

Sudanese Tractor Company Limited

UNGC Communications on Progress Report

2011-2012

About this report

This report is the first in our reporting cycle and contains a qualitative description of our commitment to Corporate Responsibility and in turn to Global Corporate Citizenship. We consider the preparation of this report a strong self-assessment tool as much as it is a means of communicating with our stakeholders.

We will be committed to issuing a COP annually addressing the goals set in the previous reporting cycle as we realize that a sound measurement of outcomes system needs to be firmly established so that we may fairly and duly report on our commitment, our values and the great successes we have achieved and the ones that we are yet to achieve for progress, progress and more progress.

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A Message from our Chairman

“We are judged by how we act and the sum of these judgments is our reputation. We believe that we will continue to lead only if we keep our reputation preserved. Upholding the Group’s reputation of integrity and respect for people is a bond that can be maintained only by commitment from all our employees and partners. We are committed by our beliefs to contribute integrity through economic, social and environmental considerations. Our basic beliefs describe how we are expected to behave when conducting business, while paying attention to our ethics and compliance, as it is critical to our success. All our employees are expected to act in accordance with the spirit of our basic beliefs.”

Osama Daoud Abdel-Latif- Chairman of DAL Group

2. STURAC Company Background

SUTRAC, a DAL Group Company, the appointed CATERPILLAR Dealer in the Sudan established in 1952 under the name of Sayer & Colley, represents Caterpillar, the world's leading manufacturer of machinery and engines for earthmoving, mining and petroleum industries; building and road construction, electric power generation, materials handling and farming applications. Dynapac’s paving and compaction equipment as well as the light utility products complement very well our product offering to construction customers.

The Sutrac team is made up of 490 highly skilled engineers, technicians, sales and finance specialists. Our vision is that Customers will buy from us, not only because of the products we sell, but to benefit from the services we offer.

Sutrac serves customers in the following industries:

- Heavy Construction, Mining and Building Construction
- Aggregates and drilling products
- Power generation systems
- Material handling solutions
- Compressed air solutions

3. SUTRAC's UNGC Membership:

- **Participant since:** 2009/04/15
- **Country:** Sudan
- **Employees:** 450
- **Organization Type:** Company
- **Ownership:** Private Company
- **Sector:** Industrial Transportation
- **Website** <http://www.sutrac.com>



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Statement For Continued Support For the UNGC Principles

On Behalf of SUTRAC Ltd, I am glad to reconfirm our company's firm commitment to the Ten Principles of UN Global Compact with regard to Human Rights, Labor, Environment and Anti-Corruption.

We became signatory on the UN Global Compact out of our strong belief on its principles and the importance of its application on our operation philosophies, standards and processes. Hence, we have taken strong steps in reviewing our current strategies in order to identify and create *Shared Value* with our varied stakeholders as well as contributing to the environmental conservation agenda.

In our first Communication On Progress Report, we are presenting a brief account of our efforts on adopting the ten UNGC Principles. We will certainly build on our accumulated experiences and work, with the UNGC, towards a robust adoption of the ten principles in all of our current and future strategic directions.

Finally, we are committed to share this report with our stakeholders using our primary channels of communication.

Yours Sincerely,

Mr Steven Bibawi

SUTRAC General Manager



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A DAL GROUP COMPANY

5. Report on Commitment and Implementation

5.1 Human Rights Principles

SUTRAC, being part of DAL Group, has established its internal policies, Code of Conduct and procedures to clearly be in compliance with the Universal Declaration of Human Rights as well as the Sudanese Human Rights Legislations.

SUTRAC is regularly conducting reviews on our supplier Code of Conducts and commitment of the Universal Human Rights Declaration in order to insure they are not, by all means, complicit in human rights violation or abuse.

STURAC encourages its employees to report any human right violation incident to their supervisors or the HR to immediately deal with it according to the approved internal procedures.

The progress in this area is to be measured by the number of incidents reported and actions taken in the reporting period. The number of audits SUTRAC conducts of our suppliers and contractors can be used as a measurement of progress as well.

Principle 1:

Business should support and respect the protection of internationally proclaimed human rights.

