



United Nations Global Compact  
Communication on Progress

CADP Group Corporation  
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## CEO Statement



Our Company continues to be conscious of and true to the principles of the United Nations Global Compact. This is our commitment and covenant.

The Global Compact is consistent with our Corporate Credo, which enshrines the precepts by which we operate and manage our business operations and activities. In this regard, we recognize and live up to our responsibility not just to our shareholders, but also our other constituents: employees and their families, business partners and suppliers, its host communities and society in general.

A core belief is that the strength of the Company is its employee force. A source of pride is the outstanding industrial harmony we have been able to build across the organization, as attested by numerous awards and recognition bestowed by independent bodies through the years.

Corollary to this belief, we respect the right of association of employees and workers and to be represented by independent labor unions. Our workers receive one of the best, if not the best, remuneration and benefits in the sugar industry. This extends not just to salaries but also their quality of work life, safety and individual development, as well as their basic needs such as shelter, healthcare and education.

Employee benefits include medical and hospital treatment for the employees and their dependents, interest-free educational loan and scholarship for deserving dependents and socialized housing program. Our family welfare program addresses the social, economic and recreational needs of employees and their dependents.

Cognizant of the poverty prevailing in many areas around the country, we undertake social development programs in communities around our manufacturing facilities. Our programs focus on community capability-building, livelihood, social services and health, and education and youth development. Our thrust is to enable our target beneficiaries to address their basic economic, social and human needs under the principles of self-reliance and community spirit.

We are committed to preserving the integrity of the environment in areas where we operate. Our manufacturing facilities comply with environmental emission standards set by the Government's Department of Environment and Natural Resources. In line with the industry's self-initiative, we have installed a Continuous Environmental Monitoring System to help ensure that we maintain constant adherence to such standards, not just when concerned agencies audit our plants.

Integrity, transparency, accountability and fiduciary responsibility form the basic foundation of corporate governance in the Company. Our Board of Directors passed a Business Conduct Policy (attached as Annex A) that defines standards of management and business practices, including financial accounting, investments, human resources, purchasing and other critical processes, conforming to not just the statutes of the country and prescriptions of regulators, but also new and emerging international norms set by international agencies (e.g. accounting and auditing). In the wake of corporate controversies, this has received greater prominence in Philippine corporations, and we aim to follow internationally accepted models and norms of corporate conduct.

We are now beginning to look into the need to promote these principles and best practices of corporate integrity, respect of basic human rights and social responsibility outside of the Company's boundaries, and into our spheres of influence.

In the coming years, the challenge we face is to institute the organization and processes to monitor our suppliers and other partners for compliance to labor, social, environment and other laws and regulations. This task will require a higher level of commitment, as we have to install systems, resources and people to undertake the monitoring and surveillance and to advocate best practices to our suppliers, contractors and other business partners.

In retrospect, social responsibility has been a significant and integral part of corporate culture in the Philippines. For the years 2002 to 2004, the consolidated amount of social investment committed by companies who are members of the Philippine Business for Social Progress (PBSP) and the League of Corporate Foundations amounted to over P 2.6 billion. Hundreds of millions of pesos are probably channeled by other companies to other philanthropy projects. On the whole, however, much remains to be done, given the magnitude of the socio-economic challenges in the country.

We actively participated in the square table discussion in crafting the Philippine Business response to the United Nation Millennium Development Goals sponsored by PBSP and United Nations Development Program. In the community of private-sector corporations and foundations, we are integrating all of the conceptual approaches to development, so that we can bring to bear a more effective response to the basic right of the individual to live and work productively, decently and with meaning.

We are grateful to the United Nations for bringing Philippine corporations into the global mainstream of making business a catalyst for social change, along with their peer companies in other parts of the world. By providing globally accepted benchmarks and principles, we now have models of corporate conduct that we can emulate as a social citizen.

In line with our covenant with the Global Compact, we are pleased to submit the attached Communication on Progress Report. Thank you very much.

**PEDRO E. ROXAS**  
Executive Chairman

# Communication on Progress Report

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## COMPANY BACKGROUND

CADP Group Corporation is a public corporation listed on the Philippine Stock Exchange. In line with its corporate charter as an investment and management company, it owns and operates two major operating subsidiaries:

- **Central Azucarera Don Pedro Inc. (CADPI)**

CADPI is an integrated sugar manufacturer with raw sugar mill and sugar refinery located in Nasugbu, Batangas.

Central Azucarera Don Pedro was incorporated in 1927. Its history goes back into the 1800s when the Roxas family bought the Nasugbu Estate and started planting sizable portions of it with sugarcane. Favorable conditions in the industry prompted the acquisition in 1927 of a larger and modern 1,200 tons cane per day raw sugar factory built by Mirrlees Watson Co. Ltd. in Nasugbu. During its first year of operation, it produced 113,800 piculs of raw sugar.

Through the years, it underwent modernization and expansion that culminated in the installation of a 5-mill tandem from Skoda (Czechoslovakia), new boilers and various equipments in the process house.

In 1994, it became a fully integrated sugar manufacturer when it erected a 17,000 bags per day refinery.

Its refined sugar and molasses are sold to leading food and beverage manufacturers, such as Nestle Phil., San Miguel Corporation, Coca-Cola Bottlers Phil. and other industrial users, as well as independent traders.

CADPI's manufacturing operation is ISO 9001 certified, and its refined sugar has earned the quality PS mark from the Philippine Department of Trade & Industry.

### Corporate Credo

We strive to be the best.

The way to be the best is to believe in people – our principal resource. We must harness their talents, provide for their total development, and empower them to contribute to the growth and progress of the organization. We believe that effective management enhances productivity, provides the best value and prompt service to our customers.

