



Name/Logo

Communication on Progress
Year: 2009

Statement of Continued Support of the UN Global Compact

AAR prides itself in being a good corporate citizen in all the East African countries where it has been working in the healthcare sector since it started business 25 years ago. It has been diligently expanding its social responsibility from shareholder to Board level right down the employee scale and is thus integrated by all. These responsibilities incorporate, support, embrace and enact the UN Global Compact ten principles which it endeavours to continue to support and expand. Further, AAR's social responsibility is very clearly spelt out in the company's CSR policy statement which states that it will achieve commercial success in ways that honour ethical values, compliance with legal requirements and respect for people, communities and the natural environment. The company's core values: *Timeliness, Caring Attitude, Quality, Integrity and Teamness* are worthy of any great organisation, and they are incorporated as the pillars for every decision and action it takes. These values are not cosmetic. These values give those in AAR the means of not only guiding but also evaluating AAR's operations and its future planning and are its anchor in making a difference to the way AAR does business and conducts its work on a daily basis. AAR endorses to improve and achieve specific targets it sets out in this report. AAR finds it needs to share its achievements further and the Global Compact network provides this opportunity.

Jagi Gakunju
AAR Group CEO
Nairobi, 8th October 2009

30 September 2009, 1st COP

Company name: AAR

Sector: Health

Number of employees: 631 (381 in Kenya. 152 in Uganda. 180 in Tanzania. 18 in Rwanda)

UN Global Compact signatory since: September 2008

Contact person: Mrs Maryjka Beckmann, Executive Director

Address: P O Box 41766 00100 Nairobi Kenya

Email: mbeckmann@aar.co.ke

Phone: (254-20) 2895000

Brief description of nature of AAR's business
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AAR is Eastern Africa's largest and most successful private health care company which started business 25 years' ago. It has operations in Kenya, Tanzania, Uganda and Rwanda and has a presence in Eastern Congo, Southern Sudan and Burundi. AAR's vision is to become the provider of choice for innovative and quality health care solutions in Africa. Today it operates its own 20 health centers and has nearly a thousand member network of preferred health care providers in the countries where it operates, providing preventative and curative health care to clients in all income brackets, as well as offering a rescue and evacuation service to its members worldwide. AAR has its own marketing arm.

AAR provides managed healthcare care solutions in the greater East African region. The concept of managed healthcare is: 'The most appropriate treatment, at the most affordable prepaid price, by the most appropriate practitioner'

AAR differs significantly from other providers in Eastern Africa not only because of its comprehensive value chain which can successfully treat those who are unwell, but also because AAR has a strong focus on clinical risk management and provision of preventive care. This ensures that AAR members receive the most cost effective access to healthcare on a sustainable basis. Prevention and good health starts with the environment – therefore for many years from Board level right down to the line employees and sales representatives, AAR has been involved in environmental projects, thereby further adding to its company mission to provide healthcare solutions that make a difference to life

AAR employs over six hundred staff in the region, of whom 1/3 are medical personnel i.e. doctors, nurses, laboratory technologists, paramedics, pharmacists and pharmaceutical technologists. The company uses the latest technology in each of its areas of competence. AAR has its own marketing and sales arm which has a further 500 direct sales representatives working in its sales agencies scattered throughout the countries in which it operates. With a current membership of about 150,000 members AAR has been in the forefront in leading the way in the transition from Central Government to the private sector in the provision of health care to the citizens of the Eastern African region and offers an ever expanding product range to suit the needs of its individual and corporate clients alike

Scope of this COP

This COP indicates actions that AAR has taken to implement the Global Compact principles during previous years as well as last year (2008) when it joined the UN Global Compact. It also indicates where it has taken specific steps before or during last year to implement and then measure results of the actions in the different areas. Precisely, the report covers all the four focus areas of CSR i.e.