Principle 2:

Business should ensure that they are not complicit in human rights abuses.

5x5- Staff Philanthropy

5x5 is an innovative staff philanthropy initiative that extends a helping hand to the needy in an easy and sustainable way. The initiative deducts, upon their approval, and on signing an official form authorizing the HR team to do so, five pounds from each employee's monthly salary. This sum goes into a central account that is then channeled to various charitable projects with focus on children and health. The main objectives of the initiative are to ensure the continuity of employees' contributions without having to run ad hoc campaigns, optimizing the use of small contributions to serve as many beneficiaries as possible.

Creating a systematic mechanism to do well ensures sustainability and makes the principles of transparency and openness an indisputable right.

Learning and Development- teaching Excellence

We are an equal opportunities employer, actively seeking to provide employees with a working environment that: encourages diversity; stimulates innovation, teamwork, learning and improvement; and rewards individual performance solely on merit. We expect our employees to seek excellence, act with integrity and display professionalism in everything they do.

Enhancing the knowledge, skills and attitudes of employees through a range of activities from specialist courses and on the job training, to work shadowing and mentoring, DAL Group has invested in a world class

Learning & Development Centre to ensure its employees receive the best possible professional development. 2012 witnessed the introduction of CR sessions into the orientation trainings for new recruits. The purpose of this is to embed a culture of corporate responsibility into our new recruits from their very first days in DAL group and communicate the inherent message that it is central to the way we conduct ourselves.

The SUTRAC Vocational program

The SUTRAC Vocational Training Workshop screens applicants for training, who then undergo a number of Aptitude Tests, to shortlist the best 10 to 15 candidates. The trainees are then rotated to the various workshop sections and evaluated at the end of the program. The evaluations are prepared jointly by the workshop supervisors & the training center personnel. The candidates are finally awarded training certificates upon the successful completion of their training periods.

This practice is done quarterly and all trainees receive allowances to cover their shared accommodation & meal costs. All these efforts are done in commitment to SUTRAC's corporate responsibility and are aimed to expose young graduates to technical know-how of the best standards to increase their chances of finding employment and contributing to the well-being of the economy.

Additional support to students is provided in the shape of technical material and consultancy on their graduation researches and assignments in different technical areas.

Another phase of the Vocational Training Program is the selection of the Program graduates for recruitment within SUTRAC. Graduates trainees that have the potential are then further interviewed and assessed for regular jobs as Service Engineers- 93 graduates to date have been hired out of the total number of trainees.

Communication- Bridging the Gap

In spite of the current economic, social and political climate, SUTRAC's communication proved itself as a positive, accessible means to reach out to our internal and external stakeholders. The primary role of communication is to keep our stakeholders connected and engaged with each other and their external stakeholders, customers, government, business partners and wider community.

The result of a communication plan built from the top and carefully dispersed and clarified at each level of the business units ensures that every employee can instruct and promote a coherent corporate identity, outstanding image associations, business principles and genuine sense of corporate citizenship. In particular, we have developed our electronic communications through a set of optimized tools, technologies and sophisticated approaches to global communications. In addition to television-animated advertisements, an improved intranet and DAL portal, nearly every DAL business unit launched their own website.

Of our print communication, we are proud to have re-launched our corporate magazine, Bridges, and DAL’s Bridges is a succinct yet diverse magazine with the latest news, interesting stories from the business units, educational pieces about DAL’s strategy, insightful articles from board members and much more

5.2 Labour Principles

STURAC observes the issues of labour rights as a high priority and integral part of our HR policies. All of our labour standards and procedures are hold at high standards adhering to the labour international best practices as well as the Sudanese Labour Laws.

Channels of 360° feedback and dialogue is established and maintained between the employees, their supervisors, the management. These channels are facilitated and monitored through the HR department.

A good way to measure this feedback and reporting process is by the number of reports, incidents and interventions made by the HR and the management team.

All our recruitment / employment decisions are based solely on the suitability of the candidate for the position and not on religion, beliefs, cultural bindings, race, gender, age, skin colour, ethnic group, special needs, marital status, language, accent, political preferences or any form of discrimination.