We believe in continuous improvement; in thinking strategically, beyond the here and now; in attention to details; in the value of alliances and networking and the nurturing of entrepreneurial spirit; in maintaining open and clear lines of communication; in active participation; in management by example; in dealing fairly with our suppliers and creditors; in being responsive to the needs of our sugarcane growers who are important to our success. We value integrity and hold ourselves to the observance of ethical and professional standards.

Amidst this, we want to have a family spirit with fairness, dignity and merit. We believe in social responsibility, in growing in harmony with the community and the environment. Through these beliefs, we aim to delight our customers, achieve continuous growth as a company, share the rewards with our employees, deliver attractive returns to our shareholders, and help meet the needs of society.

- **Central Azucarera De La Carlota (CACI)**



CACI factory in La Carlota City, Negros Occidental.

CACI was incorporated on October 31, 1918, with commercial operations beginning in 1920. On November 29, 1948, CAC became a public corporation with the listing of its shares of stocks in the then Manila Stock Exchange.

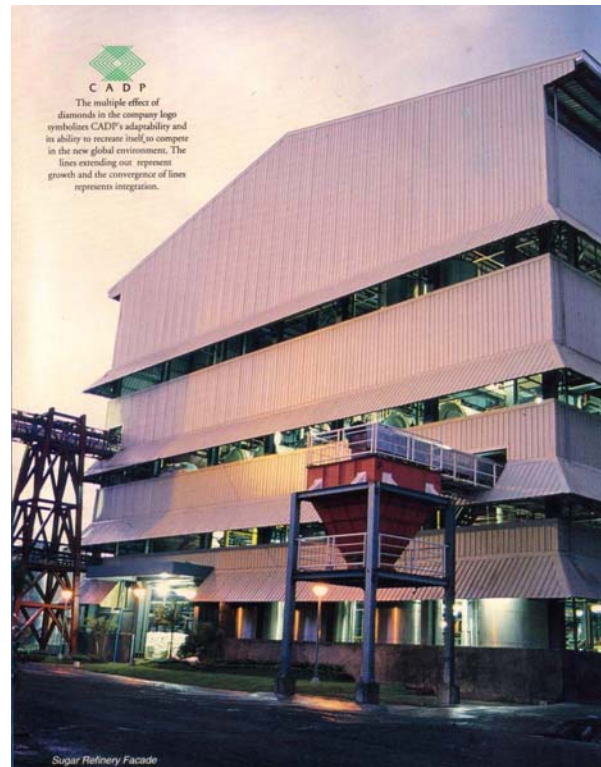
Expansion in the 1970s with the installation of the Farrel mills and other modern equipment increased milling capacity to 10,000 metric tons cane per day, making it one of the biggest mills in the Far East at that time.

The Roxas Group, represented by the Central Azucarera Don Pedro, acquired majority stake in CACI in 1995. CACP undertook an expansion and modernization program, which saw major investments in the factory including the 200 ton per hour John Thompson (Australia) boiler, shredder and process house equipments (centrifugals, crystallizers, etc.) which expanded capacity and improved operating efficiencies.

As a group, CACP is the largest manufacturer of raw sugar in the country, accounting for 14% of aggregate production. It is the second largest producer of refined sugar with a share of 19% of total country production.

The Company also has a 46% interest in a joint venture that owns and operates the Hawaiian Philippines Co., a sugar milling firm whose facilities are also located in Negros Occidental (like CACI). Negros is the largest cane-producing province in the Philippines. It likewise has subsidiaries engaged in farm services, sugar manufacturing consultancy, sugar trading and corporate farming.

The Company takes pride in the outstanding industrial peace and harmony prevailing throughout the organization. In this regard, CADPI has received the following awards/citations:



The CADPI Refinery – the second largest sugar refining plant in the Philippines.





- **HALL OF FAME AWARD (1994)** – two-time recipient of the One of the Most Outstanding Companies with **Family Welfare Program in the Philippines Award**, Department of Labor and Employment
- **SPECIAL KAPATID CITATION for QUALITY OF WORKLIFE (1997)** by Employers Confederation of the Philippines (ECOP)
- **SIKAP-GAWA INDUSTRIAL PEACE AWARD (1997)** in the field of LABOR-MANAGEMENT

COOPERATION given by the Bishops-Businessmen Conference for Human Development

- **HALL OF FAME AWARD (1997)** Outstanding Company Award in Responsible Parenthood Maternal and Child Health Program from the Philippine Center for Population and Development being a consistent recipient of the
- **GRAND PRIZE KAPATID AWARD (1999)** of the Employers Confederation of the Philippines
- **PRO-ACTIVE ACHIEVEMENT AWARD HALL OF FAME (2000)** awarded by the Department of Trade and Industry for consistent the pursuit of industrial harmony and improvement of productivity and quality in the workplace
- **OUTSTANDING LABOR-MANAGEMENT COUNCIL FOR INDUSTRIAL PEACE (2001 and 2003)** National Conciliation and Mediation Board and Philippine Labor and Management Cooperation, awarded for two consecutive selections in 2001 and 2003.



The Company's Labor-Management Council is likewise a model of cooperation in Philippine manufacturing. CADPI Management has been invited to present its LMC and industrial relations, family welfare, community relations and other programs to various industry and professional organizations and companies throughout the country.

The ECOP Grand Kapatid Award

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# COP FORMAL REPORT

## Principle 1:

**Support and respect the protection of human rights within our sphere of influence.**

### **a. Employee Policies and Rights**

CADPGC is committed to the total development of its people. Our operating subsidiaries provide remuneration and benefits to employees that are over and above the minimum provided by law. They also significantly exceed the standards of the sugar industry in the Philippines.



