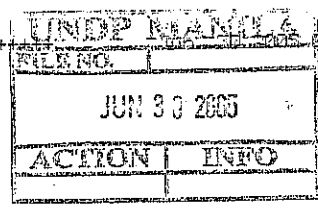


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### STONERWORKS SPECIALISTS INTERNATIONAL CORP.

#### OPENING STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Our Company, Stoneworks Specialists International Corporation, signed up for membership with the Global Compact three years ago, on March 7, 2002. We remain as enthusiastic as ever in our subscription to the principles of the Global Compact albeit our performance as a member has thus far been quite modest.

We believe that the Global Compact offers a formula for enabling the business world to contribute more meaningfully to the health of our planet and humanity, as well as to peace, stability and prosperity. The exploitative ways of the colonial age have exacted a price that very many countries and people continue to pay, and so now we have to proceed with caution and responsibility, even as the spirit of enterprise drives us to be bold.

In pursuit of the Global Compact's principles, our Company has become more conscious than ever in its dealings concerning labor, human rights, and the environment. Insofar as responsibility to the environment is concerned, we achieve that largely by promoting our fiberglass-based products as superior alternatives to those made from wood, and our plastic septic tanks as superior to those made from concrete with earthen bottoms. We have also reached out to the international market, particularly to less developed economies, to enable them to benefit from these products and the technology to make them. These and other practical actions undertaken to implement Global Compact principles are discussed in further detail in the main body of our Communication on Progress, which adopts the format of what is denominated as "a self-contained, comprehensive document."

We are gratified with the achievements we have compiled, modest as they are. But because we realize that so much more needs to be done, we reiterate our commitment to continue and intensify the pursuit of Global Compact principles. We are therefore hopeful that next year, we will have more substantial achievements to report.

**MARILYN G. ONO**  
President & CEO

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## **BACKGROUND**

Founded in 1997, Stoneworks is still a relatively young company in the process of finding and developing niches, and knowing its strengths and weaknesses. It is on an extended period of formation and discovery. Although it is aware of the latest trends in its lines of business, as well as of best practices, it is not easy for a small-to-medium enterprise to immediately adopt these, especially those practices which require significant investments of scant resources. The desire sets the pace, but the means may lag behind.

## **PUBLICATION OF THE COP**

For example, until now Stoneworks does not publish an annual report to its stockholders. There is no urgency in this, inasmuch as the company has just a handful of stockholders, and the majority stockholder is the President & CEO, who, knowing the status of the company at all times, has no need of annual reports. The other stockholders, several of whom are also part of the company's management, are also similarly well-informed, and can dispense with the annual reports. However, the company does file annual financial statements with the government's regulatory agencies; although these are in the nature of public documents, they have to be purposely accessed for members of the public to know of the contents. Other corporate communications consist mostly of memoranda; emails/letters to clients and suppliers; brochures and marketing materials; bid documents; and the company's website. There is no newsletter, but this can be made electronically and posted on the company's website,

This COP will be communicated to stakeholders in condensed form, which we can also attach to bid documents and furnish to those who desire a copy of our corporate profile. This concise form will be posted on the company's website, which is currently undergoing redesign. The concise version will be made for posting soon after the submission of this COP. For now, an electronic version of the uncondensed COP will be submitted to the Global Compact Office

The corporate website would indeed be the ideal medium for publicizing the COP. This is more so because financial reports to regulatory agencies have to comply with a format that excludes most of the information that the COP contains. Integrating financial and sustainability reports is thus not suitable in the Philippine setting. Website publication of the COP, being paperless, is also a more environment-friendly as well as cheaper way of disseminating the COP.

## **PERFORMANCE IN GLOBAL COMPACT PRINCIPLES**

First, it must be noted that Stoneworks does not have the sophisticated organization of big companies. It has no units (not even individuals) specially assigned full-time to community relations and other aspects of corporate social responsibility. The organization is very lean. Indeed, from time to time, on an as-needed basis, the Company has had to engage the services of specialists and consultants for short periods.

In the CEO's Opening Statement, it was mentioned in passing that the Company's products have a positive environmental impact. But that is not the be-all and end-all of the Company's commitment to the Global Compact. The commitment goes deeper and spreads more broadly. In manufacturing its products, the Company also follows best practices: gender responsiveness, no child labor, equity for workers, etc., as an integral part of its operations. Given the lack of a business unit for these concerns, these are orchestrated by top management, no less.

Stoneworks' performance in 2004 in pursuit of Global Compact's nine principles is as follows:

- **HUMAN RIGHTS** (Principles 1 and 2): There has not been a situation or occasion where Stoneworks was confronted with an issue involving human rights and/or the abuse thereof. The Philippines is a democratic republic; it has a Commission on Human Rights, ordained by the country's constitution, and the records thereof would show no complaint whatsoever against the Company.

Indeed, the Company works closely with various government agencies and local governments, as well as with communities of fishermen. The clients and suppliers that the Company deals with, to the best of its knowledge, have not been implicated in any human rights abuses. Further, contracts between the Company and its clients, suppliers and subcontractors have come to stipulate that the parties shall comply with labor standards as defined under the country's Labor Code.

