

GLOBAL COMPACT

Communication on Progress

January 2009



Toms

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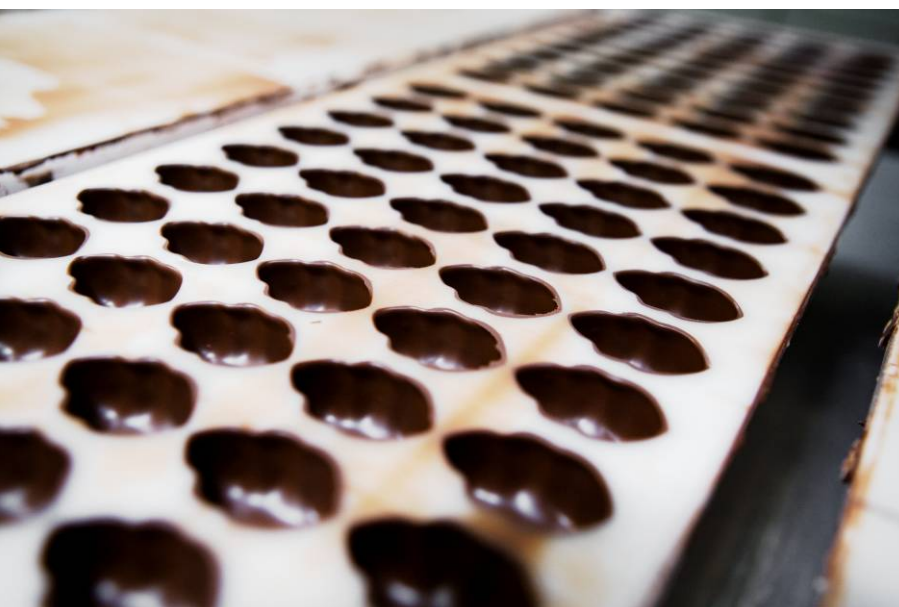
During 2008 Toms Gruppen continued our focus on CSR activities.

Again I accepted to speak publicly on a number of occasions to various audiences explaining the business case for our support and recommending other companies to use Global Compact as the framework for CSR activities.

In light of the intense debate over climate change special emphasis was put on developing strategies for reduction of adverse environmental effects of our business whilst we continued and intensified engagement in the supply chain for cocoa.

Toms Gruppen A/S

Jesper Møller
CEO



PRACTICAL ACTIONS AND MEASUREMENT OF ACTIONS

In 2006 Toms Gruppen adhered to the Global Compact and has since used its principles as guidelines for how best to engage responsibly with our stakeholders.

2008 has been a year of steady progress as Toms introduced new projects and activities to meet our responsibility. New visions and plans have been made to ensure that, as a company, we take responsibility for people and put as little strain on the environment as possible.

Please, note that the actions taken are primarily mentioned once only, though some might cover more than one principle. Moreover, measurement of action as well as expected outcomes and activities are only specified where relevant.



HUMAN RIGHTS

The human rights are at the core of the value system by which Toms operates its business and bases its policies.

CSR Supplier Questionnaire (Principle 1-10)

- **Practical action:** As a concrete measurement tool we have developed a CSR Supplier Questionnaire. As is the case with our Code of Conduct, the CSR Supplier Questionnaire is based on the principles of Global Compact. The questionnaire was distributed first to our Danish suppliers and subsequently to the international suppliers.

Due to an unsatisfactory response rate from suppliers from countries outside the European Union, we revised the questionnaire. The questions have been simplified, and moreover the questionnaire has been integrated with our existing quality, environmental and safety questionnaire.

Measurement of action: The suppliers' answers are analysed and categorized, and it is subsequently assessed whether a supplier audit is necessary. So far, the assessment has not created a need for closer audits or sanctioning actions.

- **Expected outcomes and activities in 2009:** The revised CSR Supplier Questionnaire will be distributed to the suppliers in the beginning of 2009, and we expect that the revision will result in a higher response rate.

Stakeholder dialogue (Principle 1-6)

- **Practical action:** Stakeholder dialogue is an integrated part of our activities. Through participation in various networks, we are able to exchange experiences with other Danish companies and enhance our knowledge. During 2008, we have maintained our membership of Amnesty Business Forum, The Confederation of Danish Industry's sustainability network, and The Danish Council for Sustainable Business Development.

Moreover Toms joined a new network initiated by UNDP's Nordic office, focusing on the UN Millennium Development Goals. In addition, we have taken active part in a series of seminars focusing on collaboration between private companies and NGOs.

