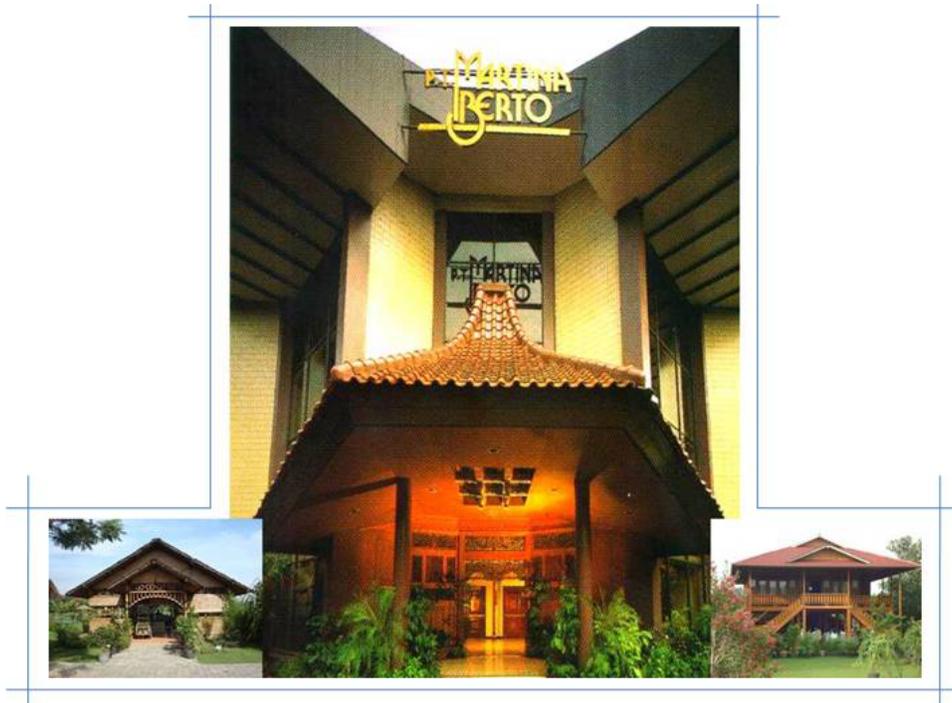


Communication On Progress

MARTHA TILAAAR GROUPS Year 2008



Jakarta, April 2009

I. Statement of Continued Support

The Global Compact Principles have always been incorporated within our company's mission and business strategies. They are undoubtedly the soul of our corporate culture that enhances the company's image.

Not only has such business value been well recognized by our stakeholders, but it eventually also influences our business network worldwide. We would say that it is notably imperative that business operators should put some extra efforts to concatenate these core values with theirs.

Through our support of the United Nations Global Compact, we also promote all principles of Global Compact to other stakeholders. It is, therefore, no doubt for us as corporate giving statement on continuing program implementation of 'UNGC 10 Principles' in the line of our business. Here we summarised the progress we have made to fulfil these principles and we will continue to follow them up in future.

Jakarta, April 2009,

Dr. Martha Tilaar

Founder and President Commissary of Martha Tilaar Group

II. INTRODUCTION

In 2008 we still engaged in the Global Compact principles campaign program among Indonesian organizations. Together with other members of IGCN we do promotion and campaign the ten principles of the Global Compact and also distribute template how to write COP among members. We also actively attended International events conducted by UN Global Compact as well as by Country Network. It is important for us to attend such events to get more information and learn from others about the progress of implementation. Then, we share all these information to our members in order to motivate them in building the commitment on supporting the ten principles.

Internally, we have done some programs in line to UNGC 10 Principles. However, we do more in optimization previous programs and develop to other activities related to our core business. *Kampoeng Djamoe Organik (KaDO)* is the center for environment education and will be our focus on developing other related programs. Moreover, KaDO is set up as a conservation model of biodiversity and culture of Indonesia tradition and natural richness.