The Company respects the right of workers to association. Workers in both CADPI and CACI are represented by duly elected labor unions. Moreover, our human resource policies are in accord with the Philippine Labor Code and related labor regulations of the country.



Likewise, we are an equal opportunity employer and do not discriminate against any person or group in regard to gender, racial background, religious belief or political affiliation in the hiring of new personnel and in the treatment of present employees.

The Company likewise respects the right of employees to membership in political parties and civic, religious and other organizations, and guarantees freedom of beliefs and expression within the bounds of law. Participation in voting in elections and other such political exercises is a guaranteed right and responsibility under the Constitution.

Intra-organization issues and problems are addressed through the Labor-Management Council, which regularly meets to discuss and find common ground for cooperation and resolution. Implementation of employee discipline and intra-organizational disputes is through a grievance machinery, which provides for the system for the review, adjudication and resolution of discipline, intra-employee complaints and other related concerns. All employees are guaranteed due process in any administrative case.

### **b. Occupational Health and Safety**

CADPI operates a 21-bed secondary-level hospital where medical and emergency treatments are administered to employees and dependents with ailments, including maternity cases and minor surgery. It is manned by two regular doctors, four retainer specialists and a dentist, six nurses, medical technologists and x-ray technicians. It likewise extends medical attention to emergency cases involving non-CADPI personnel particularly for residents in surrounding communities.

Illnesses and injuries that are beyond the capability of the CADPI hospital are referred to a third-party healthcare maintenance provider, which has a network of partner hospitals in Batangas and Metro Manila.

In Negros, a full-time clinic administers first-aid care and treatment of minor ailments and injuries of employees in CACI. Like in CADPI, Negros employees are covered by healthcare benefits through a third-party health maintenance organization.

Occupational safety is likewise given emphasis in terms of workplace safety, protective equipment and gear and safety practices. Work environment and occupational health and safety audits are conducted annually in the plants to assess risks and safety practices on the factory shop floor and among field personnel. The wearing of protective clothing and equipment is required for all factory-based employees. Incidence of job-related and off-factory accidents involving employees is continuously monitored throughout the year to assess compliance with safety standards and to enable management to plan and implement preventive programs.

Regular toolbox meetings and safety seminars are conducted periodically to improve awareness on workplace hazards, emergency preparedness and response and to create a mindset of healthy and safe practices on the shop floor.

### **c. Employee Housing**

In general, plant-based employees and workers in CADPI and CACI are provided housing and utilities (electricity and water) at no cost. However, upon retirement or resignation, they give up the housing facilities.

In 2003, CADPI put up a low-cost housing project called the *Victoriaville Subdivision* to enable factory workers to buy and own their own homes at low interest rates through the *Pag-Ibig* home lending program of the government. The subdivision, with more than 50 lot units, is now almost completely sold and occupied by employees who have availed of the housing finance scheme to put up their homes.

In addition, several housewives have been organized to engage in income-generating projects such as soap and detergent making, nata de coco production and garments, with financial support and technical assistance from the Company and the Roxas Gargollo Foundation.

### **d. Social Development**

In the context of the Philippines -- a developing country -- business corporations are called upon and engaged to actively participate in socio-economic development to alleviate the poverty situation. **CADP recognizes it as its corporate responsibility to enable people to live with dignity and productively as members of society.**

Through continuing programs, CADP Group is committed to improving the lives and welfare of marginal communities around its manufacturing facilities in Batangas and Negros Occidental. The Company's parent corporation, Roxas Holdings Inc. (formerly the Central Azucarera Don Pedro, the Group's predecessor), is a founding member of the Philippine Business for Social Progress, a consortium of private corporations that actively promotes social development in the Philippines.



Working with the Roxas-Gargollo Foundation Inc., a private foundation of the major shareholder group (the Roxas family), CADP mobilizes grants and other assistance from foreign and local donor sources and oversees and implements various community development projects in CADPI and CACI.

Below is a summary of the different community development activities in Batangas and Negros Occidental:

- **Central Azucarera Don Pedro Inc.**

CADPI has a comprehensive community development program in Batangas that assists nearly 20 communities in 13 target barangays (villages) in the towns of Nasugbu and Lian. Community-based projects directly benefit more to 5,000 community members annually.

The community micro-enterprise program continued to be a lynchpin of the community development effort. Generating livelihood and employment through micro-business enterprise and skills building is a major focus of our social development program.

From 2002 to 2004, more than P 3 million in livelihood development funds were released to hundreds of beneficiaries that enabled them to embark on livelihood projects and augment their family income. The Community Development Department oversees six micro-enterprise projects in five communities.

Livelihood trainings and organization and leadership learning sessions are continuously conducted yearly to enhance the skills of cooperating organizations to manage the livelihood enterprises and their respective people's organizations. Repayment records of beneficiaries and capital build-up have been satisfactory in view of the parallel effort to make the community groups viable and self-reliant through these capability-building efforts.

In 2004, we facilitated the organization of the Tumulim Multi-Purpose Cooperative in partnership with Department of Labor and Employment, which enrolled the group under the agency's Poverty-Free Zone Program. The cooperative -- composed of agrarian reform beneficiaries and former farm tenants -- aims to increase the income and the welfare of members.



A livelihood center was constructed, complete with a community bakery and production facilities for garment sewing and native novelty products. The electrical system was likewise upgraded to provide adequate electric power to more than 100 household residents in the barrio.

