



UN GLOBAL COMPACT | 2008 COMMUNICATION ON PROGRESS



Chairman's Statement

For more than 80 years now, CADP Group Corporation has consistently demonstrated its efforts to strike a balance between fulfilling its commitment to create value for its shareholders and its responsibility to society.

Since becoming a subscriber corporation of the UN Global Compact in 2002, our desire to pursue a high standard of corporate citizenship has been heightened. Through its facilitation and engagement, UN Global Compact serves as a catalyst for enterprises like ours to be more conscious of the social legitimacy of their business and markets.

We at CADP Group continue to align the 10 principles of the UN Global Compact in the areas of human rights, labor, the environment and anti-corruption.

In the area of labor management, we continue to provide a competitive financial remuneration for our employees, including housing benefits as well as non-financial rewards such as health and wellness programs.

We have extended this advocacy with our contractors and suppliers as we require their compliance with the recently-enacted minimum wage policy. Regular audits will be conducted by our team to validate compliance.

We continue to be actively involved in social development through our dedicated unit for this purpose, the Community Development Group as well as our corporate foundation and social development arm, the Roxas Gargollo Foundation.



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We regularly launch programs on capability building, resource mobilization, enterprise development and social services for our partner communities and employees.

In doing so, we engage other people in our efforts. We constantly collaborate with local and foreign institutions, government agencies, business groups, non-government organizations (NGOs) and academic groups. We believe that these alliances go beyond individual, parochial and business interests.

Through remarkable and innovative projects in environmental management, waste management and pollution control, we strive to integrate sustainable development in our business operations.

We are quite honored to be constantly recognized by various institutions, both local and international, for our involvement in corporate citizenship.

Most recent of these recognitions is the Hall of Fame Award from the Labor Management Council of Batagas province, where one of our operations is located, for having bagged the Labor Management Cooperation award for three years.

In addition, one of our community development projects was chosen as a finalist for “Panibagong Paraan 2008”, an annual competition that promotes good governance. It is conducted by several local and international organizations including the World Bank.

Another testament to our efforts in sustainable development is the Ecological Solid Waste Management Project award we received from the Pollution Control Association of the Philippines, Inc. in April 2008.

Moving forward, we at CADP Group remains committed in engaging in businesses that not only create value for our shareholders but also result in a progressive impact on society.

On that note, we reaffirm our support and allegiance to the principles of the UN Global Compact as we continue to demonstrate leadership by advancing responsible corporate citizenship.



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PEDRO E. ROXAS
Executive Chairman
July 2008



Principle 1:

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

a. Employee Policies and Rights

Employees continue to receive remuneration and benefits that are over and above the prescribed minimum wage, which significantly exceeds the standards of the Philippine sugar industry. They also continue to enjoy superior benefits such as paid vacation and sick leaves. The company conducts regular reviews of the benefits to determine possible rooms for improvement.

The company continues to enforce its rules and regulations implementing the Anti-Sexual Act of 1995. The rules as provided shall apply to all employees, trainees and other workers and shall further govern incidents of sexual harassment committed within the work premises of the Company.



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The company's officers have been invited to share their experience on good governance and employee relations during two national labor conventions.

b. Occupational Health and Safety

The company operates a 21-bed secondary-level hospital and a 24-hour medical and dental clinic for employees and its dependents in its Batangas and Negros operations, respectively. Various medical programs are being implemented, including free examinations of blood screening and other procedures particularly are conducted for employees and their dependents.

The company continues to promote its employee wellness campaign through sports and physical activities through sporting events such as badminton, volleyball and basketball tournaments, aerobics classes and regular exercise sessions.

It likewise continues to enforce rules and policies against dangerous drug use pursuant to the order of the Department of Labor and Employment. Under this policy, the company shall provide a working environment that is completely drug-free and the use of prohibited and dangerous drugs in the company premises and workplaces is strictly and absolutely prohibited.

CAD Group organized a two-day work-life balance/teambuilding program, dubbed "Rainbow Life Adventure Program" for management and staff. The program aims to discover and examine personal values and put basic life choices in order.

c. Employee Housing

The company approved a housing loan assistance program for qualified employees in its Batangas operations. The loan assistance provides a maximum of P300,000 (about US\$ 6,700) to be amortized for 10 years at an interest of 8 percent per annum. Another option is the company advances the 50 percent of the retirement gratuity for those who will be retiring within two years.

