

UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS REPORT



CHIEF EXECUTIVE'S MESSAGE

Communication on Progress Year: 2012

Statement of Continued Support of the UN Global Compact

I am pleased to confirm that Mabati Rolling Mills Ltd supports the ten principles of the United Nations Global Compact in respect to Human Rights, Labor Rights, the Environment and Anti-Corruption. This communication is our expression of intent to continue supporting and advance these principles within our sphere of influence. We commit to making the Global Compact and its principles part of our strategy, culture and day-to-day operations of MRM and undertake to make a clear statement to our employees, partners, clients and to the public of this commitment.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our effort to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress annually according to the Global Compact COP policy.

Sincerely,



Chief Executive Officer

18th September 2012

Company name: MABATI ROLLING MILLS LTD

Sector: INDUSTRIAL METALS AND MINING

Number of employees: 1137

UN Global Compact signatory since: 2006

Contact person: CEO: MR KAUSHIK SHAH

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Brief description of nature of business

We are a manufacturing company specialized in building and roofing solutions that include Sheet products and steel system building structures.

Scope of this COP

This COP is a report for the period between September, 2011 and September, 2012 and covers all the ten principles of the Global Compact. It extends to all employees, management, and suppliers and is intended to be communicated to the stockholders, staff and the general public.

COP 2012 – CORPORATE SOCIAL RESPONSIBILITY

Preamble

Mabati Rolling Mills Limited (MRM) evolved as a corporate entity in 1961. Since then a policy to plough back to the local communities through a community inclusive process was put in place. MRM, then, had foreseen and adopted what the UN Convention years later adopted as their Agenda on Sustainable development – The Rio Declaration of June 1992, the first Principle being: *“Human beings are at the centre of concerns for sustainable development. They are entitled to a healthy and productive life in harmony with nature.”*

This Principle resonates with MRM’s initial CSR policy.

By the time the Millennium Development Goals (MDGs) were articulated internationally, MRM was already translating the same goals, not only in the locale of its plants, but far and beyond, bringing hope and dignity to thousands of Kenyans. MRM CSR roadmap is now aligned to the MDGs with its main noble task being “to ensure that every man, woman and child has a decent roof over their head.” This is through our commitment to manufacturing of high quality and affordable roofing solutions.

The core themes that MRM focuses on are:-

1. Shelter:

Commitment:

MRM will engage in activities that provide access to people seeking shelter and in particular roofing. These will be shared at low cost in cases of disaster or where the need is great. We will seek to develop products of the highest standards.

Projects undertaken during the reviewed period:-

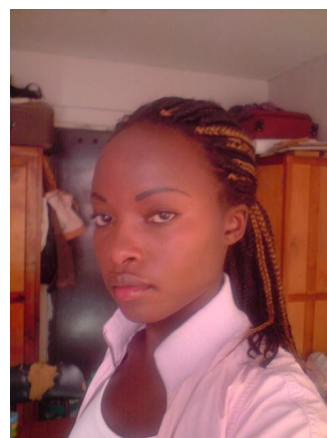
a) Starehe Girls Centre: Provided roofing structure and roof costing **Kshs 2 million.**

Outcome:

More than 300 girl-students are able to have a conducive learning environment to study. Apart from supporting the quest for education for all, this gesture also portends to empower the girl child to whom, in Kenya, has hitherto been neglected.

A testimony of one beneficiary of Starehe programme is appended:

