



UN GLOBAL COMPACT | 2009 COMMUNICATION ON PROGRESS



Chairman's Statement

In light of the changes that have been happening in the Philippine sugar industry as well as in the global economy, we have laid the groundwork for transforming ourselves from being a commodity producer to a solutions provider.

The global economic crisis that has set the business climate of 2009 and the implementation of the ASEAN Free Trade Agreement in 2010, when sugar tariffs are reduced from the current 35 percent to a maximum of 5 percent are the two most pressing challenges we face.

In April, our managers developed a business roadmap to 2015. We started with the identification of strategic issues and functional concerns that affect the business today, followed by the development of centrepiece programs, one year at a time, until we reach the desired state of being a global leader in sugarcane-based solutions by 2015.

Our journey is well underway, and our resolve is stronger more than ever in our commitment to protect human rights, observe fair labour practices, comply with environmental regulations, and pursue ethical business practices.

Our engagement to the UN Global Compact since 2002, and our continued commitment to all of its 10 principles through these years, have increased our awareness and consciousness to the social legitimacy of our business.

PEDRO E. ROXAS
Chairman and Chief Executive Officer
July 2009



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Principle 1:

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

Employee Welfare and Development

We ensure that our employees receive remuneration and benefits that are over and above the prescribed minimum wage and significantly exceed the standards of the Philippine sugar industry.

Our employees continue to enjoy superior benefits, as a result of our effort to continually review and streamline our procedures in delivering such benefits. We have our Policy Review Committee to determine possible rooms for improvement, making our processes simple and easy to administer.

We maintain and operate our own medical facilities – a 21-bed secondary-level hospital and a 24-hour medical and dental clinic – for our employees and their dependents. Various medical programs are being implemented, including free examinations of blood screening, health seminars and various medical programs are conducted for our employees and their dependents.

We continue to promote our wellness and fitness campaign through sporting events such as badminton, volleyball and basketball tournaments. We have our Sports Committee in charge of organizing tournaments for the employees.

We continue to enforce rules and policies against dangerous drug use pursuant to the mandate of the Department of Labor and Employment. We keep our commitment in providing a working environment that is completely drug-free.

In our effort to engage our employees to support our vision of becoming a global leader in sugarcane-based solutions by 2015, we developed a two-day cascade program called “Abante Na!” (“Move Forward!”) for all our operations staff. The workshop aptly presented the vision, mission and values we all need to succeed. We



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took the icon of a jeepney, a popular mode of transportation in the Philippines, to symbolize our journey.

We have started implementing the housing loan assistance program for qualified employees in our Batangas operations. The loan assistance provides a maximum of P300,000.00 (about US\$ 6,700.00) 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.

The company gives employees a venue to air their grievances through forums and meetings. A Labor-Management Council, on the other hand, was established for union members. The council regularly meets with union officials to discuss issues and concerns with management.

Moreover, the company actively participates in the programs and activities of the Philippine Sugar Technologists Association, Inc., an association of sugar producers, planters and millers. Employees of the company are encouraged to become officers of the association.

Employees who are directly involved in milling operations are given vacation leaves from 10 to 19 days at the end of the milling operations. Employees belonging to the service groups are likewise allowed 19 days vacation leave during the year.

Moreover, 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.

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

Social and Community Development

This year, we launched a program called "Suhay," which seeks to provide support to our employees in dealing with everyday life as well as in looking at life beyond employment. The 57 Negros employees and 46 Batangas employees who underwent the program were taught how to identify personal preparations for possible changes upon retirement like how to take care of their finances by being



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frugal in spending, allocating their money properly and investing wisely in income generating ventures.

At the same time, the program emphasized the need to be more health conscious.

As part of our Family Welfare Program, we conducted continuous education and medical missions on various diseases such as tuberculosis, STI/HIV/AIDS and reproductive health and conducted family-oriented activities for our employees.

Various educational assistance programs were given to a number of individuals from pre-school to college in partnership with different charities both in Batangas and Negros.

