

June 11, 2010

TOLARAM GROUP

COMMUNICATION ON PROGRESS

UNITED NATIONS GLOBAL COMPACT - THE TEN PRINCIPLES

Tolaram Group became a signatory to the ten principles of UN Global Compact in July 2008 and this is its first report on Communication on Progress (COP).

The Group supports the ten principles of the Global Compact in respect of Human Rights, Labour 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.

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.

Labour 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 labour;

Principle 5: the effective abolition of child labour; 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 CEO, MR. SAJEN ASWANI

Our Group has always believed in philanthropy & volunteerism from our very humble beginnings. In Nigeria, Indonesia and Estonia, where we have manufacturing operations, we have been participating in community initiatives for a long time. The idea is to contribute meaningfully to the society/ community in these locations. The areas covered include Education & Sports, Physically & Mentally Challenged and Health Care.

In the last few years, however, we have started making conscious efforts to understand Corporate Social Responsibility in a broader sense. It was in this context that we became a member of Singapore Compact for CSR four years ago. We then started participating regularly in various seminars, conferences and conventions with the twin objectives of learning from the experience of other member organizations as well as sharing our experiences with them.

We have now started looking at our organization internally from a long-term sustainability point-of-view, by taking into account interests of stakeholders like customers, employees, shareholders, investors, suppliers, Government bodies, the community at large etc.

We believe that it is important for businesses to do good while doing well. CSR, as we understand it, is not just about how the money earned is spent, but rather, how the money is made in the first place.

We embarked on this journey of learning by becoming a signatory to the ten principles of the UN Global Compact nearly two years ago and affirmed our commitment to these principles covering Human Rights, Labour Standards, Environment and Anti-Corruption.

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.

As a Group, we employ a total of more than 7,400 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, Russian etc. We employ more than 260 expatriates of different nationalities. We believe that our people hold the key to success of our businesses and achievement of our dreams on all the fronts.

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 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.

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

The 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. labour standards, we ensure that there is no child labour, forced or compulsory labour. 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 have recently won *the Green Mark Gold Award* from the Building and Construction Authority of Singapore in recognition of our efforts in keeping the environment green through the use of environment-friendly materials and energy-saving equipment. This is in the context of the development & construction of a new office building at 1A, International Business Park, Singapore. The headquarters of the Group has been shifted to this newly constructed building in the month of May 2010. The building was developed by Eurochem Corporation Pte Ltd, a company belonging to Tolaram Group.

We have provided in this building a working environment that is hazard-free, with the provision of double-glazed low e-value curtain wall façade and abundant use of green features like sky garden. Also, we have the largest green plot ratio in the whole of International Business Park and we re-use construction waste material for the car park wheel stoppers.

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.

NIGERIA

Our Nigerian operations are the biggest within the Group. We employ a total of more than 5100 people, with 55% of the strength being permanent and the balance being casual/ contract labour. In addition, we employ more than 200 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.
2.	Synthetic carpets manufacture	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

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.

LABOUR STANDARDS

We are strictly following the 4 principles of Labour 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 (the company manufacturing instant noodles) has a union for the employees known as **NUFBTE** – National Union for Food, Beverages and Tobacco Employees.

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

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 labour standards.

Multichem Industries Limited (the company dealing with manufacture of dyestuff, printing inks and adhesives) has a labour union for both senior and junior staff which is known as National Union of Chemical, Footwear, Rubber, Leather and Non-Metallic Products Employees (NUCFRLNMPE). All the agreements reached between NUCFRLNMPE and Nigeria Consultative Employers Association (NECA), the apex body of employers and labor are implemented according to the directives and laid down rules. Certain agreements are reached "in-house" with local union in place.

- There is no forced or compulsory labour in our operations in Nigeria.
- Child labour doesn't exist in any of the companies.
- We practise 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, disabled persons 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.

- On environmental standards: in **Lucky Fibres Plc** we are complying with **ISO 14000**, certifying that our manufacturing processes follow the environmental laws and best practices and with **ISO 9001**, certifying that we are following the quality standards and procedures. We are also OEKO-TEX certified which implies that our product is safe to the human skin.
- **Dufil Prima Foods Plc** is complying with **ISO 22000**, certifying that it is maintaining the highest safety in food.

We have an effective Waste Recycle System wherein we recycle our waste, if required.

We also maintain the use of carrier bags which that are entirely bio-degradable in nature.

- **Multichem Industries** takes every precaution to protect the environment and community at large and ensure that all the effluents are treated and purged as per the directives from the State Government. We have the necessary Effluent Treatment Plant in place and all effluents are tested and audited every quarter by the apex body appointed by both state and federal governments.

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), doing tissue conversion operations and (c) Qualitex, a company doing 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, labour, 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 from different nationalities and with different religion / ethnic background are employed in our operating units. Common rules and practices are applied to all employees of the Company.

LABOUR STANDARDS

HPP, employs more than 400 people, HT employs 50 and Qualitex 120 people.

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

Even in the economic crisis during the year 2009, we have desisted from cutting employment opportunities.

- The companies do not practise forced and compulsory labour.
- Also, we do not employ child labour 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 8 years now for the purpose of environment compliance. Till date, the aggregate investment in environmental projects have been over USD 25.0 M. Specifically, during the last two years, HPP has invested USD 4.0 M aimed at
 - reduction and eventual elimination of physical waste from its mill
 - elimination of emission of harmful gases from its mill
- For the last several years, HPP has been helping the local community by treating household waste water from Kehra village at its Water Treatment facility at a very nominal charge. This has helped the Municipality concerned by helping them to save on the investment in a Water Treatment facility thereby releasing such funds for other useful purposes.

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 waste

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. Some of them 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.

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.

LABOUR 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 labour 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 endeavour 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.)