Environment, Labour, Human rights and Anti-corruption

Human Rights

UN Global Compact principles covered:

Principle 1: Business should support and respect the protection of internationally proclaimed human rights

Principle 2: Business should ensure that they are not complicit in human rights abuses

Human rights current

Commitment

AAR HR policies and practices are in compliance with all labour laws and laws of the land where AAR has a presence, in upholding all forms of employee rights as well as human rights

Systems

AAR has various policy documents in place which are posted on the 24-hour AAR Staff Intranet and accessible to all employees and sales reps. The documents posted are for internal consumption only and among many others include the *AAR Business Code of Good Conduct*. This document is read and signed annually by all employees enabling them to maintain high ethical standards at all times. This document, in addition to the *AAR Staff Manual*, enables employees to appreciate any restrictions in place and to understand their responsibilities as well as their rights. A *Conformity with Ethical Standards* form is completed and signed annually. This policy states that AAR expects all employees to conduct themselves with the highest level of integrity at all times. Employees are expected to abide by all laws of the country as well as to abide by all policies and guidelines issued to staff from time to time

Activities

Efforts are in high gear to ensure through the Balance Score Card (BSC) performance system that employee performance is measured. BSC performance system comprises carefully selected set of measures derived from an organizations strategy. The measures selected for the score card represent a tool for the score card owners and managers to use in communication to external stakeholders the outcomes and performance drivers by which the organization achieves its mission and strategic objectives. Each employee knows what is expected of them and what they do through a precise personal KPM and KPI (key performance measures and indicators) which are expanded into procedures of their activities. The key performance areas in the score card cover *Financial* perspectives, *Customer* perspectives, *Internal Business Processes* perspectives and *People* perspectives. The latter includes 4 days' training, minimum, in the course of the year per employee. This training addresses different employee welfare issues with measurable indexes. These will be finalised by 31st Dec 09.

Outcome

As the activities have been taking place in the course of 2009, AAR will be monitoring the outcomes of the training sessions. There is a definite entrenchment of understanding of performance. There are very well defined targets which are specific as mentioned above, and these are measurable. There is a precise ownership of duties.

Human Rights Future

Future activities

Develop an explicit policy on Human Rights at the work place

Continue training in all areas impacting on employee welfare and better

understanding of performance management leading into a precise systemized performance management system

Continuous training to ensure there is a universal understanding of 'What is CSR in AAR' especially in the area of human rights

Labour Rights

UN Global Compact principles covered:

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

Principle 4: Business should support the elimination of all forms of forced and compulsory labour

Principle 5: Business should support the effective abolition of child labour

Principle 6: Business should support the elimination of discrimination in respect of employment and occupation

Labour Rights Current

Commitment

AAR HR policies and practices are all in compliance with the labour laws and laws of the lands where AAR has a presents.

AAR employees are not unionisable. However its Staff Manual stipulates, recognizes and respects the rights of the employees to freely air their grievances and seek redress when required

Systems/policies

Labour Rights: Principles 3–6 do not apply directly to AAR's business. AAR implements and adheres to labour laws as these are brought into play and nested in the ILO conventions.

The AAR staff manual, which is accessible at all times by AAR employees through the Company Intranet, stipulates, recognizes and respects the right of the employees to freely air their grievances and seek redress when required

Activities

AAR has been for the last year continually training all its staff and sales representatives – over 600 employees and about the same amount of sales reps throughout the East African region – on 'What is CSR in AAR'. This training is specifically for employees to feel that they are part of the company, a major stakeholder, and without them there is no company.

As already mentioned the training gives particular emphasis on all employees being able to understand and embrace the company's core values of *Timeliness, Caring attitude, Quality, Integrity, and Teamness*. These values are the pillars from which every decision and action AAR takes.

During the training AAR endeavours to have a complete staff and sales reps understand and therefore focus on the most common arenas of CSR by making sure that all of them, being stakeholders, are engaged and exposed at all levels and at all times as they perform their daily tasks. AAR is a private company and therefore it has to **achieve commercial success** and live its responsibilities every day by **honouring ethical values**, by **complying to legal requirements**, by giving **respect to people**, starting with the individual and then **expanding this respect** to other communities – especially the less fortunate, and finally by **respecting the natural environment**. Again, this respect for the environment starts internally

The training continues to make AAR employees understand that AAR's corporate social responsibility starts with a solid foundation from Board level which then cascades down the length and breadth of the company.

