint venture with Nigerian Ports Authority (NPA) and Lagos State Government. An important and essential part of the project development is the assessment of the environmental and social impacts arising during the construction and operational phases of the project. The Environmental and Social Impact Assessment Study was carried out by the consultant, Louis Berger Group, USA.

Project Scope

The port is being developed in phases and upon completion, will have the capability to handle container carriers with a capacity of up to 8,000 TEU and liquid bulk carriers up to 160,000 deadweight tons (DWT). During the construction phase, the manpower deployed at the site is estimated to go up to 1,000 workers and during the operations phase, the permanent direct force will be more than 1,700 employees, with significantly higher number of indirect and induced jobs generated by the port activities. The expected volume of container traffic would result in approximately 7,500 daily truck trips and 2,500 daily car trips.

Anticipated Impacts & Mitigation Measures

The environmental and social impacts arising during both the construction and operational phases have been identified and appropriate mitigation measures proposed to reduce moderate and significant impacts on human environment as well as physical and biological resources.

Environmental Hazard Management & Monitoring

The Environmental and Social Management Plan (ESMP) and the resultant environmental and social management system are designed to minimize risks of environmental hazards during the construction and operation of the port. The ESM system will include the preparation of the Standard Operating Procedures (SOP) for all the port activities as well as comprehensive emergency preparedness and response plans to deal with accidents that could threaten the safety of workers, nearby residents and the environment.



The ESMP establishes a comprehensive monitoring plan to ensure that construction and operation of the proposed port would remain fully compliant with international performance standards, guidelines, and safeguards such as the IFC Performance

Standards, AfDB guidelines and Equator Principles as well as the laws and regulations of the Nigerian government. Monitoring also serves to identify environmental, health, and safety issues before they become significant and allows for more effective corrective action.

Public Consultations

LPLE has been conducting on-going public consultations since October 2004, with a view to engaging the stakeholder communities throughout the life of the project and ensuring two-way communication, which is a vital aspect of the project implementation.

Site Acquisition

Most of the land proposed for development of the port and Lagos Free Trade Zone was acquired by the Lagos State Government in 2002 with full compensation paid to the eligible residents. The subsequent acquisitions of land parcels have been done with due resettlement action/ compensation.

Conclusion

The anticipated impacts from the construction and operation of the proposed port project are generally minor to moderate. The anticipated moderate level impacts to the physical and biological environment would be managed and mitigated through the implementation of a comprehensive environmental and social management system.

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.



Annexure 3 (Contd.)

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. In addition, we have a Real Estate Division, which is running a Recreation Club and is developing a 40-unit apartment complex in Tallinn, Estonia. We employ a total of 672 people in all these operations including 13 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

The total manpower strength in **HPP** is 426, **HT** 76, **Qualitex** 116 and the Real Estate Division 54.

HPP and **HT** are the organizations providing employment opportunities in Kehra. **Qualitex** is the largest employer in Sindi. The Real Estate Division provides employment opportunities to people in Tallinn.

Social and income taxes contributed by companies are distributed to local municipalities for improving infrastructure and social environment, not only for the employees and their families, but also for all their neighbors.

- 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 10 years now for the purpose of environment compliance. Till date, the aggregate investment in environmental projects has been over Euro 40M, aimed at
 - reduction and eventual elimination of physical waste from its mill
 - elimination of emission of harmful gases from its mill
 - re-use of waste water in process
 - burning of gases with bad smell.
- HPP is a FSC (Forest Stewardship Council) certified company. With its 10 principles and 56 associated criteria, this voluntary mechanism can be regarded as one of the forerunners promoting better forest management.
- The Company is compliant with Quality Management System ISO 9001 and Environmental Management System ISO 14001.
- HPP has also earned the title of 'Successful Estonian Company'.
- New Initiative:
 - The company has started a new environmental project of installing a Lime Kiln with a total project cost of Euro 9.5M – as part of Horizon's commitment to a cleaner environment. The project does not have any financial pay back. It will allow HPP to reuse the natural resource, lime, and in the process save 40,000 tons of lime mud per annum. The new Lime Kiln is expected to be commissioned in the third quarter of 2013.

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.
- The company has 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. This is prestigious as it is the only company in Estonia to be awarded such a certificate. Only four other companies have been awarded in all of the Baltics out of a total of 1900 textile companies in the region.
- The International Association of Natural Textile Industry has authorized Qualitex to process eco-textiles according to its guidelines and to manufacture fabrics from organic cotton.
- Qualitex is also an ISO 14001 certified company and is committed to minimizing the negative impact of its operations on the environment.
- The company's ISO 9001 & ISO 14001 certifications have been renewed for a further period of three years.

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.

Being in the European Union, we are strictly following the laws and regulations against money laundering.

HPP is including Anti-Corruption clause in all its agreements and contracts.



INDONESIA

PT LOTUS INDAH TEXTILE INDUSTRIES LIMITED

This company based in Surabaya, Indonesia, is engaged in the manufacture of polyester & rayon spun yarns. The company employs about 1600 people including 17 expatriates.

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.
- All operations are conducted in an ethical manner that supports and protects the rights of all human beings associated with the company.
- The working conditions for the people – employees as well as casual/ contract labor are compliant with the national legislation.

LABOR STANDARDS

- The company upholds the basic labor rights and ensures fair employment practices in its operations.
- Our employment policy commits us to respect the right of all employees to form/ join trade unions of their choice and to bargain collectively.
- 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 the employees' representatives are not the subjects of discrimination and that representatives have access to their members in the work place.
- We ensure that there is no form of forced or compulsory labor in the factory premises.



- We ensure that there is no use of child labor. 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.
- We ensure that there is workplace equality and that we seek to eliminate all forms of unfair discrimination. We ensure that all employees are treated equally, regardless of race, religion, color, gender, age, nationality etc.
- We have equitable processes for recruitment, promotion and remuneration, which ensure employment and rewards on the basis of job requirements and merit.

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.
- We apply a precautionary approach in our decision-making and integrate environmental principles into our business strategy.
- We are committed to minimizing our impacts on the natural environment, on living and non-living natural systems, including eco-systems, land, air and water.
- We are determined to be resource-efficient, increase our use of raw materials from renewable resources, develop cleaner work methods, and play our part in combating climate change by energy efficiency and reducing Greenhouse gas emissions.

ANTI-CORRUPTION

The company is opposed to corruption and illegal practices in all their forms. Our endeavor has always been to maintain a clean image and not to encourage any form of corruption, extortion and bribery.

We do not get involved in political activities, do not make political donations or incur any political expenditure.

We have adopted Tolaram Group's Five Guiding Principles and strive to practice them while carrying out our activities.