



Date: 31 May, 2014

TOLARAM GROUP

COMMUNICATION ON PROGRESS

UNITED NATIONAL GLOBAL COMPACT- THE TEN PRINCIPLES

Report for the period of June 2013 to May 2014

Tolaram Group became a signatory to the UN Global Company in July 2008 and has submitted four annual reports on our Communication on Progress (COP) to date.

This is the Annual Report for the period of June 2013 to May 2014.

The Group continues to support and enact the ten principles of the Global Compact in the areas of Human Rights, Labour Standards, Environment and Anti-Corruption, which are listed in Annexure 1.

The statement from Mr. Sajen Aswani, Chief Executive Officer of the Group, is enclosed in Annexure 2.

The Group, headquartered in Singapore, has its main operations in Nigeria, Ghana, Estonia and Indonesia. We have a diversified portfolio consisting of manufacturing, marketing & distribution, real estate, infrastructure and power transmission & distribution businesses. Manufacturing interests span packaged foods, paper, floor coverings, textiles and personal care products.

The COP for the Group is enclosed in Annexure 3.

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Annexure 1

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

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 corruption in all its forms, including extortion and bribery.



STATEMENT FROM OUR GROUP CEO, MR. SAJEN ASWANI

Tolaram Group has been a member of the UN Global Compact since 2008 and subscribes to the Ten Principles in our business activities. We have taken proactive actions and have established policies to work towards achieving these principles on a sustainable basis. In 2014, we will continue to support the Ten Principles, in the area of Human Rights, Labour, Environment and Anti-Corruption.

The core values of the Group, Trust, Transparency, Mutual Respect, Win-Win and Long-Term Commitment continue to hold true and it is our endeavour that all our dealings within and outside of the organisation are in harmony with these principles.

Our endeavours in Corporate Social Responsibility for this year include,

- a) being one of the five founding companies for the **Centre of African Studies** in Singapore, the first in South-East Asia;
- b) collaboration with the **World Toilet Organisation** to improve hygiene and sanitation situation in Nigeria;
- c) providing artificial limbs for the unfortunate, through **ISHK Limb Centre in Nigeria**, with over 3,900 limbs fitted over the years free of charge;
- d) organising events and outings for mentally challenged children and making contribution to the community, through **Tolaram Foundation in Estonia**.

The Group will continue its on-going efforts to build a sustainable organisation and contribute back to the community, whilst ensuring the implementation of the ten principles in our business operations.



IMPLEMENTATION OF THE 10 PRINCIPLES OF UNGC IN TOLARAM GROUP

SINGAPORE

Tolaram Group is headquartered in Singapore, with corporate functions such as finance, internal audit, HR & communications and business development teams sitting in the corporate headquarters.

In Singapore, we support and respect our employees as free and equal individuals and ensure that there are no human rights issues or abuses.

Labour standards are also held with the highest regard as strict protocols and checks are ensued to ensure that there is no child labour, forced or compulsory labour. The Group currently employs over 9,500 people of varied nationalities like Indian, Singaporean, Indonesian, Estonian, Nigerian, Ghanaian, Pakistani, Ethiopian, Filipino, German and Russian, as well as a mixed proportion of genders, all above the legal working age required. We do not discriminate based on age, gender, race, caste, religion etc. in matters of employment or occupation.

We follow and comply upon the various provisions of the Employment Act in Singapore and our employees' benefits are compliant to the provisions of the Act.

In the area of environment, our corporate headquarters building in the 1A International Business Park was awarded the prestigious BCA Green Mark Gold Award for its green features, which includes double-glazed glass for curtain walls and windows, use of T5 light fittings and the use of environmental friendly materials with recycled content. We are also making a conscious effort and regular checks to ensure the proper maintenance of the building and its surroundings.

Regards to anti-corruption, we work against all forms of corruption, extortion and bribery. With a competent Internal Audit team in place, there are constant checks and controls to prevent and keep check on any possible corruption cases. Employees have internalised the Group's core values, Trust, Transparency, Mutual Respect, Win-Win and Long-Term Commitment, and put them into practice in their day-to-day activities.

Emphasis is placed on the enactment of the ten principles across the Group, as periodic reviews from the senior management and external audits are constantly carried out to ensure that we are maintaining and making progress in our implementation of the 10 principles.