We realize that conducting intensive communication among members through monthly meeting of "Conversation Forum" will get more benefits and easier to implement our ideas. Moreover, we can also design project plan together in order to give more impact in implementing the ten principles as well as achieving company goals, sustainable business with good governance and ethical. By establishment of the Indonesia Global Compact Network, it would be more optimistic promoting GC Principles easily adopted by companies here in Indonesia.

However, we realize that implementing the ten principles is more about continuous improvement in running our business. Together with other companies, sooner or later we can speed up achievement targets as mention in the principles of Millennium Development Goals. Then by collaborating with other companies and institutions involved in Indonesia Global Compact Network (IGCN) we try to intensively conduct collaboration program in implementing the ten principles to give more impact to our nation.

As natural cosmetic producer since beginning we have already integrated the socially and environmentally responsible manner in our business activities and blend Indonesian medicinal plants, the eastern beauty, our rich culture and environment in our mission. The 3 pillars of our corporate social responsibility focus in the environmental and cultural stewardship, caring communities, and empowerment women wellness.

The pillars, then, implemented in our business vision and communication such as developing own environmental program, community development, and human resources management. We realize that it is nothing with achieving company

targets without total support and loyalty from our people/employee who make it possible growing of the company. Employee is the main assets of this company, so they have to get high priority of human right values as they have family behind. For children, we have concern in supporting them to complete their formal study rather than working. The statement of company in this issue is we shall not discriminate any employee for any reason regarding to race, gender, social status, and religious belief. We have to guarantee them a working environment with similar condition and benefits.

In environment issue, we put it also in high priority in producing goods by implementing green products resulted from green process. Through *Kampoeng Djamoe Organik* (KaDO) we also try to conserve Indonesian biodiversity of medicinal and cosmetic plants as we know that some of them are in endangered situation. At KaDO we do extension to farmers as well as society about how important we do exploration wisely to the nature. The more we take the more we plant, the more we destroy environment, the faster the nature gone. About KaDO itself we will describe in detail separately, and it will also put in The Global Compact Annual Report as a sharing practice in caring environment by our company. We realize that environment is a huge resource of natural materials and could be vanished without any action in preserving it for the future use. Nature is our way to survive and is the only thing to make this world circling around. The statement of this issue is that we have to preserve our nature for our life today and for our future generation. We have to apply green process in production line by saving energy consumption, reducing waste, and improving working efficiency rather than just handling it at the end-of-pipe line of production.

The issue of anti-corruption on the other hand is also our high concern because we have experience in how bad corruption declining company growth due to high cost in tolerate with corruption. It is true that we have to have a big battle in defeating corruption habit, and then, working hard in setting up culture of anti-corruption to our generation. Our company intensively implements clean business in every sector. The statement regarding this issue is that we continuously avoid any practical work containing corruption in the line of business, including extortion and bribery.



Figure 1: Caring for community is the basic of GC Principles implementation among stakeholders including jamu traders (left & right) and farmers (middle)

III. THE IMPLEMENTATION OF GLOBAL COMPACT PRINCIPLES

Program activities we had done within year 2008 will be presented below related to the 10 principles. In year 2008, there are several programs we had done for supporting our continuous commitment on the Global Compact principles.

- a. Actively support Indonesia Global Compact Network (IGCN) in communicating GC principles to all stakeholders, such as other private sectors, government organizations/institutions, and NGOs
- b. Keeping our previous program on managing human resource, supporting human right protection, developing and applying energy saving, green and clean production, and environmental conservation
- c. Actively involved in Indonesia Spice Council (DRI) in promoting spice as non timber forest product to give more benefit to forest community
- d. Conserving Indonesia biodiversity especially Indonesia herbs at *Kampoeng Djamoë Organik* (KaDO) as the center for environmental education.
- e. Participating on the National program of Planting million Trees supported by Indonesia first lady as the annual agenda in December 1st.
- f. Giving facilitation of global market access of natural products produced by SME and local farmers
- g. Supporting program Kalimantan Initiative (KI) to preserve Borneo biodiversity for any pillager of giant plantation.
- h. Launching MTG Green & Healthy program for internal members of company to improve awareness on Caring for Climate, the impact of Global warming and the benefit of planting.
- i. Conducting media gathering to effectively communicate our program activities to journalists and news media