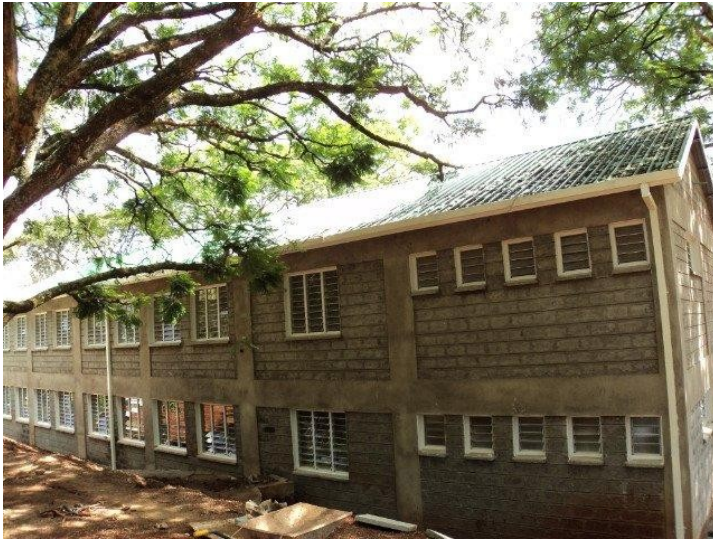
“My name is **Vane Moraa Aminga**. I am currently pursuing Mechanical Engineering at the University of Nairobi. I am in my Third year of study. In 2005-2008, I was among the 72 pioneer students at Starehe Girls Centre. Starehe is a charitable national high school for bright girls from needy backgrounds. Being in Starehe was one of the best things that ever happened to me. I learnt a lot within the four years and above all, I learnt that giving back to the society should come from one’s heart. To whom much is given, much is expected. Many people sacrificed their luxuries, to give us a chance to access quality education. Every one at Starehe was working for the good of the girls; the administration, all members of staff together with the Board of Trustees worked tirelessly to see that we had the best education, and that we ended up as all-rounded individuals in the society. Dr Manu Chandaria, the chairman of the Board of Trustees, also Chairman of MRM, was a great role model. Just within a short period of time, he has steered the school to great heights. He is a leader. He is very hard working and his great advice can never go unmentioned. All the students at Starehe know Dr Chandaria for his great heart and always working towards leaving the world a better place than he found it. He is also well reckoned because of the concerns he has for the Environment. The Chandaria foundation supported the school greatly. Many students were sponsored by the foundation. He also donated dustbins that were well located across the school to ensure a clean living environment. Since the school was young and growing, there was no dining hall and before one could be built, Dr. Chandaria donated a Tent that served as a dining hall and assembly hall for my entire time at Starehe. This was a great gesture that can never go unmentioned. It will always go down history. A new Dining hall and roofing donated by Mabati Rolling Mills has been put up, and I am sure the students miss the tent experience.



I met Dr. Chandaria at an ACUMEN fund conference in Nairobi, and immediately recognized him. We had a chat and since I was on my long vacations, I requested him to give me a chance to intern in one of his industries. He did not hesitate to refer me to Mabati Rolling Mills where I was well received and given a chance to intern at Insteel Ltd. I was called to report sometime in August but since school was almost opening, I decided to push the chance to a later date. I am now back to school. I look forward to going back to the attachment any time I am on holiday and learn from the expertise of the staff at the company. I am grateful for everything Dr Chandaria has been to me and the entire Starehe fraternity,

God bless Dr. Chandaria. He is a true Hero.” **VANE MORAA AMINGA**

DINING STRUCTURE AND ROOFING AT STAREHE GIRLS



b) Empowering Kenyans - Agreement with Equity Bank:

MRM signed a special agreement with Equity Bank to offer loans to people wanting to build their own low cost houses.

Outcome:

Many low & middle class citizens are now able to afford a house of their own. The light weight structure is more durable and is a good substitute for wood. The use of innovative trusses saves forests from depletion by gross reducing cutting of trees for roof structure thereby contributing to the conservation of the environment.

(A Prefab sample house initiated by MRM)

**c) Assisting Kenyans passing through Likoni Ferry Channel, Mombasa:**

MRM erected a roofing structure for commuters waiting to be ferried across at Likoni. The ferry users have previously experienced harsh conditions of rain and scorching sun while waiting to be crossed over. A cross over trip takes about 30 – 40 minutes.



Outcome:

According to Kenya Ferry Services Statistics, about 230,000 people cross over per day at the Likoni channel and the shades now have served as a relief against the unpleasant situations caused by different prevailing weather.

2 Health & Sports:

Commitment:

MRM's goal is to render quality health to its staff and the communities where the company operates including its market places. In pursuing this quality objective of attaining physical and mental health for all, we will ensure that there is access to the appropriate facilities.