NIGERIA

Our Nigerian operations are the largest within the Group. All the companies of Tolaram Group embrace, support and enact UNGC's ten principles in the areas of human rights, labour, environment and anti-corruption.

The main operations in Nigeria are:

Company Name	Activity
a. DUFIL Prima Foods Plc.	Food manufacturing (instant noodles, pasta and oil)
b. Multipro Enterprises Limited	Sales and distribution of FMCG products
c. First Choice Retailing Limited	Retail
d. Lucky Fibres Plc.	Manufacture of carpets and rugs
e. VConnect Global Services Limited	Information Services
f. MBH Power Limited	Transmission & Distribution of Power
g. Lagos Free Trade Zone Company	Free Trade Zone
h. Lekki Port LFTZ Enterprise	Deep Sea Port

Human Rights

a. DUFIL Prima Foods Plc. and its subsidiaries

- Dufil and its subsidiaries support and respect the protection of human rights and make sure that they are not involved in human rights abuses.

b. Multipro Enterprises Limited

- All forms of discrimination are discouraged. Dignity of labour is enshrined and the climate is people-centred.
- Individual rights are not compromised and basis of treatment is fair to all.

c. First Choice Retailing Limited

- The company supports and respects the protection of the internationally proclaimed human rights within their sphere of influence; and makes sure that they are not complicit in human rights abuses.



d. Lucky Fibres Plc.

- There are no forms of discrimination and the company respects every employee equally.

e. VConnect Global Services Limited

- The company supports and respects the protection of the internationally proclaimed human rights within their sphere of influence; and makes sure that employees are treated with equality and have personal freedom.

f. MBH Power Limited

- MBH understands the importance of supporting and respecting the human rights of all its employees. MBH adheres to all group company rules and guidelines with respect to human rights.
- MBH management has formed a grievance redressal cell and appointed a local staff as its head. Any complaint or information with regards to any misconduct or policy violation is looked into by this cell.

g. Lagos Free Trade Zone Company and Lekki Port LFTZ Enterprise

- We have explicit policies that protect the human rights of workers in our direct employment and we have established a monitoring system to ensure that the human rights policies are being implemented.
- We provide various lectures to raise awareness within the company of known human rights issues within the company's sphere of influence; and help them to identify those functions that are most at risk of becoming linked to human rights abuses, possibly at the pre-investment/ project exploration and planning stage.

Labour Standards

a. DUFIL Prima Foods Plc. and its subsidiaries

- 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 has a union for both senior and junior employees known as FOBTOB-(Food, Beverages & Tobacco senior staff association) and NUFBTE (National Union for Food, Beverages and Tobacco Employees).
- By right, the employees can freely leave in accordance with the established rules.
- Child labour doesn't exist in any of the companies.
- We bar all discrimination against employees because of age, race, gender, religion etc. and give every employee the encouragement needed to develop their potentials



and pay special regard to the individual employee's performance and progress.

- Our workers are tested on Food Handler's Test Proficiency, and only those who clear the standards are employed.

b. Multipro Enterprises Limited

- Our organisation is unionised. The Unions operate by their own rules and negotiations are carried out every other year.
- All man-hours rendered are adequately remunerated in line with acceptable standards in the industry.
- The age of our youngest employee is above the approved minimum age for industries.

c. First Choice Retailing Limited

- First Choice Retailing Limited has a JCC (Joint Consultation Committee) formed, wherein the staff association was non-existent. We took the initiative and formed these JCCs for them and ensured there is some sort of collective bargaining from the employees' side which is one of the principles on labour standards.
- We practice non-discrimination in employment and occupation and employees are selected on the basis of their ability to do the job and there are no distinction, exclusion or preference made on other grounds like caste, religion, gender, etc.

d. Lucky Fibres Plc.

- Lucky Fibres shares a very cordial relationship with both the National Unions for Junior (NUTGTWN) and Senior staff (TGTSSAN). We strive to ensure the highest safety and work standard measures are followed.
- In lieu of adding value to our neighbouring communities, we always prefer hiring indigenous youths; training them to ensure a win-win culture is insinuated amid our environment. The company also provides basic amenities such as clean water supply and electric transformers to its neighbouring communities.
- The company continues to engage three retainer hospitals to cater for the health of its staff and some of their family members in and around the Lagos region. This ensures that our employees are in good health both physically and mentally.