Moreover, a relocation site was provided to employees whose homes were dislodged in the course of factory capacity expansion in the Negros operations. Each family was given a home lot of a minimum 100 square meters. Other employees, meanwhile, were provided with housing facilities inside the mill compound.



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d. Social Development

During the year, the company reached about 7,000 individuals in the various projects on capability building, resource mobilization, enterprise development and social services for communities within its areas of operation. The company raised funds amounting to P2,230,000 (about US\$50,000).

For health, a tuberculosis eradication program was implemented, benefiting 249 children through partnerships with local government, NGOs and business organizations.

The company implemented the “Bright Minds Reading Program” for 32 public elementary schools in Batangas in partnership with Ronald McDonald House of Charities.

A total of 103 beneficiaries have been granted loans to fund their respective livelihood projects. This created jobs for 29 individuals who are employed by seven enterprises. Repayment records of beneficiaries, on the other hand, have been satisfactory at 89 percent.

The company conducted 29 training workshops and learning sessions for 436 individuals to improve their skills in managing enterprises and in the process, increase their chances to be employed.

Among CADP Group’s continuing programs is the Educational Assistance Program, which has benefited 220 high school and college students this year.

In addition, one of CADP Group’s community development projects was chosen as a finalist for “Panibagong Paraan 2008”, a competition conducted by several local and international organizations including the World Bank that promotes good governance.

Principle 2:

Ensure non complicit in human rights abuses.

The company has advised all its contractors to comply with the new order which grants an increase in the daily minimum wage of workers as well as with other social legislations that go hand in hand with the new minimum wage. The company’s



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Social Compliance Team will conduct a new round of audit of contractors as part of its mandate to ensure compliance.

Moreover, the company continues to participate in the Self-Assessment on Compliance with Labor Standards as provided by the Department of Labor and Employment. As a participant, the company conducts an assessment of compliance with labor standards and other social legislations. This is jointly accomplished by management and the labor union.

Principle 3:

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

For the company's Negros operations, a Collective Bargaining Agreement, which covers 2005 to 2010, was signed by the labor union in September 2005. The CBA provided for higher wage increases and improvements in other benefits. At present, management and the union is negotiating for the increases in economic benefits that will cover the last two years of the CBA.

For its Batangas operations, the company has implemented the second year wage increase for employees covered by the 2006 to 2011 Agreement on Collective Concern.

In addition, programs are being sustained to uphold the harmonious labor-management relationship. To this end, the company held the annual celebration of the Labor Management Cooperation Day on April 2008, in which the Awards for Model Workers and Most Outstanding Worker were given out.

Regular meetings with the Labor Management Council (LMC) are being held to discuss and deliberate on personnel and operations-related issues as well as industry situation.

A testament to these consistent efforts is the Hall of Fame award given by the Labor Management Council In Batangas in November 2007 for garnering the Outstanding LMC awards for three years.



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Furthermore, the company's LMC experience is being used as a benchmark by different organizations in various industries throughout the country.

Principle 4:

Elimination of all forms of forces and compulsory labor

The company does not engage in any form of forces and compulsory labor practices.

Principle 5:

Effective abolition of child labor

Employment of minors is strictly prohibited as part of the company's Recruitment Policy. The minimum hiring standard of at least 18 years old for factory workers and at least 21 years old for clerical workers. The non-employment of minors (below 18 years old) is being required for service contractors.

The company is a co-participant in the program that addresses the problem of child labor in the sugar industry. The program was established by the International Labor Organization in cooperation with the Employers Confederations of the Philippines and the Sugar Industry Foundation, Inc (SIFI).

The company forged a partnership with Education Research Development Agency SIFI for scholarships and financial assistance for pre-school, elementary, high school and college. This is outside the company's regular educational assistance program.

It has also supported several feeding programs for malnourished children and nutrition classes for mothers. Spiritual values are also inculcated to the youth through catechism programs.