The Philippine Australian Community Assistance Program-Australia Agency for International Development (PACAP-AusAID) donated a grant of P810,800 of the Socio-Economic Strengthening of Nasugbu Farmers (SESNAF) Program for the construction of a Community Market Center. This center, opened in March 2004, serves as a marketing outlet for the products of the organizations and cooperatives assisted by the CADPI.



In the first quarter of 2005, we assisted in organizing the Kaylaway Multi-Purpose Cooperative and launched the Biodiversified Farming for Sustainable Development project. The cooperative, composed of agrarian reform beneficiaries in an upland village in the outskirts of Nasugbu, is engaged in the production of organic vegetables and livestock. The project aims to demonstrate that growing natural and environment-friendly farming and livestock production is a viable livelihood for farmers.



Among our continuing programs are in the area of family welfare and basic services. We established and now support 21 Day Care Centers in various barangays in the municipalities of Nasugbu, Lian and Tuy. The centers provide daily food and nursery classes to some 500 young children.

Nutrition education classes for mothers and a feeding program for malnourished children are also conducted periodically in other beneficiary communities. In addition, medical and dental missions are conducted by CADP and other civic-minded doctors for the benefit of different communities every year.

Cognizant of the inadequate potable water and sanitation facilities, CADPI has also sponsored the construction and installation of water pumps and toilet facilities of numerous beneficiary communities.

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## RESOURCE LEVERAGING

CADP leverages its social development resources by tapping external donor institutions, private foundations and bilateral aid agencies to help fund its numerous projects.

In 2003-04, CADPI mobilized a grant from Levis Advise Fund to the PBSP Multi-Sectoral Partnership project, obtaining the amount of P739,000.00 for a community project for agrarian reform beneficiaries. The Nasugbu Integrated Socio-Economic Development for Rural Organization project was the recipient of another grant form PACAP-AusAID for P 1,039,200.00.

In 2004-05, we began to tap the German Cooperation Agency for livelihood projects in La Carlota, Negros Occidental.

In 2003-04, we were able to leverage a total amount of P 4.126 million from external partner organizations. In 2004-05, external funds raised totaled P3.776 million. For every P1 spent, we were able to raise P 1.67 from partner institutions. Leveraging is one of the strategies of the Company to raise the resources to expand its community development efforts and services to more people.

Another component of our health thrust is the Women in Health component that caters to the entertainment workers of Nasugbu. An orientation on HIV-AIDS was conducted and the technical working group of HIV-AIDS Council in Nasugbu was formed to address AIDS.

Youth development through education is another priority program. The company forged a partnership with the Roxas Gargollo Foundation and the Education Research Development Agency (ERDA) for scholarship for elementary and high school age children in the *Balik-Paaralan* program. Financial assistance has been extended to hundreds of elementary students from the different barangays in Nasugbu. It also provided scholarships for high school and college students.



In 2004, CADPI forged an agreement with the Bureau of Rural Workers and Region IV Office of the Department of Labor and employment and the Technical Education and Skills Development Authority for the implementation of vocational skills training for the dependents of workers of sugarcane planters in the province.

The program commenced with three short-term courses on culinary skills, hotel and restaurant administration and building electrical wiring with more than a hundred graduates in the first semester of 2005.

The CADPI Palico Training Center served as program manager of the training project. This training arm likewise runs training programs on other blue-collar skills for the out-of-school youth, with support from the Company, Roxas-Gargollo Foundation and other donor institutions. With the support of the Technical Education and Skills Development Authority and the Batangas Provincial Government, it has organized courses on auto-mechanic EFI, building electricity, food technology, auto-electronics EFI, basic machine shop and dressmaking through the years.

The Asian Forum on Corporate Social Responsibility named CADP Inc.'s Community Development Program as a runner-up in the Best Corporate Social Responsibility Program in the policies category in 2004. This recognition is a testimony to CADP's commitment in uplifting the lives of communities.



#### ▪ **Central Azucarera De La Carlota (CACI)**

In Negros, the Company made available a Lending Program from financial grant from the Roxas Gargollo Foundation to finance livelihood projects in the host communities of CAC.

More than a hundred wives of workers have availed of loans for capitalization for a small scale businesses such as food vending, sari-sari store, buy and sell, food shop, siopao making and livestock. The start-up fund has been fully paid by the borrowers, indicating their financial success in augmenting their income.

The lending window also financed a bangus fish production project organized by Embarcadero, a CACI-supervised community. Worker dependents also availed of the facility for a swine fattening and dispersal project and a sewing project.

CAC also implements a Skills Training Program for worker and non-worker communities in cooperation with government and non-government organizations. The factory organized short-term courses on Basic Computer Literacy, Driving Skills and Therapeutic Massage and Reflexology for worker dependents and out-of-school residents.

The RGF Scholarship Program supports three employee dependents by providing comprehensive financial assistance package for college education, including textbooks and miscellaneous expenses. The Eduardo J. Roxas Memorial Scholarship Program was launched and provided financial assistance to high school students from supported communities.

In the first semester of 2005, CACI launched the *Pagtubo*, a comprehensive project that mobilized in micro-business enterprise development in the seven priority target communities within and surrounding the sugar factory in La Carlota.

With financial assistance from RGF and the Deuther Entwicklungsdienst (DED) of Germany, a livelihood fund was set up to provide low-interest loans for community members to enable them to finance livelihood projects. Livelihood skills training and organization and management seminars were conducted to provide them basic productive expertise to undertake and manage a small business.

#### **d. Employee Volunteerism**

CADP likewise extends support for multi-sector social initiatives such as the *Habitat for Humanity* and the *Children's Hour*, and other philanthropy projects of other organization. In both of these endeavors, it has involved employees in the spirit of volunteerism to contribute money and time to worthwhile social causes.

