

Southern Folger

Detention Equipment Company

2012 - 2013 Communications on Progress



4634 South Presa, San Antonio, TX 78223
www.southernfolger.com
ph: 210-533-1231 | fax: 210-533-1231

See who we are. See all we do.

Dear Stakeholders:

Southern Folger Detention Equipment Company continued to support the United Nations Global Compact and the Compact's Ten Principles in 2012, upholding our reputation for quality solutions and products for the international security market, while conducting our business with absolute integrity as written in our vision and mission statements.

Our people are the backbone of this company. We affirm our commitment to a diverse and fair workplace, giving respect and dignity to each individual.

We value the earth's resources and are committed to implementing environmental initiatives as outlined in our LEAN manufacturing processes to eliminate waste and in our environmental protection programs of recycling and use of energy-efficient and environmentally safe products.

We will issue an annual statement from our management team to our employees and stakeholders to communicate our progress and actions in implementing the principles of the UN Global Compact.

Yours sincerely,



Donald G. Halloran
President





Human Rights

Southern Folger supports and respects the protection of internationally proclaimed human rights. The Company does not participate in or associate with any known forms of human rights abuse. The Company is proud of its reputation for quality products and equally proud of the achievements of its employees who have this possible. Employees are the company's most valuable resource.

Mission Statement

Our Company- Southern Folger is committed to setting the standard for quality solutions through the products and services we provide to the security industry.

Our Philosophy- It is our goal to achieve global market leadership, while conducting business with absolute integrity.

Our People- Our people are the backbone of our company, many with twenty, thirty and even forty years of experience in our industry. We are committed to continuous improvement, safety and employee development.

Equal Employment Opportunity and Affirmative Action Statement

Southern Folger Detention is firmly committed to treating employees and applicants for employment according to their experience, talent, and qualifications for the job, without regard to their race, creed, color, national origin, sex, age, or disability. Our Equal Employment Opportunity Policy covers all employment decisions including but not limited to recruitment, hiring, and advancement opportunities.

It is also the policy of Southern Folger to take affirmative action to employ and to advance in employment, all persons regardless of their status as qualified individuals with disabilities or qualified protected veterans, and to base all employment decisions only on valid job requirements without discriminating.

Equal Employment Opportunity – Measurement of Outcome

In the past year, the Company did not have any lawsuits based on race, creed, color, national origin, sex, age, disability, or any forms of harassment.

Affirmative Action Plan – Measurement of Outcome

In the past year, the Company's outreach recruitment efforts included using Texas Workforce Commission's recruitment database for job postings, which gives veterans first priority to apply for open positions with the Company. Also, positions are posted on the company marquee in an effort to recruit within the local community. We will continue these and other outreach initiatives based on the Company's future recruiting needs.

Monitoring and Evaluation

In order to ensure continued dissemination and implementation of equal employment opportunity and affirmative action throughout all levels of the company, the Human Resources Manager is the Equal Employment Opportunity Manager for the Company.

Employees are given many opportunities to voice their concerns regarding the work environment in various forms of communication such as: a confidential suggestion box, monthly meetings sponsored by the President, and through the company's Grievance and Complaint Policy.

Community Initiatives

Southern Folger continues to strengthen its roots in the community by expanding its outreach initiatives. Inspired by action, the Charity Committee made children the core of its development in 2012. Southern Folger Detention Equipment Company is serving a new organization, New Frontiers Charter School. Activities included:

Mentorship Program
Recycling fundraiser to purchase new musical instruments
Food Pantry Distribution

In addition to equipping children, Southern Folger made financial donations to the Presa Community Center, New Frontiers Charter School, and the Make-A-Wish Foundation. New computer equipment, office furniture, and school supplies were also donated to Presa Community Center and New Frontiers Charter School.

Southern Folger prides itself in the ability and the vigor contributed in making a difference within the body of the community one person at a time.





Labour

Southern Folger upholds the freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced and compulsory labour, the abolition of child labour, and elimination of discrimination in respect of employment and occupation. Employees are encouraged to promptly report any form of harassment to the Human Resources Manager or Executive Management Team.

Measurement of Outcome

The Company will continue to employ the International Ornamental Iron Workers to assist on new construction projects throughout the United States of America due to their trade skill set. The Ironworkers are a valuable asset to the Company's Construction Management Division. In 2012, the Company employed 200 California Iron Workers on a project in Stockton, California.

Although it is the Company's Policy to hire employees over the age of 18 to fill its permanent job positions, periodically the Company hires minors 16 years or older to fill positions during school breaks. During the course of the minor's employment, the Company strictly follows the provisions of the Fair Labor Standards Act. In addition, the minor is assigned restricted job duties and working hours to ensure their safety and well-being.

The Company does not tolerate harassment of its employees or job applicants that is related to an individual's race, color, sex, religion, national origin, citizenship status, age, or disability. The Company promotes that all its employees and prospective employees are given equal opportunity. Therefore, the employee's knowledge, skill and ability are the only factors considered in respect to their employment and occupation.

Monitoring and Evaluation

The Human Resources Manager is responsible for ensuring the Company remains compliant with all relevant federal, state, and local laws and regulations including those related to contracting with the U.S. Government.