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of international human rights within their sphere of influence;

Our support and respect to the International declaration of Human right has been our commitment since years ago as the implementation of our social responsibility.

Internally, we facilitate our employee with such working union/association, working safety environment, health insurance, and freedom in belief of such religion.

Externally, we do provide customer care program to support customer satisfaction and gave quickly feed-backed when arise complaints, both for our products and services.

Related to this principle, in March 2008, we also donate books for children and rural communities, and set up several libraries in rural area, and hope they will get access for self learning and extend their know-how.

Figure 2: Our commitment in supporting education among poor community by donating thousands book for poor students and community in rural and remote area



Principle 2: make sure that their own corporations are not complicit in human rights abuses.

We have to make sure that everyone in this company has contribution to the success of company target achievement with no any discrimination. We ensure that there is no employee in the work place under intimidation and threaten in expressing their ideas.

By joining with insurance company we ensure that all employee healthy living standards will be covered including their family members. Health insurance will

cover all health treatments including doctors and hospital. We also provide free healthy meals during working hours and also break time in such duration of working hour.



Figure 3: Communication with all level community and appreciating their creation is a way in building self confident among community in expressing their right of live (1st row). Staff gathering and team building training is performing anti discrimination commitment of us for our all labor (2nd row).

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Company gives opportunity to all employees to join worker association/union for the personal protection and collective interest. We facilitate the association/union to have its members express their ideas and communicate among them freely in the work place and let their representatives who are not subject to any discrimination, deliver to management. We do also give facility opportunity to all employees whatever the level and qualification to have time and place for their religious activities based on their own beliefs.

Principle #4: the elimination of all forms of forced and compulsory labor;

We have committed to recruit employee based on the legal rules by conducting conversation to set up agreement including job description and payment. We also committed not to resort to any forms of force and compulsory labour.

Principle 5: the effective abolition of child labour

We do strongly committed against child labor and we apply such standard of employment based on legal rules. We even facilitated children to complete their study by providing scholarship for pursuing such level in formal schools.

Table: structure of employee based on age's rank

AGES	MANAGEMENT			NON MANAGEMENT		
	2006	2007	2008	2006	2007	2008
Less tha 18 tears old	-	-	-	-	-	-
18 - 20 years	-	-	-	2	1	0
21 - 30 years	11	4	5	181	106	95
31 - 40 years	62	54	56	330	356	333
41 - 50 years	34	35	35	107	177	172
51 - 55 years	15	12	9	16	12	12
Above 55 years	4	7	7	3	1	1
T o t a l	126	112	112	639	653	613

There are also the statements of our suppliers that they have no child labour when produce our raw materials as well as the needed packaging materials

Principle 6: the elimination of discrimination in respect of employment and occupation.

Since the beginning in running business we strongly avoid any forms of discrimination especially in recruitment, promotion, training, and career development. We provide opportunity fairly to all employees to get higher salary improvement based on target achievement and performance appraisal. Personal evaluation is done independently by other employees at the same level who close relation and communication in work place.

MTG sport competition was conducted annually involving all employees in all level to perform sport skill and compete to be the champion without any discrimination. We can see here, there is no such discrimination among the employees. There is only one thing, build a team work and support each other to win in competition.