Projects:-



- a) **Mabati Medical Centre:** A new Medical centre was constructed at a cost of Kshs 50 million at Mariakani.
- b) A **collaboration agreement** was made with **Bomu Clinic** of Mkomani Clinic Society to take care of HIV/AIDS patients at Mariakani. One wing of the newly constructed Mabati Medical Centre was equipped and availed to Bomu to conduct their activities. **MRM also has a HIV/ AIDS Program** for its employees at a cost of 1.5million last year.



- c) **Sponsorship of Medical Camp at Malindi District Hospital** conducted by Lions Club of Mombasa Bahari. MRM participated through sponsorship of a grant to facilitate drugs, and doctors, among other activities. Kshs 150,000/= was donated for this purpose.

d)



- e) **Sponsorship of Medical Camp at Mabati Medical Centre, Mariakani**, conducted by Lions Club of Mombasa Pwani. MRM as in the above participated through donating a grant of Kshs 250,000/= including use of its Medical Centre facilities for the exercise.

- f) MRM is a member of the **District Health Stakeholders Forum (DHSF)**. MRM sponsors these meetings. Grant given Kshs 50,000/= per annum.

Outcome:

- More than 30,000 patients from the community have been able to access basic medical care at the Mabati Medical Centre during the reviewed period.

- More than 15,000 people get themselves tested for HIV/AIDS and more than a 1000 positive cases are able to have access to ARV therapy and the feeding program with Bomu.
- More than 100 operations were conducted at the Malindi Hospital mainly for reconstructive surgery and many more treated for other common diseases.
- About 20 cataract operations were performed by the Lions Club of Mombasa Pwani, courtesy of the medical camp and more than 800 patients were treated for various ailments.
- Employees of MRM were able to benefit from the HIV/AIDS program which is in place.
- DHSF is able to have their meetings regularly where about 40 stakeholders from the government, private and NGO sectors take part in.

g) **Gym facilities** worth Kshs 2 million constructed for the staff at MRM Mariakani.



Outcome:

Employees at Mariakani and Athi River are able to have access to the gym facilities and are able to exercise at their convenience. Regular exercising is one solution to minimizing lifestyle diseases like diabetes, high blood pressure, among others. This runs under the wellness program.

Olympic participation



MRM CEO, and Director of Safal Eastern, Mr. Kaushik Shah, together with Chief Marketing Manager, Ameet Parikh, join H.E, President of Republic of Kenya, Hon. Mwai Kibaki and Minister for Sports Dr. Paul Otuoma, and other Companies' CEOs, in a group photo of sponsors of Olympic 2012 Team Kenya. MRM committed various awards for Olympic medalists.

3 Education & Innovation:

Commitment:

MRM will train its employees to build a spirit of innovation in their thinking and help them to discover a more creative and fulfilling career path. MRM will continue to invest in Mabati Technical Training Institute helping it build a sustainable resource base.

Projects:-

- a) **Mabati Technical Training Institute:** The institute imparts employable skills to the **poor and needy** youth of Mariakani and the surrounding area.

MRM grants Kshs 6 million towards the operational costs of this project.



Outcome:

Empowerment of the youth through education. The project benefits around 500 poor and needy students every year. Of the 90 technical students who graduate 80% of them are gainfully employed within three to six months upon receiving the DIT certificate. Thus MRM contributes in reducing poverty in the area. Around 300 to 350 students acquire basic computer skills annually which give them an edge in acquiring jobs, as computer knowledge is a must in today's job market.

Appropriate courses currently offered at MTTI:**Technical Trades**

- Technical Trades offered are as per the Ministry of Science and Technology Curriculum
- Students sit for the Directorate of Industrial Training (DIT) Exams

Computer Courses (Internal Certification)

- Beginners course
- Microsoft office Packages

Basics in Accounting Packages

- Accountant Technician Certificate Exams
- Kenya Accountants and Secretaries National Examinations Board (KASNEB)



Testimony of a beneficiary of the MTTI programmes



Peter Ondiek (2007-2008) - Course: General Fitting

"I was hired by MRM. The institute changed my life. It taught me to be always focused and made me a professional".



b) Chandaria School of Business at USIU:

Through the Company Chairman, Dr. Manu Chandaria, the institution receives a grant of Kshs 76 million spread for 4 years, intended to give value to the institute.