Principle 3

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

Business should support the elimination of all forms of forced and compulsory labour.

Principle 5

Business should support the effective abolition of child labour.

Principle 6

Business should support the elimination and discrimination in respect of employment and occupation.

5.3 Environment Principles

Our Commitment

Today, more than ever, businesses have a greater responsibility to assess their operations and their impacts on the environment and in turn their communities. Environmental responsibility directly affects cost effectiveness, quality and is directly related to our core values: “we are committed to sustainable development and to improve community well-being”. This commitment has already produced significant results especially with regards to material usage reduction, energy consumption, greenhouse gas emissions and reduction, packaging reduction among other areas demonstrating our ongoing commitment to improving the

sustainability of our operations. Moreover, considerable cost reductions have been made; to prove that environment conservation will always have a business case.

We realize that we are part of the problem and that change must be made if we are to achieve our profits responsibly and create value for our country, our people and our future generations.

Practicing that environmental responsibility requires that we assess our operations, identify key areas and innovate ways to manage our impact and turn waste into value where possible. To achieve that, we had to focus on creating a corporate culture in which each DAL Group employee was aware of the importance of that responsibility, how it aligned with our basic beliefs and how to translate that awareness into action in the everyday work.

Our Organizational Responsibility

Environmental Management is assigned to a team consisting of members of the Corporate Responsibility department at our Headquarters and is supported by our staff in SUTRAC on a project basis according to specialization and experience.

Lean Management- Value Creation through efficiency

We adopt the LEAN approach to identify best practices for increasing efficiency, improving financial and operational performance. The ultimate goal is to create a system that consistently achieves excellence for customers, shareholders employees. We challenge ourselves to create capable, adequate, available, flexible and flowing production processes only pulled to consume resources when asked by customer. This results in higher value to the customer, less raw materials waste, less wasted worker effort, and an overall greener and more profitable company!

This is supported by Kaizen, a continuous improvement mechanism that creates value through change management and efficiency.

Responsible mindset and advocacy- Awareness.Action.Change

Starting 2012 we have begun incorporating environmental awareness sessions into our Learning and Development programs as an integral part of new employee inductions. We have also contracted an

Our Lean Culture

- We share one vision,
- Empower and show high Respect to our People
- It's okay to make legitimate mistakes
- Problems are exposed because of increased trust,
- Emphasis is placed on finding solutions instead of "who did it"
- Effective communication - Open two-way vertical and horizontal communications
- Commitment to being process and results driven

international training company for the design of a tailored Environmental Management course to be launched 2014. Because awareness is the seed of all action!

That is why we have designed a comprehensive awareness campaign for our internal and external stakeholders creatively addressing issues of concern.

Medium	Target beneficiary	Frequency
Training Sessions	DAL Staff and external stakeholders	Monthly
Face-to face communication	Government and other private companies	Monthly
Local newspapers	The Public	Quarterly
Radio Channels	The Public	Quarterly
The DAL Intranet- MyDal	DAL Staff	Continuously
Corporate In-house Magazine	DAL Staff and their families	Quarterly
Posters and stickers	DAL Staff- shop floor	Continuously

Engaging our stakeholders- *Greener, together.*

100 of our community stakeholders were selected and segmented according to their nature of activity-and their potential impact on their communities and contacted face to face creating shared value through knowledge sharing and dialogue. Amongst the most important were the popular local hotels and restaurants due to their high consumption as well as visibility to both locals and foreigners, especially the younger generations.

The RRR message was received with much interest; many of these stakeholders did not know that in addition to the harmful effects of PET, they could generate income from selling it. Due to their high consumption, these proceeds could be quite substantial so we shared our experience of using the RRR proceeds for our 5x5 staff philanthropy account and urged them to do the same, at least partially.

▪ PET Recycling- Waste turned good!

The most unique aspect of RRR is that it channels all proceeds from sound waste management initiatives such as PET and Paper recycling to charitable projects. The proceeds are specifically handed over to and managed by the company staff philanthropy account (5x5) and used to rehabilitate hospitals and provide medical equipment to various beneficiaries selected upon assessment by a Steering Committee. In 2012 alone 22,000 SDG (25% of the total amount spent on 5x5's charity projects) came from Recycled PET bottles!