In the *Children's Hour*, the Company taps and mobilizes the monetary contribution of personnel in an annual fund-raising activity, which amount it matches by way of its own financial contribution. The Company has been a partner institution and benefactor since its inception in 1999. The international activity has supported, in turn, various institutions engaged in promoting the welfare of children like orphanages, houses for street children, children-protection programs, feeding projects and other activities.

### **Children's Hour**

*Children's Hour* is a fundraising campaign that calls on individuals and companies to donate an hour of their earnings in support of programs committed to the welfare and development of children and youth.

The campaign originated in the United Kingdom in 1998 under the leadership of Prime Minister Tony Blair. It is supported by other world leaders such as President Ramon Herzog of Germany and Prime Minister Bertie Ahern of Ireland, and by business leaders and companies such as American Express, Deutsche Bank, Kellogg, Fuji Xerox, Nike, Toshiba, Marks & Spencer and others in more than 50 participating countries.

Since its launch in 1999, it has raised over P65.6 million in cash and services that have impacted on the lives of over 144,000 children in more than 60 organizations.

To institutionalize volunteerism and social concern as a way of life, the Employee Volunteer Program Council has been formed in the Company. It undertakes advocacy and communications work to raise awareness for programs such as *Children's Hour* and the mobilization of contributions and turnover to the supported organizations.

In the wake of the calamity spawned by the typhoons in Quezon in December 2005, financial contribution from the Roxas Group of Companies, CADP Group and ROXACO Land Corporation worth P 250,000 was mobilized. The fund supported relief operations conducted by the League of Corporate Foundation and the Corporate Network for Disaster Response (CNDP).

Employee volunteerism is likewise at work in the organization of various employee welfare programs, such as summer enrichment classes for children and dependents of workers, sports and physical fitness activities, college orientation seminars for graduating high-school students in nearby communities and a host of other projects.

## **Principle 2**

### **Ensure non complicit in human rights abuses.**

The Company implements a supplier accreditation system that warrants compliance not just the legal registration of the vendor with the appropriate government bodies (e.g. Securities and Exchange Commission, Bureau of Internal Revenue, etc.) and the satisfaction of standards of product quality and service.

Under the guidelines, vendors must likewise safeguard the rights and welfare of its workers by complying with minimum wage and other government laws and regulations pertaining to labor. They are also required to adhere to our policy against forced labor and the hiring of children as workers and to maintain legal standards on worker health, social security and safety. Maintenance of the accreditation

In the immediate future, the Company plans to put in place compliance monitoring system to ensure performance of the legal, product/service requirement and social criteria set for our suppliers and external contractors. In this regard, we plan to set up the procedures and organization to conduct periodic surveillance and audits of vendors.

## **Principle 3:**

### **Uphold freedom of association and effective recognition of the right to collective bargaining.**

The Company recognizes and respects the right of employees to form and be represented by their own association or organizations, as well as to collective bargaining.

CADPI has an effective Collective Bargaining Agreement with rank-and-file workers represented by the Batangas Labor Union covering the five-year period from 2001 to 2006.



The CBA, called the "Agreement on Collective Concerns" by both parties, was signed on October 23, 2001. The new CBA provided for salary rates in 2001, 2002 and 2003, and placed the average daily wage by more than P150 a day over the statutory minimum wage mandated in the whole region. Employees not covered by the CBA were given automatic salary increase to compensate for the distortions on the salary structure. In 2004, a Supplemental Agreement mandating new wage increases for 2004 and 2005 was signed by both parties.

On the other hand, the collective bargaining agreement between CACI with the labor union expired in May 2005. Negotiations for the new CBA between management and the labor union are currently underway. The new agreement is expected to be inked after a few meetings, as has been the practice, within the next two months.



### Collective Bargaining Agreement

Senior Vice President for Operations Ramon Picornell and Batangas Labor Union President Rupert Bragado seal the CBA extension agreement in October 2004 with a handshake. The extension provided for new round of yearly wage increase to daily-paid workers of the Central Azucarera Don Pedro Inc. factory in Nasugbu, Batangas.

The Company takes pride in the outstanding industrial harmony between Management and its employees. In general, CBA negotiations are conducted under the spirit of cooperation and common concern under the win-win principle for the long-term success of operations and improved well-being of employees.

In addition to CBA, various management-employee communication and welfare programs are in place. The high level of employee morale and industrial peace is due to numerous pro-active industrial relations programs being actively pursued across the organization. The Labor-Management Council

(LMC) and various other open forums are periodically conducted every month to provide a venue for the announcement and discussion of company policies, programs and developments to employees at all levels of the organization.

### Principle 4:

**Elimination of all forms of forced and compulsory labor**

### Principle 5:

**Effective abolition of child labor**

### Principle 6:

**Elimination of discrimination in respect of employment and occupation.**

Forced labor and child labor are expressly prohibited in the Constitution and/or laws of the country. As a corporate citizen of good standing, CADP is committed to respecting the statutes of the government.

Moreover, compulsory labor, employment of children and minors and discrimination of any specific group by reason of gender, religious beliefs or political convictions are against the principles by which the Company manages and operates its business.

Hiring and promotion of personnel is based on qualifications and merit.

### **Principle 7:**

#### **Support a precautionary approach to environmental challenges**

### **Principle 8:**

#### **Promote greater environmental responsibility**

The preservation of the environment around our manufacturing plants is a priority commitment of the Company.