e. VConnect Global Services

- Equal opportunity is given to all job seekers for engagement and for currently engaged employees to advance their respective carriers.
- There is no forced or compulsory labour in the company, and there is non-discrimination in employment and treatment of our employees.



f. MBH Power Limited

- MBH gives equal opportunity to all and makes no discrimination with respect to race, caste, religion, gender etc. in matters of employment or while engaging any manpower.
- MBH has no bound or forced labour
- MBH has a strict no-tolerance policy with respect to child labour.

g. Lagos Free Trade Zone Company and Lekki Port LFTZ Enterprise

- The company provides a safe and healthy workplace, ensuring non-discrimination in personnel practices. We make sure that we do not directly or indirectly use any forced labour or child labour. We provide access to basic health facility for the workers and their families, to our best ability.
- We have a clear policy not to use or benefit from forced labour, and we ensure that all company officials have a full understanding of what forced labour is. We make sure that neither the company nor its subcontractors hire any forced labour.
- We make available employment contracts to all employees stating the terms and conditions of services, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work, the contracts are in languages easily understood by workers, indicating the scope of and procedures for leaving the job.
- There are adequate and verifiable mechanisms for age verifications in recruitment procedures. If there are children below the legal working age found in the workplace, appropriate measures will be taken. Influence is exercised on subcontractors, suppliers and other business affiliates to combat child labour. We also encourage and assist in launching supplementary health and nutrition programmes for children living in nearby communities.
- We have proper company policies and procedures which make qualifications, skills and experiences the basis for the recruitment, placement, training and advancement for staff for all levels. We also keep records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the organisation.
- We establish the various programmes to promote access to skill development training and to particular occupations and arranging various lectures for development of the employees. Also, we encourage and support the employees to build a climate of tolerance and allow for equal access to opportunities for occupational development such as adult education programmes and health and childcare services. In addition, we also accommodate for cultural traditions and work with representatives of workers and governmental authorities to ensure equal access to employment by women and minorities.



Environment and Quality

a. DUFIL Prima Foods Plc. and its subsidiaries

We support a precautionary approach to environmental challenges and undertake initiatives to promote greater environmental responsibility.

- Dufil comply with ISO 22000 and ISO 9001:2008 certifying that it is maintaining the highest safety in food.
- We are shifting from usage of AGO to compressed natural gas.
- We do Environmental Impact Assessment study done by external agencies deputed by Federal Ministry before setting up a new factory, thereafter Environment Audit is carried out by the same agencies every alternate year.
- We have detailed internal guidelines on HACCP (Hazard Analysis Critical Control Point), GMP (Good Manufacturing Practices), GLP (Good Laboratory Practices) to inculcate self-discipline and best standards developed with reference to International standard.
- We have an effective Waste Recycle System wherein we recycle our waste, if required.
- We also maintain the use of carrier bags which are entirely recyclable in nature.
- We have effluent treatment plant to treat all water generated from our operation to meet environmental specified regulation limit.

b. Multipro Enterprises Limited

- It is our intention to give our support to relevant governmental bodies in a bid to improve our activities for a sustained hitch-free operational environment.
- We ensure that all our drains are well channelled to avoid erosion while we are presently working towards total elimination of spillage of waste oils.
- Our core technology-driven activities are outsourced to business process solution providers to handle for optimum results.

c. First Choice Retailing Limited

- We participate regularly with LAWMA (Lagos State Waste Management Agency) and other Lagos Local Government Environmental Agencies to make sure the environment we operate in is clean and good for in-habitants.

d. Lucky Fibres Plc.

Lucky Fibres maintains a clean and healthy working environment both within its premises and surrounding areas.



- In our endeavours to enhance our performance, we maintain a clean green environment, thus preventing environmental degradation. Continuous focus on training our staff on technical aspects, Health, Safety and Environment (HSE) subjects, housekeeping and operational excellence through Six Sigma, is our priority. To this effect, we have conducted over 65 training sessions covering 500+ employees on the above topics.
- Lucky Fibres is the sixth company in the country to be certified with NIS ISO 9001:2008 standards for Quality Management Systems. This demonstrates our commitment to exceeding customer's requirements/expectations and conforming to International standards.
- Oekotex Standard 100 has certified that our products are free from harmful substances at all the stages of production.
- Recently, the road surrounding our industrial layout underwent a beautification upgrade; providing fencing and plantations.