Observance of Religious Practices

The company recognizes the right of its employees to observe their religious practices by allowing them to have their respective rest days on their day of worship.

Principle 2:

Ensure non complicit in human rights abuses.

We continue to advise all our 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 Social Compliance Team conducted a round of audit to contractors as part of our mandate to ensure compliance.

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



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Principle 3:

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

A Collective Bargaining Agreement (CBA), which covers 2005 to 2010, was signed by the labor union in our Negros Operations, in September 2005. The CBA sets forth higher wage increases and improvements in other benefits. We have completed the management and union negotiation for the increases in economic benefits that will cover the last two years of the CBA.

The company has implemented the second year wage increase for employees in our Batangas operations, who are covered by the 2006 to 2011 Agreement on Collective Concern.

Principle 4:

Elimination of all forms of forces and compulsory labor

We do 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 age is at least 18 years old for factory workers and at least 21 years old for clerical workers. Likewise, 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 the Education Research Development Agency and SIFI for the granting of scholarships and financial assistance for pre-



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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.

The Company has received numerous citations in the past on this advocacy including the "Child Friendly Company" given by the Employers' Confederation of the Philippines in May 2008.

Principle 6:

Elimination of discrimination in respect of employment and occupation.

We always based our personnel movements on qualifications and merit, adhering to a competency-based recruitment and selection program.

In early part of 2009, the company hired the services of a paraplegic to help assist in the training logistics of our Batangas operations.

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

Principle 7:

Support a precautionary approach to environmental challenges

Our subsidiaries, Central Azucarera Don Pedro, Inc. (CADPI) and Central Azucarera dela Carlota, Inc. (CACI), along with the Philippine Sugar Miller Association, Inc., the umbrella organization of sugar millers in the country, have 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.



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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.

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. The recycling of cooling water for factory operations was enhanced further with the use of cooling towers in consonance with spray ponds to conserve river water resources. With substantial reduction in fresh abstraction from rivers, the river water can be diverted for irrigation to increase farm productivity.

The company has also embarked in 2008 on the manufacture of biofuel, principally fuel ethanol, for blending with gasoline. The biofuel blend will reduce considerably the emission of air pollutants. Likewise, methane that will be emitted as a result of anaerobic treatment of the ethanol plant wastewater will be collected for utilization as biomass fuel to produce process steam and electricity for the plant. The most significant contribution of this endeavor is the prevention of the escape to the atmosphere of methane, a greenhouse gas which has a global warming potential that is 21 times more than carbon dioxide.

Moreover, the company executed an Emission Reduction Purchase Agreement with the World Bank for our ethanol plant wastewater and methane gas recovery project that will avoid air and water pollution, mitigate the impact of climate change and help address poverty in Negros Occidental, where the plant is located.

Part of the revenue for the purchase of the emission reductions would be used to finance the company's community development projects including livelihood (such as animal dispersal, agricultural production and trading); health services; and educational services including scholarships, vocational training for out-of-school youth, rehabilitation of schools and day care centers.

A 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.



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Principle 8:

Promote greater environmental responsibility

We have a dedicated unit, the Environment Management and Safety Group, which manages the 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, RHI strives to integrate sustainable development in our business operations.

For instance, we have 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. The company has also been recognized by Nestle Philippines from 2002 to 2008 for exemplifying its commitment to Sustainable Development by its well-balanced approach in achieving excellence in its business, social and environmental responsibility.

We 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.



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Principle 9:

Encourage the development and diffusion of environmentally friendly technologies

RHI and its subsidiaries, CADPI and CACI, have integrated environmentally friendly measures in its day-to-day operations. For example, CADPI 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, the company has initiated a project in 2008 with another community cooperative for the promotion of organic farming among farmers.

Furthermore, the company's bioethanol plant will utilize biomass for fuel and employ a zero wastewater discharge approach to prevent water pollution.



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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.

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.