☛ No sex discrimination

SEX	MANAGEMENT			NON MANAGEMENT		
	2006	2007	2008	2006	2007	2008
Women	69	60	61	395	266	284
Men	57	52	51	344	387	329
T o t a l	126	112	112	639	653	613

Table: structure of employees based on genders

☛ No religion discrimination in all job positions

RELIGION	MANAGEMENT			NON MANAGEMENT		
	2006	2007	2008	2006	2007	2008
Moslem	67	63	62	595	613	564
Christian	57	48	50	43	39	47
Buddhist	2	-		1	-	1
HINDU	-	1			1	1
T o t a l	126	112	112	639	653	613

Table: structure of employees based on religions

☛ No ethnic discrimination

ETHNIC	MANAGEMENT			NON MANAGEMENT		
	2006	2007	2008	2006	2007	2008
Javanese	78	56	61	503	453	515
Sundanese	14	18	12	67	146	64
Sumatranese	14	10	9	59	36	24
Kalimantanese	1	3	1	2	4	1
Sulawesinese	5	3	3	0	2	2
Malukunese	-	2	2	2	4	4
Balinese	3	1	1	1	1	0
Nusa Tenggaraese	-	-		5	5	1
Chinese	11	19	22	0	2	2
T o t a l	126	112	112	639	653	613

Table: structure of employees based on ethnic groups

- ☛ Promotion procedures are fully based on personal performance evaluated by immediate superior, head of department, and human asset department. It is, therefore, different person get different amount or percentage of salary improvement annually. Moreover, the best employees can also get the scholarship, locally or abroad.

ENVIRONMENT

Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;

Corporate program on environment:

Green company initiative is implemented by setting up and developing KaDO (*Kampoeng Djamoë Organik*) in year 2001 for the center of environment education and Indonesia MAC (medicinal, aromatic, cosmetic) plants collection. It was big challenge for us developing 10 hectares area of KaDO as the heart of Cikarang city to be green and as the conservation area for Indonesian medicinal plants. On the beginning this garden only been used for our internal activities to train the organic farming of medicinal, aromatic and cosmetic plants for our farmers and partners, by since February 2008, it has been opened for the public. By the end of 2008 we have collected more than 560 plant species with more than 700 varieties. As the center for environment education we develop training program for farmers, students as well as communities. By applying organic farming system we can cultivate plants in a wise way without disturbing existing ecosystem to get good quality of agricultural produces.

For the time being we bring this garden to be a holistic garden with organic concept as a center for environmental education to enhance balance of brain, beauty and behavior. Through 'Kampoeng Djamoë Organik' we try to improve quality of beautiful and comfort environment involving collection of MAC plants and also to create concept of new agricultural culture with the presentation of educational activities and natural relaxation as well as conservation of Indonesia biodiversity by applying win-win solution for every stakeholders and environment itself.



Figure 4: Our commitment to care environment since beginning has been maintained for now and the future through Kampoeng Djamoë Organik

In the section of marketing activities, we also involved environmental awareness both for internal, external parties (such as retailers, distributors, suppliers) and our direct customers.

- a. Training and involving Beauty Advisor and Beauty Consultant in caring our green environment.
- b. Join program with AlfaMart (franchise retail stores) conducting AlfaMart customer back to nature program. This program involving for more than 150 customers of AlfaMart visiting KaDO and learn about caring environment to gain a better life in the future.



Figure 5: Join program with AlfaMart franchise retail store in developing environmental awareness among our costumers.

- c. Conducting partnership with WWF (World Wide Fund) Indonesia in caring Indonesia endanger fauna of peacocks (*Pavo muticus* ~ which has the beautiful tail colors and now the population only around 1000 birds), Java bulls, deers, turtles, etc which live in the national forest of *alas Purwo* (the Purwo jungle) in East Java.



Figure 6: Join program with WWF to preserve the fauna in Alas Purwo, the national forest in East Java

- In the public relation activities we also put environmental awareness programs inside by conducting Media Gathering in KaDO with the content 'Corporate support on Go Green program'. By involving all media publication in the event, it was good to fast dissemination our campaign on environmental conservation by connecting such activity with our marketing program.