Challenges

- Lack of legislative environmental frameworks and accountability measures
- Lack of a conducive business environment for waste management e.g recycling plants and reliable collection and disposal mechanisms
- Weak environmental impact measurement mechanisms
- Poor awareness of environmental concerns and their impact on community and the planet.
- Lack of dedicated resources to environmental management issues who can act as focal points and ensure the sustainability of environmental responsibility initiatives.

Way Forward- 2014 and beyond

Quantitative Goals

- To save environmental resources, create business value and encourage innovative thinking to achieve more with less.
- To capitalize on our huge critical mass as a company to make a difference through our daily actions, interactions and business operations.
- To disseminate best practices and conceptual knowledge to external stakeholders in our sphere of influence for the creation of social change

Qualitative Goals

- Implement an Environment Management System and be ISO 14000 ready by end of 2014
 - Reduce paper consumption by 5%
 - Reduce energy consumption by 2%
 - To raise awareness on environmental issues and modify current behavior through awareness campaigns to align with DAL Group's commitment to the Triple Bottom Line of people, planet and profit.
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SUTRAC has also launched the used engine oil collection initiative instead of improperly disposing it. The used oil is sold to engine oil recycle and reuse local business and the revenue of that is used to support SUTRAC staff social program and emergent needs.

SUTRAC also launched the business of hybrid energy systems. Some of SUTRAC lead energy rental accounts are supported by hybrid energy systems (solar and gen-sets working back to back). The program has resulted in significant reduction in the fuel consumption and consequently the carbon footprint of SUTRAC.

SUTRAC is intended to expand our environmental initiatives as well as initiate a measurement to closely monitor our environmental performance.

5.4 Anti Corruption Principle

Our Commitment to Good Governance

SUTRAC Corporate Governance system, as part of DAL Group, puts strong emphasis on the strict implementation of the Code of Conduct, procurement and financial policies.

All issues of anti-corruption are treated with high importance and urgency. All suspected incidents have to go through internal investigation/ audit committee and final reports and decision are reviewed by SUTRAC top management.

We believe that our success as a company is measured by more than just financial targets. The positive contribution we can make to lives, communities and the environment through good business is important to our long-term success. This is why Corporate Social Responsibility is an important part of our business and the results of this can be seen through the many activities we actively support.

Implementation

DAL stands for quality in all areas and this means that how we go about delivering results is as important as the results themselves, which is why governance, ethics and business conduct are an important part of what we stand for. This is embodied in our strategy which requires us to operate as a “good” company considered in global terms. Effectively applied corporate governance guidelines are the foundation of business integrity and ultimately lead to robust and sustainable business results. We seek to preserve and enhance stakeholder value by ensuring high standards of professionalism, corporate performance and accountability. It is the role of the directors to provide entrepreneurial leadership within an appropriate framework of prudent and effective controls which enable risk to be assessed and managed. Good corporate governance provides an appropriate framework for the Board and management to most effectively represent the interests of our stakeholders. We maintain a high level of accountability and good management practices to ensure good corporate governance in business activities throughout the organisation, whilst at the same time allowing the management of each business unit to make decisions and respond to the changing environment within which we operate. We strive to set a good standard in terms of business ethics and conduct acting in good faith and with care and diligence for all stakeholders. We guide our employees with our values and require everyone representing us to act in an appropriate way. We recognize the importance of, and strive to ensure that: our customers can always rely on us to provide quality products at a fair price; suppliers and government agencies are paid the agreed amounts on time; employees are given access to learning and development as well as being rewarded fairly; and that the communities within which we operate benefit from employment and other social programmes. Market leading corporate governance, ethics and business conduct have helped the Dal Group become what it is today – a successful and respected operation which looks to deliver for each of its

stakeholders. Our aspirations will require us to look for ways to continuously improve in all areas but we will always seek to retain an organisation with an entrepreneurial approach which empowers its people to deliver for all stakeholders and which operates in a way which we can all be proud of.

6. Availability of This COP

This COP Report will be shared with our stakeholders through our primary channels of communications.

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