e. MBH Power Limited

- MBH has a Health Safety and Environment (HSE) policy in place and provides all necessary Personnel Protection Equipment (PPE) so as to keep its employees safe and enable them to do their work with ease. MBH also undertakes HSE training for its employees working at its sites at regular intervals and a HSE officer has been appointed to overlook these.
- MBH is currently undergoing the process of getting its offices, facilities and operations ISO 9001:2008 certified and takes pride in the fact that all its employees are taking extra efforts to make sure that MBH is completely compliant with all requirements of ISO standards.
- MBH ensures that Environment Impact Assessment (EIA) studies are completed and all environmental approvals and clearances from necessary governmental agencies are obtained before the commencement of any major projects.

f. Lagos Free Trade Zone

- We have developed a proper Health, Safety and Environment (HSE) Policy and which shows our commitment to care for health and the environment.
- We support scientific research, including independent and public research, on the issues involved. Joint industry-wide collaborative efforts have been initiated to share knowledge and deal with issues, in particular, production processes and products with high levels of uncertainty, potential harm and sensitivity.
- Plant cultivation is maximised to minimise the pollution level. Environmental Impact Assessment (EIA) and mitigation measures are the pre-requisites for any factory establishment within the Lagos Free Trade Zone. This should comply with local as well as international environment regulations.



- The vision of all the free trade zone companies is “triple bottom line” of sustainable development- economic prosperity, environmental quality and social equity.
- We are having a quality environmental condition and passing these benefits to the nearby communities to our best ability.
- Establishing a corporate company policy on the use of environmentally sound technologies. We are encouraging and getting our know-how on environmental-friendliness. We are using solar lights all over our sites to encourage the environmental friendly technology.

g. Lekki Port LFTZ Enterprise

- Lekki Port LFTZ Enterprise (LPLE), a special purpose company established by the Group in a joint venture with Nigerian Port Authority and Lagos State Government, has been conducting on-going public consultations since October 2004. This is a vital aspect of the project implementation, with a view to engage the stakeholder communities throughout the life of the project and ensure two-way communication. Discussions were held with vulnerable groups including women and fishermen. Meetings were also used to scope issues related to ecosystem services and perceptions of community risks. Public consultations are a vital aspect to project implementation, and there will be continuing engagement with the public throughout the life of the project.
- The Environmental and Social Impact Assessment Study, carried out by the consultant, Louis Berger Group, USA, was reviewed based on Africa Development Bank and Equator Principles Financial Institutions guidelines. It has been accepted by Africa Development Bank and European Investment Bank under the project due diligence review.
- The Environmental and Social Management Plan (ESMP) and the resultant environmental and social management system are designed to minimise risks of environmental hazards during the construction and operation of the port. The ESM system will include the preparation of the Standard Operating Procedures (SOP) for all the port activities as well as comprehensive emergency preparedness and response plans to deal with accidents that could threaten the safety of workers, nearby residents and the environment.
- A comprehensive monitoring plan has been established to ensure that construction and operation of the proposed port would remain compliant with international performance standards, guidelines, and safeguards such as AFDB guidelines and Equator Principles as well as the laws and regulations of the Nigerian government. Monitoring also serves to identify environmental, health, and safety issues before they become significant and allows for more effective corrective action.



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 two manufacturing operations in Estonia:

Company Name	Activity
a. Horizon Pulp & Paper	Manufacturing of sack kraft paper
b. Horizon Tissue	Tissue conversion operation

Estonia, being part of the European Union, adheres to strict laws governing human rights, labour, environment and anti-corruption. All our business entities have a good track record in these areas.

Human Rights

The companies follow the Estonian Human Rights Laws which are also recognised 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 religious and ethnic backgrounds are employed in our operating units. Common rules and practices are applied to all employees of the Company.

Labour Standards

Horizon Pulp & Paper and Horizon Tissue provide employment opportunities in Kehra, a town in Tallinn, the capital of Estonia. Social and income taxes contributed by companies are distributed to local municipality and infrastructure and social environment are improved not only for employees and their families, but also for all their neighbours.

Our companies in Estonia do not practice forced or compulsory labour, and 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 or female employees. Common rules and practices are applied to all employees of the company.

Environment

a. Horizon Pulp & Paper

Horizon Pulp & Paper (HPP) is a Forest Stewardship Council (FSC) certified Company. With its 10 principles and 56 associated Criteria, this voluntary mechanism can be regarded as one of the most interesting initiatives of the last decade to promote better forest management. We



are also complying with Quality Management System ISO 9001 and Environmental Management System ISO 14001.