In January 2009 through MIT Sloan School of Management's Global Lab project, AAR had five students from the University to further help to identify and strengthen areas in performance processes and procedures.

In order to have further employee buy-in AAR Uganda and AAR Tanzania have been ISO 2000-9001 certified a few years ago. As is recognised globally, this is a vehicle to assist in discipline of the employees in the delivery of the company's strategy. This certification is re-certified according to ISO

specifications. AAR is looking at having AAR Kenya and AAR Rwanda ISO certified after analysis whether such certification is of value.

Through email flashes on the understanding and living of the company core values, employees are consistently being communicated to and in this way encouraged to understand the importance of meeting customer and regulatory requirements.

Through SEMAC, Safety and Emergency Management Centre, a private training agency, who train according to the Ministry of Labour & Human Resources Development, AAR Human Resources Department has now been trained on the needs in those areas. The 24 trained staff members will now be able to implement their knowledge throughout the company

Outcome

Motivated Staff

Compliance with the laws of the countries where AAR has a presence

Through the BSC, Balanced Score Card management tool there are very specific measurements kept as explained here above

Entrenchment of understanding of work performance by the staff

A conducive working environment has been achieved where every staff have a sense of belonging

Having clear staff anti-discrimination and anti-harassment policy embedded in the company's staff manual has fostered a working environment guided by mutual respect for all

Labour Rights Future

Future activities

Constant and continuous training

Constantly auditing and reviewing ones personal quality management systems

These encourage the involvement of employees by creating a good working environment; enhancing customer satisfaction all the time; making sure that there is a framework for both establishing and reviewing quality objectives; quality is being communicated and understood internally, as well as externally

Environment

UN Global Compact principles covered:

Principle 7: Business should support a precautionary approach to environmental challenges

Principle 8: Business should undertake initiatives to promote greater environmental responsibility

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

Environment Current

Commitment

AAR has been involved in environmental programmes and will continue to harness and support all efforts aimed at sustainable use of natural resources.

Activities and Future activities

AAR conducts its business according to the various regulatory environmental health laws of the countries it which it has been conducting its business. In 2008 CORE – Occupational Solutions Danish company, conducted an environmental survey, and came up with various recommendations in the environmental sector for further action.

There is a continuous First Aid training through AAR Action, the emergency arm of AAR. This is available and conducted to AAR staff, sales reps and AAR members throughout the year on regular basis.

Some of the CORE survey recommendation have been implemented, but some are still outstanding, and these are being addressed and should all be in place by the end of 2010.

In the meantime through CSR training sessions conducted throughout the company in all countries where AAR has a presents, improved workplace environmental policies are understood and are being undertaken. Some of the Occupation Health and Safety, OHS, recommendations in the other countries will have to be in context of the laws of the different countries. As said the aim is to have all CORE recommendations in place in the whole East African region by the end of 2010.

Further:

AAR is a member of the Billion Tree Campaign and informs all stakeholders of this fact through a statement in its emails

AAR directly encourages minimisation of water usage, in the workplace and at home, by constant reminders by email and through its staff intranet communication to its employees

AAR encourages collection of waste paper for recycling. Any proceeds generated are used for community purposes to the needy of the community

AAR has contracted a licensed waste handler to dispose of medical waste, expired drugs and re-agents in compliance with legislation. It also is engaged in a campaign where employees and customers are encouraged to bring in used drugs for proper disposal

As the majority of schools in the East African region use firewood as a source of energy for cooking, AAR has initiated a programme through its CSR department supported by the AAR Beckmann Trust, where it encourages schools to grow their own firewood. AAR provides seedlings. The savings the schools will generate will be used towards the basic health needs – such as bi-annual de-worming programmes

AAR employees are encouraged to take up personal environmental initiatives to enhance a better and healthier physical environment

Environment Future

Future activities

Enhancing and taking the above projects and programmes forward: by constant training as well as engagement of AAR staff, sales reps and members (clients) in environmental community engagements