Specifically, CADPI has been a model of the sugar industry in promoting environment-friendly practices. In the past, it has received citations attesting to its commitment to preserving the environment in areas where it operates. In 1994, the Department of Environment and Natural Resources (DENR) bestowed it the AWARD OF RECOGNITION for promoting sustainable development through waste minimization. At the same time, it garnered the “Most Environment-Friendly Sugar Mill” award from the Philippine Sugar Millers Association Inc. (PSMA) and Association of Integrated Millers (AIM).

A full-time unit – the Environment Management & Safety Group -- administers the Group’s environment management policies and strategies and the pollution abatement facilities in CADPI and CACI. A senior plant official is likewise designated as the Environment Management Representative (EMR) to oversee the environment efforts of the Company and to monitor environment legislation and advocate interventions and policy changes to enable compliance.

The new millennium brought with it more comprehensive and stringent environmental laws, notably Republic Act. 8749 (*The Clean Air Act*) and Republic Act 9003 (*The Ecological Solid Waste Management Act*). The new laws impose higher standards of compliance, which, in turn, necessitate higher levels of capital expenditures. The major pollution control facilities put up in the last five years have been:



Wet scrubber system retrofitted into one of the boilers of the CADPI plant, with the project team.

- Wastewater Treatment Plant Expansion – In 2002, CADPI undertook the expansion of the 2,000 cu.m./day Treatment Plant to 7,000 cu.m./day to handle the new wastewater streams from increased water usage from the expanded operations of the sugar refinery, the Closed-Loop Cooling System and discarded scrubbing water from the new Wet Gas Scrubber retrofitted in 2003 in one of the boilers
- Closed Loop Cooling System [utilizing Spray Ponds and Cooling Towers] which eliminates the take-up and discharge of thermal water from the Palico river beside the CADPI factory
- A Wet Gas Scrubber system has been retrofitted to Boiler # 2 of CADPI at the cost of close to P200 million to reduce over-all particulate emissions. The DENR has tested the efficacy of this scrubber which has been considered a “model” for the whole sugar industry. Ancillary systems (ash ponds) were likewise upgraded to complement the wet scrubber system.



Environment Management Department staff in CADP's Wastewater Treatment Plant.

The new wet scrubber facility performed according to specifications, and plans are on the drawing board for the installation of similar pollution abatement facilities in the future in the other two boilers in the Nasugbu plant. The Company tapped an environmental loan financing from multilateral agency through the Land Bank to bankroll the construction of its first wet scrubber system.

In the meantime, the Company installed a *Continuous Emission Monitoring System* [CEMS] in order to monitor air emissions from our factories' boilers in accordance with the self-regulation thrust of the sugar industry, with the cooperation of the DENR Environmental Management Bureau. The boilers likewise undergo repairs and preventive maintenance (e.g., the replacement of the defective swirler, dust collector repairs, etc.) to enable significant reduction of particulate emissions.

The Company's positive stance in addressing environmental challenges has been well received by both the government and public sectors.

### **Principle 9:**

#### **Encourage the development and diffusion of environmentally friendly technologies**

The manufacturing of sugar yields organic solid waste materials, that is convertible to organic fertilizer. Through the years, CADPI and CACI have worked with their respective cane planters through the mill district development foundations and planters associations in distributing the organic wastes to fertilize the cane farms within the cane districts.



The CADPI mill district development foundation has invested in dump trucks to implement the free distribution of decomposed mudpress as a soil ameliorant to district planters. This project allows our planters to reduce their dependence on commercial fertilizer and to shift them to organic fertilizer to lessen operating costs.

Taking the concept further, CADPI initiated in 2002 the *Ecological Solid Waste Management Center* to make use

of mudpress and other solid organic wastes from the manufacturing process and community wastes to produce organic fertilizer.

The Company invested in the facilities and infrastructure, including the 37 composter drums for the rapid composting and conversion to organic fertilizer. The Composting Project is unique because it involves multi-partite partnership:

- CADP as the funding component
- LACTO-ASIA Pacific Inc. as the Technology Provider
- the *Luntiang Nasugbu Multi-Purpose Cooperative* as the community component that will be involved in the operation and upkeep of this facility (including marketing of the finished organic fertilizer).

The partnership operated for two years, and revenues earned from the sale of organic fertilizer were shared by the cooperative with Lacto-Asia, with CADP receiving a fixed amount based on the volume / weight of organic fertilizer sold as a form of rental for the equipment and facilities.

However, because of the inability of Luntiang Nasugbu to sell the organic fertilizers to planters, the project was discontinued last year to minimize the financial losses. The plan is for Lacto-Asia to take over the operations of the composting facility and to sell the fertilizer products to customers in Batangas.

With the high price of inorganic fertilizer, the plan is being pursued so as to promote the use of natural fertilizers among planters.

Sustainable development has likewise received attention from the Company. As reported in a previous section, the Company has initiated a project this year with the Kaylaway Multi-Purpose Cooperative for the promotion of organic farming among farmers in an upland community in Nasugbu, Batangas.

## **Principle 10:**

### **Work against corruption in all its forms, including extortion and bribery**

Corruption is against the principles of good corporate governance and CADPGC's own policies and practices as a corporation as mandated in its Business Conduct Policy (Annex A). Extortion and bribery in so far as being used to promote business relationships with certain related or non-related parties are prohibited and certainly not tolerated.

To the best of Management's knowledge, business transactions are conducted on arms-length basis and it has no awareness, as well, of cases involving extortion and bribery involving officials and employees within the Company.

Outside of the Company's boundaries, however, Management has yet to craft policies and programs to promote the Global Compact Principles to its business partners and suppliers. But there is general appreciation of the destructive effects of corruption on the economy of the nation and the welfare of the people, particularly the poor who are deprived of basic social and economic services.