Introduction of GDA label on products (Principle 1-2)

- **Practical action:** During 2008, Toms Gruppen introduced the GDA (Guideline Daily Amount) label on a number of products. The GDA label summarises the contribution the product makes to a person's daily intake of calories, sugar, fat, saturates, and salt. The GDA is based on dietary recommendations for an average adult woman of healthy weight and average activity level with no special dietary needs. By introducing the GDA label Toms Gruppen wished to provide consumers additional information especially concerning energy content in our products to help them make informed choices of consumption.

Endorsement of code on food advertising targeting children (Principle 1-2)

- **Practical action:** Through our membership of The Danish Food Industry Association, Toms Gruppen endorsed a voluntary code on food advertising. Companies subscribing to this code have committed themselves not to advertise food with high contents of fat, sugar and salt in media targeting children. The code has been initiated in response to the increasing occurrence of obesity amongst children.

LABOUR STANDARDS

Toms Gruppen is committed to respecting the ILO conventions as well as to ensuring compliance with Danish legislation.

Education project in Ghana (Principle 1-6)

- **Practical action:** To address the issue of child labour and to take a direct responsibility in the supply chain for cocoa, Toms Gruppen has engaged in a Public Private Partnership with a Danish NGO, IBIS, and partly funded by Danida. Together the partners have established an education project in two cocoa producing districts in Ghana.

The project was initiated in September 2007 and will run for at least three years affecting up to 15.000 children who will gain from improved education. The project funds education of untrained teachers, training of teachers, improved school materials, support to Parent-Teacher Associations, and radio programs focusing on raising parents' awareness of child labour, children's rights and the importance of education.

So far, the following project activities have been carried out:

- 400 teachers have received training in child-centred and motivating methodology, in the curriculum, and in roles and responsibilities
 - 330 untrained teachers have been enrolled in a teacher diploma course and receive financial support to obtain their diploma
 - Primary schools in the target districts have received school kits, including readers and notebooks
 - Parents have been mobilised to participate in annual community meetings revolving around education and children's rights
 - Supervisors from Ghana Education Service have been trained in quality supervision
 - "District Education for All"-teams have been set up to supervise school performance regularly
 - Interaction between education stakeholders has been organised
 - Radio programs dealing with education and children's rights have been broadcasted on local radio
- **Measurement of action:** On a quarterly basis, IBIS sends a progress report including achievement of milestones to Toms Gruppen. Moreover, representatives from Toms Gruppen inspect the project activities in Ghana bi-annually.
 - **Expected outcomes and activities in 2009:** All of the activities carried out during 2008 will be continued during 2009, except for distribution of school kits.

Project on improvement of cocoa growing in Ghana (Principle 3-6)

- **Practical action:** In a Public Private Partnership with the Cocoa Research Institute of Ghana, Toms Gruppen is supporting the introduction of an improved cocoa fermentation method in selected districts in Ghana. The project is partly funded by Danida. It was initiated in September 2007 and runs until the beginning of 2009.

The new fermentation method has both social and commercial benefits as it creates better working conditions for farmers, is less time consuming and decreases the strain on the eco-environment due to reduced use of plantain leaves. At the same time, the method helps to ensure a more even fermentation of the cocoa beans resulting in higher quality and potentially better prices for the farmers.

The initial small-scale roll-out of the new fermentation method to 80 farmers during the 2007/08 harvest season proved successful, and during the 2008/09 harvest season the method was rolled out to approx. 370 additional farmers.

We have been pleased to learn that the farmers take great pride in being part of the project. As shown on a picture on the next page the farmers even printed t-shirts to display their commitment to the project group. Furthermore certificates of participation were given to the farmers.

As an essential part of the business case of this project we have started to produce chocolate of this especially fermented cocoa. The result is overwhelming as the chocolate has a unique flowery flavour.

- **Measurement of action:** On a quarterly basis, the Cocoa Research Institute of Ghana sends a progress report including achievement of milestones to Toms Gruppen. Moreover, representatives from Toms Gruppen inspect the project activities in Ghana bi-annually.
- **Expected outcomes and activities in 2009:** If the larger roll-out during the 2008/09 harvest season proves successful, Toms may choose to organise an additional roll-out to even more farmers.

Traceable cocoa from Ghana (Principle 1-10)

- **Practical action:** Until recently it was not possible to trace cocoa beans from Ghana back to the individual districts or villages. None the less it has been a top priority for Toms to achieve this. In 2008 Toms succeeded in sourcing traceable beans as a result of a close cooperation with a Ghanaian Licensed Buying Company and the state owned Cocoa Board. We have agreed to pay a premium for the traceable cocoa. Half of the premium goes into a fund which will make social investments in the cocoa producing communities. The other half covers the incremental cost incurred by the licensed buying company and The Cocoa Board.
- From 2009 and onwards the aim is to have full traceability of all cocoa beans procured from Ghana. This will allow us to get closer to the communities supplying our company with cocoa beans. This closer relationship helps provide transparency in our supply chain. We will be able to monitor more closely the social conditions of the farmer families are living under. Through the fund we can help direct financial support to the farming communities which can help provide water wells, electricity or other things which may help improve living conditions for the farming communities.