Figure 7.
Media gathering with the objective to introducing our environmental conservation program to printed and electronic media and asking them to support "Go Green movement".



Figure 8:
Several printing media coverages

Principle 8: undertake initiatives to promote greater environmental responsibility;

We have committed in initiating and promoting environmental responsibility among company members as well as industrial society. It was continuous improvement for our company to keep our concern in preserving green environment for green company.

1. Green and Healthy program

This program has been developed as an internal program on environmental responsibility among company members.

This program was implemented for all companies under Martha Tilaar Group by conducting competition of planting MAC plants at home. This encourage all staffs as a corporate members understand and aware to support green program of company. We have given all staff plants to be planted at home or in their living area. By the end of this year we evaluate their plants and interviewed them for their understanding about the important of planting. Then, the best planter and best understanding were awarded in the event of KaDO planting session in December 2008 supported by Indonesia Ministry of Industry, Mr. Fahmi Idris.

There were 9 winners in three categories:

- a. Planting MAC plants in the garden (for home garden owners)
- b. Planting MAC plants in a pot (for limited space of area)
- c. Testimonial of using MAC plants for caring family health and beauty.



Figure 9: "Go Green & Healthy Award" in the companies of Martha Tilaar Group

2. Stop Global Warming Program in KaDO

To build bigger awareness on environmental responsibility among people, we have also conducted some supporting programs in KaDO called 'school of nature' which is focused especially for children to improve awareness in conserving nature and exploring it in wise manner. Tree planting program objected to 'one man one tree' was also conduct here to rise up awareness and knowledge about the power of trees in producing oxygen as well as reducing carbon di-oxyde (CO₂). At KaDO we also present some figures about the impact of 'Global Warming' to human life. Moreover, we also train people how to manage organic waste for compost and un-organic waste produced by house activities can be recycled. Some programs supporting

environment conservation were also conducted here at KaDO. In December 2008 we participated in supporting national program of planting million trees lead by Indonesia first lady by planting 500 trees at KaDO involving Ministry of Industry, MTG top management, companies in East Jakarta Industrial Estate (EJIP), Indonesia Tourism Community (MPI), and community. In the future we try to develop such program to other areas to reduce the impact of global warming.



Figure 10:
Go Green & Stop
Global Warming
Programs and
Activities in
Kampoeng
Djamoe Organik

3. Collaboration Program on Go Green Activities

Building environmental conservation awareness through partnership collaboration with other stakeholders.

Collaboration partnership to promote environmental concern has been done with several partners, such as printing daily media (Kompas, Seputar Indonesia, etc), electronic media (RCTV, Metro, etc), NGO's (WWF Indonesia, Green Peace, Aman, Telapak, NTFP Indonesia Setara), Unicef, etc.



Figure 11: Several Go Green Collaboration Partnership Programs.

4. Support sustainable market access for the communities

Externally, we also actively involved in setting up and running Indonesia Spice Council facilitating spice producers commonly in the level of SME (small medium enterprises). Our role in this council was guiding and supervising producers able to produce good quality products meet to market preferences. Organic farming system should be applied in the production process as market demand is quite high for such products. We also facilitated for market access especially for global market.

We also actively communicate with global institutions, then, connected them to organic product producers. In 2008 we conducted workshop about market access of organic products in Europe. From this event we have gathered SMEs and some of them potentially promote further for SIPPO program from Switzerland government.



Figure 12: Assessment visit on farmer location.