HPP has been proactively investing in machinery and equipment for over 10 years now for the purpose of environment compliance. Till date, the aggregate investment in environmental projects has been over €40M, aimed at the following:

- reduction and eventual elimination of physical waste from its mill
- elimination of emission of harmful gases from its mill
- reuse of waste water in process
- burning of unpleasant smell gases

Some of the latest initiatives are:

- In Q2 of 2014, HPP is launching a new Lime Kiln supplied by FLSmidth Inc, with total project cost of €11M – this project does not have financial payback, but this is part of Horizon's commitment to cleaner environment. It will save natural resources like Lime and will let HPP to re-use 40 000 tons of Lime Mud per annum in this process.
- In Q2 of 2014, HPP is launching a new Wood Processing line supplied by Andritz OY, with total project cost of €3.8M. This line will replace older wood processing line and also will separate more than 90% of bark from wood logs, which will be used to generate energy.

b. 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, water, hazardous and non-hazardous waste

Anti-Corruption

All the companies' policies are strongly against all forms of corruption/ bribery/ extortion. The companies have transparent and open systems for this purpose. They work proactively to prevent corruption and illegal activities and dissociate themselves from corruption in any form, whether direct or indirect. Furthermore being in European Union, we are strictly following the laws and regulations that are against money laundering. HPP has included the Anti-Corruption clause to all the agreements and contracts.



INDONESIA

PT Lotus Indah Textile Industries Limited

This company based in Surabaya, Indonesia, is engaged in the manufacture of polyester and rayon spun yarns. The company employs about 1,600 people.

Human Rights

All operations are conducted in an ethical manner that support and protect the rights and interests of all human beings associated with PT Lotus Indah. We ensure the provision of a fair, safe and healthy workplace for all employees, free from discrimination, harassment or abuse. Employees' and contractors' working conditions are required to be and are compliant with national legislation.

This means that no form of coercion is used in violation of the human rights and fundamental freedom of indigenous peoples. Also, no operation is complicit in the violation of these same rights.

Labour Standards

Lotus Indah upholds the basic labour rights, ensuring fair employment practices. Our employment policy commits us to respect the right of all employees to form and join trade unions of their choice and to bargain collectively, and promotes the relevant structures and relationships where this is both appropriate and local practice.

All employees are free to bargain collectively and are allowed to join a trade union of their choice. We have a registered trade union for workers in our factory at Surabaya operating as per Indonesian Laws. Regular meetings are held between the management and Union on matters of common interest. We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation.

Where applicable, we enter into meaningful and transparent relationships with trade union. We also ensure that employee representatives are not the subject of discrimination and that representatives have access to their members in the workplace.

Minimum notice periods in respect of operational changes and rates of pay for men and women are prescribed by legislation. Any grievances or disciplinary actions are addressed through our disciplinary and grievance systems.



We prohibit forced, compulsory and underage labour, and any form of discrimination based on race, religion, age, disability or political affiliation. We also promote workplace equality and seek to eliminate all forms of unfair discrimination. Equitable processes for recruitment, promotion and remuneration are in place, which ensure employment and promotion on the basis of job requirements and merit, and which support the establishment of a diverse workforce and ensure that all employees and employment applicants are treated equally irrespective of race, colour, gender, sexual orientation, religion or belief, family circumstances, political opinion, trade union membership, age, nationality or disability.

Environment

Lotus Indah actively strives for recognised best environmental performance in our operations. In order to achieve this, we apply a precautionary approach in our decision-making and integrate environmental principles into our business strategy. We are ISO 14000 compliant.

As a business, we are committed to minimising our impacts on the natural environment, on living and non-living natural systems, including ecosystems, land, air and water. We are determined to be resource-efficient, increase our use of raw materials from renewable resources, develop cleaner production methods and play our part in combating climate change by improving energy efficiency and reducing our GHG emissions.

Anti-Corruption

Lotus Indah is opposed to corruption and illegal practices in all their forms. We do not become involved in any improper political activities and we do not make political donations or incur political expenditure.

We abide by Tolaram Group's Five Guiding Principles of Trust, Transparency, Mutual Respect, Win-Win and Long-Term Commitment and set clear principles for the conduct of our business activities.