- **LABOR**: there are no labor unions among the Company's workforce of around 200 people, but the Company has taken no action to preempt or curtail their freedom of association (Principle 3). No one in the Company has ever been compelled to perform forced labor (Principle 4). Issues involving sub-par performance have always been resolved through dialogue and according to lawful processes as prescribed in the country's Labor Code.

Rather than make working conditions more strenuous for workers, Stoneworks makes work easier for them, whether through the use of power tools or computerization. These also impart accuracy, efficiency and systems to our operations. We are standardizing inter-departmental systems so that they can cross-reference each other and actually link up, using new software engineered to our requirements. This corporate-wide

upgrading of computer systems is still ongoing and is expected to be completed on or before the end of the third quarter of 2005.

Stoneworks has also been encouraging worker participation in corporate level undertakings beyond their immediate work stations. In 2004, the Company convened a three-day live-in Management Conference to which around forty (40) workers and supervisors - about one-fifth of the entire workforce - from various levels and departments were invited. With their participation, management identified gaps and formulated solutions. This was followed by a three-day Strategic Planning Conference in early 2005; although participants were fewer, they were still drawn from all departments. Among the issues discussed were worker benefits, as well as occupational health and safety in the workplace. Worker participation in such activities gives them the chance to contribute to policy formulation and to develop aptitude in decision-making.

- **CHILD LABOR (Principle 5):** the Company does not employ any children in any capacity. Nor does it deal with any clients or suppliers known to be using child labor. In the Philippines, a child is defined as "a person below fifteen years of age unless sooner emancipated by law" (this definition is provided in Republic Act No. 8043 or the Inter-Country Adoption Act of 1995, which was approved on June 7, 1995).

Every year, upon the written request of officials of reputable schools, the Company accepts graduating college students (in the 20-23 years age bracket) who desire on-the-job training or practicum; the training/practicum is generally conducted in the office, and the students are given substantial allowances by the Company. Their schools may also stipulate the working conditions for their training. For this activity, the Company was cited last year by the University of Asia and the Pacific.

- **LABOR DISCRIMINATION (Principle 6):** the Company's President & CEO has been an active officer of the Women in Business Council of the Philippines for many years. Although there are more males in the Company's factories, there are more women in its head office. There is no gender discrimination whatsoever. Gender has never been a qualification for any job or position, nor a criterion for promotion. Except for separate comfort rooms, there is no segregation based on gender.

Nor does Stoneworks discriminate among its workers on the basis of religion, political affiliation, or ethnicity. Criteria for employment are often confined to educational attainment and work experience.

- **ENVIRONMENT (Principles 7-9):** Stoneworks, specializing in composites, takes pride in manufacturing synthetic stones (cast polymer) and fiberglass-based products (boats, collapsible shelters, etc.). Synthetic stones (resembling granite, marble, onyx, and other natural stones of

commercial value) lessen the need for destructive quarrying. Fiberglass-based products, on the other hand, lessen the need to cut down forests for wood, not just in the Philippines but in the foreign markets where the Company has active business prospects (Papua New Guinea, Ghana, India, and the Maldives). The Company also markets sanitary septic tanks made from high-density and low-density plastic; these are superior to traditional septic tanks in the Philippines, which have concrete walls and covers but earthen bottoms through which waste can contaminate the groundwater. Last year, the Company launched fiberglass-made grease traps for use in households and food establishments; these are designed to trap grease and prevent its eventual discharge into the sea through the sewer system.

By popularizing the use of these various products among its major clients (*i.e.*, real estate developers), the Company is performing a significant role in keeping the environment healthy in the Philippines and its overseas markets.

In the area of promoting greater environmental responsibility (Principle 6), the Company has been lobbying Congress as well as various government entities (*e.g.*, the Department of Environment and Natural Resources, the Department of Health, the Department of Transportation and Communication, and the Department of Agriculture) for years to help popularize the use of plastic septic tanks and fiberglass-based boats.

In the area of diffusing environment-friendly technologies (Principle 9), the Company has been exploring possibilities in putting up boat yards (for fiberglass-hulled boats) in fishing centers in the Philippines as well as in Papua New Guinea and Ghana; these boat yards will be manned by locals, who will be trained by the Company's experts, thus diffusing the technology.

#### **MEASUREMENT OF OUTCOMES OR EXPECTED OUTCOMES**

Stoneworks has not developed measurements specifically dedicated or tailored to Global Compact performance. This is not to say that our performance cannot be quantified at all. Rather, we feel that the normal measurements we do in business, may also serve as quantitative indicators of performance in Global Compact areas.

For example, each fiberglass-hulled boat sold has an equivalent of lumber requirements saved (or trees saved from being felled); each plastic septic tank sold means so much pathogenic effluents from seeping into subsurface water. We have sold more than two hundred boats of various types (fishing boats, patrol boats, speed boats, ferry boats), all with fiberglass hulls; several hundreds of our plastic septic tanks; and a few thousands of our grease traps (with many thousands more ordered).