The thrust in the future is to develop strategies to link good governance standards and goals to the performance of suppliers and to institute surveillance and audit mechanisms to enable monitoring of compliance to these set principles and best practices.



## **BUSINESS CONDUCT POLICY**

### **I. Introduction.**

The highest standard of individual conduct is expected at all times from each employee of CADP GROUP CORP. not only in matters of financial integrity but also in every aspect of business relationships.

Business should be conducted on the basis of fair dealing, consideration for the rights and feelings of others and the most stringent principles of good corporate citizenship.

Each employee is charged with the responsibility of acquiring sufficient knowledge of the laws relating to his or her particular duties in order to recognize potential dangers and to know when to seek legal advice. Unlawful conduct will not be condoned under any circumstances. Employees should consult with the in-house counsel if they have questions regarding compliance with certain laws, rules or regulations. Any violation of the Business Conduct Policy may result in termination of employment or other disciplinary action.

The Business Conduct Policy addresses several areas of concern. It includes values, operating principles, conflicts of interest, disclosure of business or outside employment, use and protection of company assets, disclosure on accounting and auditing matters, insider trading, use of software, sexual harassment and political activities and contributions. In addition, the Company's Rules and Regulations governing employee conduct should be used as reference material on matters related thereto.

### **II. Values.**

The following fundamental beliefs determine conduct throughout the Company. They explain the reasons why our principles are important to us.

***Integrity.*** The Company is expressly committed to integrity and high ethical standards of conduct in all its business transactions.

***Entrepreneurship.*** The basis for the continuing success of the Company's business is good long-term profitability. An essential feature of this is a dynamic and innovative approach to business by the Company and all its employees.

***Professionalism.*** The Company values professionalism and regards it as essential in ensuring the provision of the highest levels of customer satisfaction.

***Responsiveness.*** The Company acknowledges the importance of being responsive to the needs of all those with whom it does business.

### **III. Operating Principles.**

The Company operates within the framework of the following principles:

***Personal Conduct.*** The Company expects the highest levels of personal conduct by all its employees. It is acknowledged that all effective business relationships inside as well as outside the Company depend upon honesty, integrity and fairness.

While it is recognized that limited corporate hospitality is given and received as part of building normal business relationships, employees should avoid accepting hospitality or gifts which might appear to place them under an obligation.

The Company expects all its employees to respect the rule of law and abide by appropriate regulations. They are likewise expected to avoid doing business with any individual, Company or institution if that business is connected with activities which are illegal or which could be regarded as unethical.

All employees are expected to handle information with care. The confidentiality of the Company's data should be safeguarded and proper and complete records must be made of all transactions on behalf of the Company.

**Employee Relations.** Relationships with employees are based on respect for the individual. The Company aims to provide all its employees with safe conditions of work and competitive terms of employment. It is likewise committed to equal opportunities and the avoidance of discrimination. *Sexual or any other form of harassment is unacceptable.*

Personal career development will be encouraged through progressive HR/Personnel Training and Development Programs.

**Environment.** The Company recognizes that certain resources are finite and must be used responsibly. It therefore pursues a two-pronged, external and internal, approach designed to promote environmental protection. Its external policy is aimed at anticipating developments in the environmental field related to its operations and the professional management of environmental risks. Internally, the policy is aimed at controlling any environmental burdens caused by the Company itself.

**Communications.** Within the bounds of commercial confidentiality, the Company places the greatest importance on open and transparent communications with its customers, employees, shareholders and the society at large.

**Community Relations.** The Company recognizes that good relations with local communities are fundamental to its long-term success. The Company's community relations policy is founded upon mutual respect and active partnership aimed at sustaining and trusting relationships between the Company's operations and the members of the local communities where it operates.

Cultural, sport and environmental activities are a central part of the Company's relations policy and individual employees are encouraged to play a positive role in community activities.

**Economic Policy.** As a commercial organization, the Company believes that it must provide an adequate return for its shareholders. It supports a market economy as the most effective means of achieving the best returns for its customers, investors and employees as well as for the communities where it operates.

**Competition.** The Company recognizes the many benefits of a competitive environment. However, the best markets flourish only within an ethical framework and no one in the Company is permitted to disparage a competitor or to use unethical means to obtain any advantage for the Company.

#### **IV. Conflict of Interest.**

The Company and its stockholders require and expect that our business affairs must be conducted in a manner that does not cloud our judgment when we deal with third parties or make decisions on behalf of the Company. Business transactions must be undertaken solely in the best interest of the Company.

Conflict of Interest can only be defined along broad lines of ethical principles as it is impossible to conceive of all situations where a conflict may arise. In general, conflict of interest arises when an employee engages in business or professional activities exclusively for his own benefit on Company time or when such vested interest goes against the interest of the Company regardless of whether it occurs during Company time or not. In short, a conflict of interest arises when the Company's interests are sacrificed.

The following, while not encompassing, illustrate some types of activities, which violate the Company's policy on Conflict of Interest:

#### **Business or Outside Employment.**

1. Involvement in any way with any business that materially interferes with the proper performance of his duties or obligations to the Company or investments in enterprises which might lead to conflicts of interest.
2. Writing for an outside publication, delivering outside lectures and attending to speaking engagements unless the prior consent of the Company has been obtained.
3. Participating in civic, political, religious, charitable, educational, cultural, recreational, or similar activities where such activities materially interfere with the faithful performance by the employee of his/her duties to the Company or shall be in conflict with the Company's interests.
4. Holding appointive or elective positions in Government or holding other employment elsewhere where the duties and obligations of the employee to the Government or to his/her other employer may adversely affect the efficient performance of his/her duties and responsibilities to the Company. In such event the employee should decide whether to make a career with the Government or with the Company and should he/she decides to pursue his/her Government position, the employee will be requested to resign from the Company.