In addition, the company conducted workshops on maternal and child health, family planning as well as on Rights of the Child. Likewise, a career orientation program and leadership training was held for senior high school students.



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The company was again conferred the “Child Friendly Company” award on May 2008 by the Employers’ Confederation of the Philippines. It also bagged the second place in Workplace Reproductive Health Program and Policies for its Batangas operations.

Principle 6:

Elimination of discrimination in respect of employment and occupation.

CADP Group has always based its personnel movements on qualifications and merit. It likewise adheres to a competency-based recruitment and selection program wherein past behaviors, which involves a combination of knowledge, understanding and personal attributes that could predict future performance are being measured.

In the medium term, the company will draw up a more cohesive set of guidelines on discrimination in respect of employment and occupation.

Principle 7:

Support a precautionary approach to environmental challenges

CADP Group, along with the Philippine Sugar Miller Association, Inc., the umbrella organization of sugar millers in the country, has been reviewing the environmental laws and regulations that can affect the sugar industry. This is meant to monitor any policy changes to ensure compliance among sugar millers.

Over the last 20 years, the company has invested a total amount of P475 million (about US\$10.5 million) for environmental management and pollution control abatement facilities as part of its continuing measures and programs to surmount environmental challenges.

As part of the company’s thrust to further expand production capacity and improve its operational efficiency, corresponding improvement and upgrading of environmental facilities are integrated in its strategic plans and programs.



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In order to maintain regulatory compliance and prepare for stern environmental challenges brought about by factory capacity expansion, advance membrane separation technology will be utilized for recycling and reuse of treated wastewater.

In addition, cleaner production technology is also being pursued through the installation of dewatering mill in order to maximize the use of bagasse as biomass fuel to the boilers in lieu of bunker fuel oil and in the process, reducing air emissions.

Principle 8:

Promote greater environmental responsibility

The company has a dedicated unit, the Environment Management and Safety Group, which administers its environmental management policies and strategies and pollution abatement facilities in our factories.

Through remarkable and innovative projects in environmental management, waste management and pollution control, CADP Group strives to integrate sustainable development in our business operations.

For instance, the company has installed in 2008 high pressure boilers for energy efficiency which substantially reduce bagasse consumption and as a result, brings down air emissions.

Furthermore, the company has replaced its factory equipment with more energy efficient ones such as variable frequency drive motors and capacitors. These equipment improves the factories' power factor by 10 percent, which translates into a drop in bagasse consumption and consequently, in air emissions.

With this commitment, the company has always been a benchmark of the sugar industry in promoting environment-friendly practices. The company has received numerous citations attesting to its commitment to preserving the environment in areas where it operates.

The most recent of which is the Ecological Solid Waste Management Project award given by the Pollution Control Association of the Philippines, Inc. in April 2008. CADP Group has also been recognized by Nestle Philippines from 2002 to 2006 for exemplifying its commitment to Sustainable Development by its well-balanced



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approach in achieving excellence in its business, social and environmental responsibility.

The company also installed a Continuous Emission Monitoring System in order to monitor air emissions from its factories' boilers in accordance with the self-regulation thrust of the sugar industry, in cooperation with the Department of Environment and Natural Resources.

Principle 9:

Encourage the development and diffusion of environmentally friendly technologies

CADP Group has integrated environmentally friendly measures in its day-to-day operations. For example, it manufactures organic fertilizers from organic solid waste materials in sugar yields, which are distributed to cane planters in the mill districts.

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

In addition, the company took up with the Ecological Solid Waste Management Center the use of mudpress and other solid organic wastes from the manufacturing process and household biodegradable wastes to produce organic fertilizer. This is now being made a means of livelihood by a local cooperative in Batangas.

The Company invested in facilities and infrastructure for the rapid composting and conversion to organic fertilizer. A composting project was launched in Batangas in partnership with the community cooperative.

Moreover, CADP Group has initiated a project in 2008 with another community cooperative for the promotion of organic farming among farmers.



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Principle 10:

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

Any form of corruption is not tolerated in the company, as prescribed 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, transactions with external parties such as procurements are conducted through bidding and on arms-length basis. In addition, third-party suppliers and service providers undergo proper accreditation and regular monitoring by the company.

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