Project on improvement of cocoa growing in Bolivia (Principle 3-6)

- **Practical action:** Toms Gruppen has engaged in a Business-to-Business pilot project with a Bolivian company, Rainforest Exquisite Products S.A. The primary objective of the project is to establish the basis for a joint collaboration on production of high end quality cocoa produced under socially and environmentally acceptable conditions. The key elements of the project consist of improving quality of the existing cacao by introducing improvements in pre- and post harvest methods such as tray fermentation, and refining cacao quality by optimising the entire production process. It is expected that up to 250 farmer families will be trained in the tray fermentation method which we first introduced in Ghana. Furthermore, the project includes a study looking into the possibility of expanding production volume of the unique wild criollo cocoa bean.

- **Measurement of action:** On a quarterly basis, Rainforest Exquisite Products S.A. sends a progress report including achievement of milestones to Toms Gruppen. Moreover, representatives from Toms Gruppen inspect the project activities in Bolivia on a regular basis.
- **Expected outcomes and activities in 2009:** Both Toms Gruppen and Rainforest Exquisite Products S.A. envisage a solid and long term commercial partnership, and as part of the pilot project, a future structure of the partnership will be laid out in a concept for business co-operation.

Industry-wide initiatives (Principle 1-10)

- **Practical action:** In addition to our membership of World Cocoa Foundation, Toms Gruppen has joined the International Cocoa Initiative (ICI) during 2008. The ICI is a partnership between NGOs, labour unions, cocoa processors and great chocolate producing companies. The objective of the organisation is to fight child labour and forced labour in cocoa growing communities.

Fair Trade Products (Principle 1-10)

- **Practical action:** Since 2006, Toms Gruppen has introduced a variety of Fair Trade marked products to the Danish and international consumers. During 2008, Toms Gruppen launched several new Fair Trade marked product.

Fair Trade is an international labelling organization ensuring that farmers of the raw materials are given a fair price for their products and work under proper working conditions as well as pay respect to the environment.

Employee Satisfaction Survey (Principle 1-6)

- **Practical action:** In 2008 we continued to conduct employee satisfaction surveys. To have a more comprehensive feed back we changed method and are now using the internationally acclaimed Great Place to Work surveys. This was sent to all group employees in Denmark and Sweden. 72% of the employees participated in the 2008 survey. ¾ of the respondents perceive Toms Gruppen as a very good place to work. The results of the survey have been made available to all employees, and follow up work shops have been conducted in all departments. Action plans for improved satisfaction is currently being developed for the individual departments.



Christmas card and Christmas gifts

- Instead of getting a Christmas present as usual Toms' employees were offered as an alternative to waive their present. Instead the company would donate Ghanaian schools a football and a pump. Many employees chose to donate their Christmas present and Toms rounded up the amount so that 200 schools got a football.
- Once again, instead of printing or buying Christmas cards Toms sent electronic Christmas greetings to customers and other company contacts. The contacts receiving the greetings had the opportunity to choose between two projects which would then receive part of the funds saved by not sending physical greeting cards. One project is supporting young girls in Malawi the other works to mitigate climate changes. The electronic greeting cards were again very favourably received and many recipients voted to influence the allocation of the funds.

Diversity Policy (Principle 1-6)

- **Practical action:** As part of the core values of the company, Toms Gruppen has implemented a Diversity Policy focusing on the rights of all employees independent of race, gender, disabilities, political orientation and age.

During 2008, Toms Gruppen took part in a project, Diversity Lab, lead by The Institute of Human Rights. The focus was on diversity in the recruitment of employees.

The structure for pre- and post maternity leave talks which was established during 2007 was followed up by activities focusing on possible carrier barriers for female managers in 2008. Among other things, an associate professor was invited to share her research results on gender inequalities in management.

Employee Health Initiatives (Principle 3-6)

- **Practical action:** The health and well being of our employees has in the past years been an important priority. Toms Gruppen continued our focus on employee health initiatives during 2008. A spinning room was been established in the head office/ main factory. Here employees have the opportunity to use the spinning facilities in teams or individually.

Moreover, a new canteen provider specialising in healthy food was employed in the two Danish work locations. As a result, employees can now enjoy well-tasting and healthy lunches on a daily basis.



ENVIRONMENT (Principles 7-9)

We see protection of the environment as an important aspect of our business conduct.