Environment

Southern Folger endorses the belief that we have a social responsibility to protect our environment, promote sustainable business practices and day-to-day wellness.

In our educational mission, Southern Folger strives to:

- Create a sense of responsibility to our resources and community
- Ensure that members, leadership, and staff are aware of environmental issues that impact our business and mission
- Recognize corporate partners who use environmentally-balanced practices

Southern Folger's daily business operations include:

- Utilize available recycling opportunities
- Recycle all our scrap metals and purchase recycled content materials when available
- Conserve natural resources and support their sustainable use by taking positive steps toward upgrading environmental systems
- Reduce use of toxic substances and the generation of wastes and promote strategies to reuse and recycle those wastes that cannot be avoided
- Purchase renewable, reusable, recyclable and recycled materials
- Recycle meeting-related items when appropriate (signage, badge holders, binders, folders etc)
- Use cleaning chemicals with biodegradable products in our manufacturing processes
- Replace one-time use cups with water bottles
- Transition to electronic format for documents whenever possible
- Reduce ambient lighting in the summer when the office receives direct sunlight
- Building management system which centrally controls heating and air handling

Measurement of Outcomes

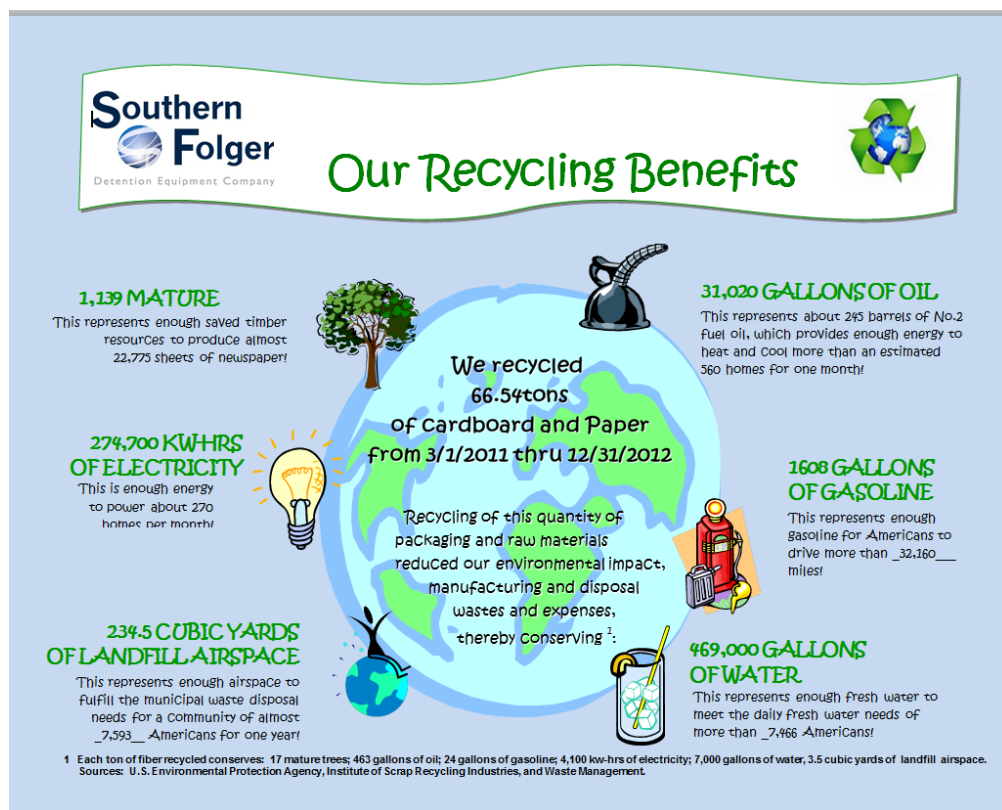
Our recycling program efforts are continuously improving through employee education, participation and dedication.

Our recycling highlights:

- 66.54 tons of cardboard and paper from 3/1/11 thru 12/31/12
- 6,194 lbs. of ewaste from 12/1/12 thru 3/15/13
- 210 lbs. of Fluorescent bulbs from 1/1/12 thru 12/31/12
- 70 lbs. of small batteries from 1/1/12 thru 12/31/12

Our progress with waste water recycling is still in the research phase of finding a cost effective system.

Less waste equals lower operating costs and more savings.



Monitoring and Evaluation

The Safety Director is responsible for ensuring continued environmental awareness and protection at all levels of the company.



Anti-Corruption

STATEMENT OF BUSINESS INTEGRITY

Southern Folger Detention Equipment Company has the ambition to be recognized as a benchmark, not only for the products and services that we provide in the security industry, but also for the highest standards of business integrity.

Southern Folger lives by its core values and ethical principles and every employee is expected to share these values and principles. At the center of our ethical principles is our commitment to business integrity. Southern Folger employees must never compromise adherence to company policies or procedures for financial or other business objectives or personal gain. Wherever we may conduct business, we do not tolerate any practice that is not born of honesty, integrity and fairness.