5. Kalimantan initiative program

Furthermore, since year 2006 we have conducted multi stakeholder program about Kalimantan Initiatives (KI) objected to preserve Kalimantan biodiversity by giving opportunity of forest community improve their alternative income resource from non timber forest products. This program has been started by Cordaid, BothENDS and ProFound (all from the Netherlands), Indonesia NGOs (Aman and Telapan), Asian NGO (NTFP EP), and Martha Tilaar Foundation. The mission of this program is to strengthen multi stakeholders partnership to provide market access and improve the welfare of people who live in the forest of Kalimantan through sustainable agrobiodiversity of non timber forest products. The concept of this program was: balancing between exploration and conservation. Forest community could be potential as the doer of conservation as long as they get something valuable from it for their daily life. There were several steps we had done: Value chain analysis (VCA), life cycle analysis (LCA) and Stakeholder analysis (ShA).

From VCA we come to the priority matrix of potential products possible to be explored for community income such as rubber, rattan, forest honey, orchid, etc, while ShA we have targeted 4 area in East, South, West and Central Kalimantan to be our pilot projects. While from LCA, we prepare the complete data for plant cultivation of selected species, harvest techniques, and how to ensure the sustainable supply. By combining these analyses the next step will be field implementation involving local and international donors.

Now we have already commitment from several private sectors, NGOs and government, such as some members of IGCN, the Heart of Borneo institution, WWF, local government of Kalimantan from related departments, and local communities.



Figure 13: Kalimantan Initiative Multi Stakeholder Partnership Programs for Kalimantan Communities

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Since the beginning we run this company efficiently and effectively to produce competitive products accepted by customer. Clean and green process is the only way to reach the company target optimally. Saving energy, efficient working system, clean production, and environmentally working sphere together can achieve corporate targets and give more benefits to all stakeholders.

Since year 1996 our company has already achieved International certifications such as ISO 9000, ISO 14000 since year 2000, Indonesia and Asean Good Manufacturing Practices (GMP) for cosmetic and herbal products. We also implement the quality and environmental policy in all aspects of product development, manufacturing and marketing activities.

As a natural cosmetic and herbal producer, our activities have the potential to impact biodiversity and environment. It means that we need to ensure not to harm the environment.

To support environmental friendly technology in our factory we have committed since beginning:

- To ensure that our products, services, and all activities of product development, production, and marketing are safe for employees, consumers, and environment
- All management and non management employees concern, understand and responsible to the quality of products, services, and environment through total continuous improvement.

- To try to reduce and prevent the rising of quality problems and environment impact, as well as to evaluate quality and environment objectives and target regularly
- To obey the related laws and government regulations
- To socialize the quality and environment policies to the public.

Implementing policies contained in the ISO 14000 implementation, some programs have been done and continuously being improved and developed. There were activities mentioned below:

1. Saving energy consumption

- a. Reuse of sewage/waste water for watering garden and plants after being treated in waste water treatment facility. We have reused about 35 ton/month from target (50 ton/month)
- b. Energy saving through improving awareness all staffs to turn off electricity and water if not in use.

2. Conducting waste water and sewage control

- a. Treating human/domestic waste in the Sewage Treatment Plant as mention in Governor Letter 2005. We have set up 1 plant from 3 planning plant up to 2010
- b. Conducting bio-pori (bio surface water absorption) in the area of factory to reduce water surface. This program is still in process.
- c. Replacing ozone destructive materials such as CFC. This program is done gradually by changing materials with friendly materials.



Figure 14: Waste water processing plant

3. Together with other stakeholders create clean and safe environment

- a. Green & clean emission program. We have regulation for vehicles entering factory area must be zero/clean emission. It was implemented in all area and for all vehicle owner, staff and vendor/suppliers.

- b. Involving printed logo of 'recycle' and type of packaging in the product labels minimal 10 items for this year.

AGAINST CORRUPTION

Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.

We have committed and agreed with this principle and will not tolerate any kind of corruption in our personal life as well as in business activity. We do not practice the bribery as well as corruption which do not allow in our business and personal life activities.