#### **Acceptance of Gifts**

Acceptance of gifts, favors, loans or other material benefits from third parties dealing or desiring to deal with Company by an employee and/or members of his family.

#### **Business Dealings**

Financial involvement in any transaction between the Company and third parties which can influence or affect the official judgment of the employee.

#### **V. Disclosure of Business or Outside Employment.**

Employees are absolutely required to make a disclosure of all their business involvement and/or their other employment outside of the company.

Information disclosed in compliance with this directive shall be treated by the company with utmost confidentiality.

#### **VI. Use and Protection of Company Assets and Transactions.**

Employees who have access to or control over Company transactions and assets, including trade secrets or other confidential or proprietary information, are expected to execute their

responsibilities with the strictest integrity and highest regard for the value of the assets and the importance of the transactions. "Confidential or Proprietary Information" includes generally, all information which the employee knows or has reason/s to know and is deemed by the Company to be secret, which is in the possession of the Company and has not been published or otherwise disclosed to any third party or to the general public.

Each employee entrusted with such responsibilities must ensure that the use, acquisition or disposition of an asset by an employee on behalf of the Company is undertaken in accordance with the general or specific authorization of management and is accurately and fairly recorded in reasonable detail in the Company's books of account and records.

Unauthorized disclosure of information, whether or not it is proprietary, and unauthorized or illegal access to information or data owned or belonging to third persons/entities are strictly against Company policy.

All Company books, records and accounts must accurately reflect the precise nature of transaction recorded. Making false or fictitious entries with respect to transactions of the Company or the disposition of corporate assets is prohibited and no employee may engage in any transaction that requires or contemplates the making of false or fictitious entries.

Employees must act in accordance with all policies and procedures relating to expense reporting. The Company expects that business expenses will be reasonable and will be accurately supported by valid receipts where required.

Compliance with prescribed accounting procedures and controls is required at all times.

## **VII. Employee Disclosure on Auditing and Accounting Matters.**

All employees have a right and moral responsibility to report improper actions and omissions. A workplace culture must be developed in which employees who act in good faith and in compliance with the law are protected from interference in or retaliation for reporting improper actions and cooperating with subsequent investigations or proceedings.

Public Interest Disclosure (commonly called "whistleblowing") is required when employees, in good faith, believe employers or colleagues are engaged in an improper course of illegal or unethical conduct, and they must be able to disclose such conduct free from fear of intimidation or reprisal.

## **VIII. Use of Software.**

All users of Company software should understand that the unauthorized duplication (other than for backup and archival purposes) of either proprietary or internally developed software is a violation of this policy, whether such duplication is for business or personal use and whether such duplication may place the Company in violation of its obligation to the software publishers.

## **IX. Insider Trading.**

Employees of the Company may not purchase, sell or otherwise trade in securities of the Company or of another corporation while in possession of material non-public information, such as knowledge that the Company is planning to acquire another corporation. In addition, employees may not give material non-public information, directly or indirectly, to anyone. Beyond disciplinary action, a violation of this policy may lead to civil and criminal penalties against the employee.

## **X. Sexual Harassment.**

The company values the dignity of every individual, encourages the development of its human resources and upholds the dignity of its employees, applicants for employment and those undergoing training, instruction or education in the company. Towards this end, all forms of sexual harassment in the workplace are absolutely prohibited.

## **XI. Political Contributions and Activities.**

The Company absolutely prohibits the making or giving of contributions or expenditures whether in the form of money, products, services or facilities, in connection with any local or general election. Accordingly, no employee may make contributions or expenditures at any time for or on behalf of the Company in connection with any election.

Employees are absolutely prohibited from actively campaigning for any candidate in connection with any election within the Company premises/property. Likewise, except in areas which have been opened and already devoted to public or political activities, the holding of political rallies or any other form of political activity/exercise are absolutely prohibited inside the Company premises or property.

The rules governing political activity are extremely complex. Should you have any question concerning the Philippine election laws, you should consult with your in-house counsel.

## **XII. Compliance.**

Employees of the Company are expected to comply with this Business Conduct Policy and all other policies and procedures of the company in all respects. Any employee who knowingly violates this Policy, or knowingly permits a subordinate to do so, shall be subject to disciplinary action, including demotion or dismissal.

From time to time, compliance review briefings will be held in order to discuss various matters raised in this policy booklet. Each employee is expected to attend such briefings.

## **XIII. Implementation.**

The responsibility of maintaining discipline and implementing the provisions of this Business Conduct Policy lies with line management. Corollarily, responsibility to take corrective actions for breach thereof rests with line management.

## **XIV. Duty to Disclose Violations of the Policy.**

Employees are expected to disclose promptly any acts or transactions known to them which may be in violation of this Policy. The Company will endeavor to treat any disclosures which are made pursuant to this Business Conduct Policy in strictest confidence.

## **XV. Guidance.**

It is not possible for any Statement of Business Principles to cover every eventuality, nor should it. Business life is increasingly about employees having the freedom to take decisions, as long as these are consistent with the Operating Policies of the Company.

It is therefore inevitable that there will arise occasions where employees are faced with situations not covered by the policy, precedent or procedure and have to decide on the most appropriate course/s of action to undertake. In these situations, employees are enjoined to act within the framework of what is legal, moral, fair and honest.