Undertake safety and health audits in all its subsidiaries

Set up of OHS, Occupational Health and Safety, committees in all its subsidiaries

Develop a legal register outlining legislation applicable to all AAR operations, required permits/licenses/certificates and schedule for compliances in all its subsidiaries

Through the CSR department, enhancing and upgrading the CSR policy encompassing aspects of not only safe working conditions, but also engagement of all stakeholders at all levels and all times in community and environmental programmes

Enhance training in OHS to staff and sales reps in all AAR subsidiaries

Enhance throughout the region the monitoring of energy, telephone use and water consumption

Implement and enhance existing monitoring of disposal of expired drugs by members through its licensed waste handlers in all countries where AAR has a presence

Anti-corruption

UN Global Compact principles covered:

Principle 10: Business should work against corruption in all its forms, including extortion and bribery

Anti-corruption Current

Commitment

Anti-Corruption: This principle is well covered under AAR's declaration of conflict of interest and the code of conduct policies as expressed in the company's staff manual which is accessible to. These are completed and signed annually by each employee

Systems/Policies/Programmes

The existence of corruption, including extortion and bribery increase the cost of doing business and diminishes proper governance of an institution. AAR has a strict code of conduct that guides behaviour when its officers interact with the suppliers, customers, the general public and even within AAR itself

AAR ensures that every staff member signs a conflict of interest declaration annually and practices to the letter the virtues contained therein

There is also a staff manual and procedures and guidelines to guide employees, reps, directors, locums and associates in ways that enhance good governance

The company demands disclosure of gifts received in the course of one's duty, among other disclosures to dissuade corrupt practices

AAR takes deterrent action as a last resort. The action could range from termination of contract with AAR to prosecution in the courts of law

Anti-corruption Future

Activities

INTERNAL AUDIT DEPARTMENT ROLE IN DETECTION AND PREVENTION OF CORRUPTION

The audit department carries out scheduled audits based on the annual audit plan. The audit plan is a product of a risk based process that identifies key areas, processes, procedures, situations and resources that pose the greatest risk to AAR business health. Corruption especially involving bribery and extortion may compromise the entire internal control system. It is extra vigilant on this exposure and continues to press for staff to promptly take their leave, have regular job rotation, have segregation of duties and other measures to break the cycles that may hinder detection of irregular activities.

The audit programmes are not initially planned to detect all irregularities however AAR is conscious of the major exposures and factor them in its plan. AAR diligently deals with any case of corruption or fraud to its logistical conclusion

The signing of the Declaration of Conflict Interest form, which is completed by all employees at the beginning of each year, ensures our employees' terms of employment are very clear and conflict of interest areas have been handled with ease

Having a clear procurement policy and a standing Tender and evaluation Committee which oversees tendering and procurement matters per policy ensures that all company procurements are conducted above board and every user is happy that AAR is obtaining value from all its vendors in a cost effective manner

Future activities

Strengthening the internal control systems, checks and balances specifically in the procurement department, petty cash collection and general resources allocations

The internal audit department has been regularly attended refresher courses that cover issues of fraud detection, prevention and control. These training courses will continue

Supported by AAR Holdings board and championed by the Internal Auditor, AAR will actively initiate inter-companies action to actively address corruption/fraud cases. Most of these are not being punished, in other words not being brought to book not only because of corruption in the legal

sectors of all the countries where AAR has presents, but also because of corruption in government institutions such as the police and criminal investigation departments who are the ones who should be giving support and back up

Partner companies are being identified and processes are being put into place

This activity will be reported on in the next COP

How do you intend to make this COP available to your stakeholders?

AAR is looking at the different ways where the contents of the COP can be available to its stakeholders which it will be reporting on in its next COP

- For our staff, this will be shared during our regular senior management quarterly meetings, chaired by the CEO, as well as through the staff company intranet
- For our shareholders this will be shared by the CEO during various Board meetings held in the course of the year
- For our customers and business partners this will be shared through our tri-annual newsletter and the regular Customer Service communication