1. Together with IBL (Indonesian Business Link) and IGCN (Indonesia Global Compact Network) we promote Code of Conduct to all corporate members.
2. MTG create Anti-corruption Code of Conduct, that consist of several principles:
 - a. Avoiding any conflict of interest for company members between self and company interests.
 - b. Restricted for misused of official position influencing company for self purposes
 - c. Respecting law related to company activities.
 - d. All staff have to actively supported in avoiding any forms of bribery excluding forms of gift for hospitality
 - e. Zero tolerant for corruption in any forms
 - f. All staffs oblige to inform such things related to corruption matter in their area whenever detected.
 - g. We do not discriminate in respect to gender, culture, education, and ethnic origin in term of anti-corruption implementation.
 - h. Open and transparent business communication with others includes media, except confidential matter of company.

ACTIVITIES IN INDONESIA GLOBAL COMPACT NETWORK.

As a founding participant of The Global Compact since beginning we have shown progressive action in disseminating the ten principles of the Global Compact among companies in Indonesia. Together with other companies and organization we set up Indonesia Global Compact Network (IGCN) where we can do intensively communicate with other companies about programs we can implement together. From now on IGCN has more than 190 members pledged in different time within 2008. Together with the President of IGCN, we set up organization structure and conducted monthly meeting to intensively

communicate with all members and possibility doing such program activity together.

As a member of UNGC initiative pioneering Indonesia GC Network (IGCN), we do actively support this initiative among members through program implementation. There are some program had been listed and will be executed by IGCN members as a collaborative program within this year and next.

There are up to 6 program activities will be done together by companies have similar program and vision. Those programs will be:

- Children as a role model for self dependency (Lead by: World Vision)
- Implementing Code of Conduct (CoC) in running Good business (Lead by: Indonesian Business Link/IBL)
- Computer for students in the level of basic schools (Lead by: Exelcomindo)
- Growing Inclusive Market Report: Business with the poor (lead by: Sinar Mas/Eka Tjipta Foundation)
- Reforestation and greening the brown land (Lead by: Indonesia Electricity/PLN)
- Kalimantan Initiative for the poor and against deforestation (Lead by: Martha Tilaar Foundation).

IV. THE OUTCOMES

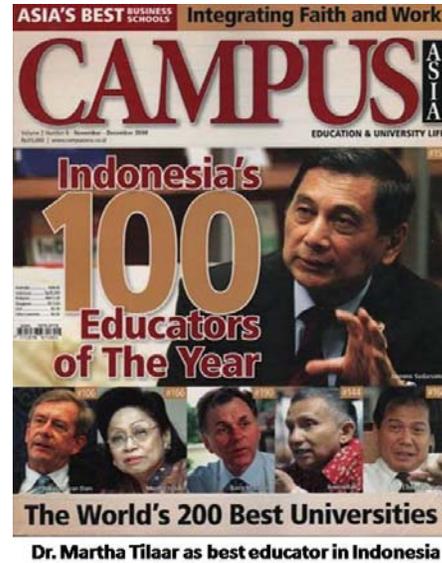
1. International award

Through innovation in trendy cosmetic products that based on Indonesian indigenous knowledge and using natural Indonesian plants resources, Martha Tilaar Group has won the first prize of ASEAN Business Award in last February 2, 2009, after competing with technology innovation companies of Singapore Technologies Engineering Ltd and the True Corporation Public Company Ltd. from Thailand.



Figure 15: Martha Tilaar Group has received ASEAN Business Award in February 2009.

2. Dr. Martha Tilaar has selected as one of the best educators in Indonesia



The World's 200 Best Universities
Dr. Martha Tilaar as best educator in Indonesia

3. Local and global publications of Kampong Djameo Organik Martha Tilaar



Dr. Martha Tilaar as Green Entrepreneur



KaDO has visited by Russia Press

4. Our herbal garden of Kampong Djamoë Organik has been visited by several people from professionals and all segments social and ages



5. Partnership requests from other stakeholders



Staffs, managers, directors and Dr. Martha Tilaar have been invited to give the presentation in several green events