As Southern Folger operates in many countries and cultures, we are likely to encounter complex situations that may differ from our home markets. Despite these differences, Southern Folger employees are expected to abide by these principles without exception. Everything that we do must be judged not only whether it is legal, but also whether it would appear ethical and fair to our colleagues, to ourselves, and to the public.

1. Refusal to Engage in Unfair Competition:

As an industry leader, Southern Folger does not tolerate unfair practices to compete and win business. All our selection and purchasing decisions are made objectively, based on price, delivery, quality, and other factors and we expect that our clients and suppliers will do the same. We independently determine our own pricing and financial deals and we do not make agreements with competitors to divide markets or clients.

2. Dealing with Stakeholders:

It is Southern Folger's commitment to deal honestly and fairly with all our stakeholders, including our clients, customers and employees which are founded upon our core ethical principles of trust, respect for people and transparency. This means we will honour our contractual commitments and uphold both the letter and spirit of our business arrangements.

3. Refusal to engage in Corruption:

Southern Folger wins business on the strength and quality of our products and services. We do not give gifts or other things of value to customers or public officials in order to gain a business advantage, and we do not permit others to do so on our behalf nor do we engage in bribery of private parties. Likewise company employees do not accept gifts or entertainment from a supplier or prospective supplier in return for business or better pricing.

Southern Folger employees will not accept, offer or give anything of value that could compromise an employee's judgement, inappropriately influence others or reflect negatively on the Company.

It is also against the Company standards of business integrity and the laws of many countries to do indirectly what you cannot do directly. Therefore, any distributors and/or customers bound by an agreement are expected to agree to comply with our standards of ethics and business integrity when selling our products and services.

4. Conflicts of Interest

Southern Folger makes all business decisions objectively, not on the basis of any individual employee's personal benefit or advantage. This means that Southern Folger employees must recognize when a conflict may exist and always act in the best interests of the Company, avoiding anything that presents an actual or a potential conflict of interest.

5. Confidentiality, Use of Assets and Insider Trading

Southern Folger employees work professionally to advance Southern Folger's business interests. They are responsible for ensuring that the Company assets are not misused or wasted, including any proprietary business information and other intangible property. All employees have a duty to protect confidential information about Southern Folger, its clients, suppliers, and employees, even after they leave Southern Folger. Likewise, they must not use Southern Folger's property or information for their personal gain, or that of their relatives, friends or acquaintances. Employees who have insider information (such as non-public information about financial results, mergers or acquisitions, large contract awards or strategic plans, etc.) may not use it to their advantage or pass it along to third parties for that purpose.

6. Financial Statement Integrity and the Company Records

Southern Folger strives to earn the trust and confidence of its shareholders, regulators, and other stakeholders and is committed to providing them with accurate, transparent and timely information. The integrity of Southern Folger records is essential to these goals and ensures that the Directors and the Board can base its business decisions on full, accurate, and reliable information.

Southern Folger and its employees are required to keep accurate and proper accounting books and other records which give a true and fair view of the financial position, results of operations, transactions, assets and liabilities of the Company.

These documents must be maintained in accordance with the applicable general accepted accounting principles and Southern Folger's own internal controls and accounting procedures. Employees have a duty not to make false or artificial entries in Southern Folger books and records for any reason at any time. The Company's assets may only be used in accordance with management's authorization. Southern Folger employees must never do anything that compromises the integrity of the Company's financial statements, or coerce, manipulate or mislead outside or internal Auditors with respect to the Company's books and records.

7. Employee Responsibilities and Reporting of Violations

Employees are responsible for promptly reporting in good faith, any violations of law or Southern Folger policies of which they become aware, and for raising issues or concerns as soon as questions arise. Reports of suspected violations will be treated seriously and confidentially to the fullest extent possible. Employees making such reports will not be subject to retaliation, threats or harassment, and their identity will be held in confidence to the extent permitted by law.

IMPLEMENTATION

To translate our Anti-Corruption policy into action, communications on our website serve as a constant reminder for our employees.

MONITORING & EVALUATION

A salient characteristic of our anti-corruption compliance program is that we hold business leadership accountable for complying with our anti-corruption policies and procedures. Our executive leadership team is ultimately responsible for ensuring business operating group compliance with the anti-corruption policies and procedures and will rectify issues identified in internal audits.

With regard to our primary suppliers, vendors and other subcontractors, we require that anti-corruption terms and conditions be included in agreements with these business partners and that these business partners comply with our Supplier Code of Conduct in executing the agreement with Southern Folger. In addition, annual supplier audits will be organized to ensure anti-corruption provision compliance.

While we acknowledge that no program can provide 100 percent protection against corruption, we are proud of our program and believe it helps to protect us against the risks of corrupt activities and promotes early detection and prevention of anti-corruption compliance violations. We're committed to further developing our program in our constant fight against corruption.

MEASUREMENT OF OUTCOME

In 2012, Southern Folger distributed the Supplier Code of Conduct to its top 20 suppliers to inform them of our participation in the United Nations Global Compact and its visible commitment to the implementation, disclosure, and promotion of the ten universal principles. Additionally, all International Distributor Agreements include an anti-corruption clause.