Climate (Principle 7-8)

- **Practical action:** In 2008 Toms Gruppen decided to set an ambitious goal – to reduce the consumption of energy by 30 %. This decision has led to a review of the current status and to identify focus areas.
- Toms Gruppen plans to strengthen the climate efforts from 2009 and onwards. The wish to reduce our negative impacts on the surrounding environment and have defined the following targets:
 - ISO 14001 certification of our three factories by 2010 (see above)
 - Ambitious goals of reduction of emission of greenhouse gases (Freon, CO₂, SO₂, NOx from our factories) before 2012
 - Conversion towards power from renewable energy sources before 2012
 - Optimisation of the use of district heating
 - Conversion from oil to natural gas in our chocolate factory
 - Focus on minimising energy consumption in the three factories
 - Initiation of energy minimisation program for office workers
 - Energy recovery from cocoa bean shells
 - Analysis of climate issue related to suppliers of packaging, transportation, etc.
 - Energy optimisation of our car fleet
 - Possible initiation of a bio gas project in cocoa producing areas of Ghana

Environmental certification (Principle 7-9)

- **Practical action:** While our largest production site, the chocolate factory in Ballerup, became ISO 14001 certified in the beginning of 2008, our sugar factory in Avedøre Holme has been prepared for certification and will become certified at the beginning of 2009. As part of the certification, Toms Gruppen has decided to focus on noise reduction, reducing emissions of cyanide and dry matter into the waste water, and on CO₂ emissions.
- **Expected outcomes and activities in 2009:** Our factory in Habo in Sweden will be prepared for ISO 14001 certification.

British Retail Consortium (BRC) standard (Principle 7-8)

- **Practical action:** The BRC standard is a recognized standard covering food safety, factory conditions, etc. In 2008, two of our three factories have been BRC certified at the highest level A, while the third factory has been certified at level B.

QES Questionnaire & audits (Principle 7-9)

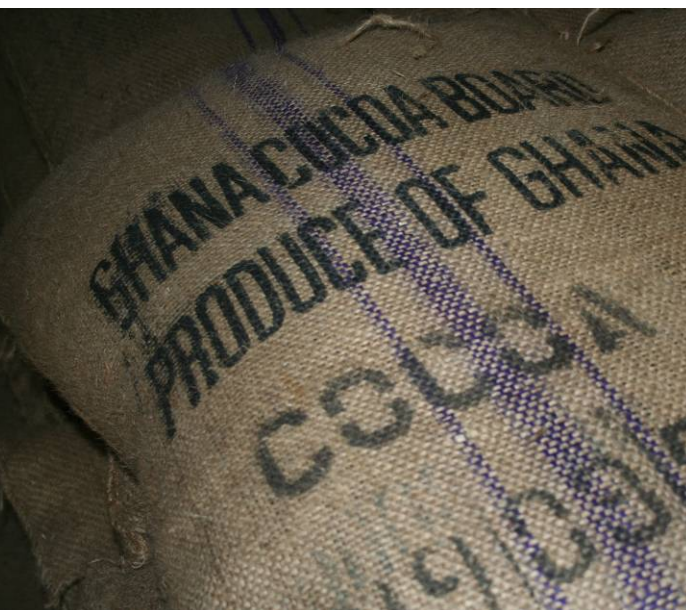
- **Practical action:** Toms Gruppen engages in dialogue with our suppliers based on the regularly distributed QES Questionnaire. Furthermore, suppliers are audited based on possible critical issues and level of strategic importance. Based on the individual audits, necessary actions are taken and followed up upon.

Environmental networks (Principle 9)

- **Practical action:** To promote the diffusion of environmentally friendly technologies Toms Gruppen takes part in a local environmental network where big companies participate and share knowledge.
- During 2008, we have joined a new network on climate issues organised by The Danish Council for Sustainable Business Development. Additionally Toms Gruppen was one of 7 founding members of The Foundation Keep Denmark Tidy, which has as objective to influence consumer behaviour and reduce the amount of litter in the Danish landscape.

Working environment (Principle 7-8)

- **Practical action:** Working environment inspection rounds take place at factory level. As part of these rounds, safety groups check their own section as a means of preventing accidents and a hazardous working environment. Furthermore, all incidents and near incidents are registered. Based on this registration the necessary actions are taken to improve the working environment and improve safety.



ANTI CORRUPTION (Principle 10)

Supplier Code of Conduct & CSR Supplier Questionnaire (Principle 1-10)

- **Practical action:** Toms Gruppen's commitment to fight corruption is clearly stated in our Supplier Code of Conduct and is part of the CSR Questionnaire – both of which have been distributed to all our suppliers.

The dialogue with suppliers about the values and principles of Toms Gruppen is an ongoing process and has so far not led to any necessary sanctions.