Outcome:

The Chandaria School of Business is able to form minds which will start business initiatives thus creating employment in the country.

c) Chandaria Business & Incubation Centre at Kenyatta University:

This is also an arrangement where a grant of Kshs 25 million over 2 years is given to the institution.

Outcome:

Students having innovative minds are able to have access to funds to start their projects and businesses.

d) Student scholarships: Grant given Kshs 1.75 million.**Outcome:**

Up to 100 students from economically poor backgrounds were granted scholarship through the Kenya Community Development Fund.

e) Donations to Educational Institutions:

Donation of Kshs 100,000/= made to Liberty Centre, an educational institution for orphans.

f) MRM conducted 'Kaizen' (Japanese for continuous improvement) Training to directors and chief operating officers of state corporations

Bernard Munene of MRM participation in the training on Kaizen to CEO`s and Directors of all State corporations in Kenya



g) **Sponsorship of HIV information dissemination training by Federation of Kenyan Employers (FKE)**

Outcome of above activities:

- More than 100 corporation's leaders were taken through management practices and skills that have a positive impact on service delivery to the citizens. It is common knowledge that service delivery has been a critical gap in Kenya especially at the general public service. This is also in response to Global Compact call for collaborative actions between government and businesses.
- Most employers countrywide are better informed regarding the UN policy developments on HIVAIDS matters.

h) **'Mkenya Daima' Campaign**

MRM collaborated with Kenya Private Sector Alliance (KEPSA), an umbrella body of Kenya's private companies, to initiate the 'Mkenya Daima' campaign which is intended to inspire all Kenyans towards a peaceful elections and a better Kenya by creating a wave of positive feeling about the power of the people.

The campaign involved preaching the message through road shows, heritage tools including national anthem and popular patriotic songs. The campaign was in two phases, and in the first one MRM participated through donating its road show rig plus crew which traversed through the country. The Company committed up to Kshs 10m for this exercise.



Outcome:

More Kenyans across the country are aware of their roles in peaceful co-existence and patriotism has been propagated. The campaign reached the grassroots level, propagating peace and harmony during elections time.

4 Energy & Environment:

Commitment:

- MRM will work at reducing pollution in all its forms, in particular, energy consumption and CO₂ emissions, ensuring good resource and waste management practice & maintaining tight controls over recycling and noise.
- MRM shall be applying the regulatory standard certification bringing environmental management system conformity & complying with legal requirements. MRM will also work to increase Kenya's forest cover.

Projects:

-
- a) **Town Cleaning activities - MRM** Employees have participated in cleaning activities at Mlolongo and Mariakani.

**Outcome:**

- The events raised awareness in people to keep their surrounding clean.

- MRM employees also now have a sense of belonging to the bigger community.

b) MRM participated in **tree planting activities**, and made donations to Green line, an initiative to plant trees in the Nairobi National Park and cleaning the Nairobi River.



Dr. Manu plants a tree along the bank of Nairobi River, witnessed by Prime Minister, Raila Odinga

Outcome:

There is a gradual increase in the forest cover and reduction of pollution at the Nairobi River.

Famine Relief Activities:

The MRM employees raised Kshs 1.5 million and the Company gave a matching amount which enabled the staff to buy food stuff to distribute to the affected families in Kitui and Kaloleni, respectively.



Staff of MRM in red and blue t-shirts distribute famine relief in stricken areas of Kenya.

Outcome:

MRM was able to come to the assistance of more than 2,500 families, to help them survive through starvation due to drought.

COP 2012 – ENVIRONMENT

Commitment:

MRM is committed to take proactive approach to environmental issues with reference to International standards, government law in Kenya and Kenya's National Environmental Management Authority (NEMA). MRM's CSR policy recognizes environment conservational and sustenance as critical activity areas.

Our processes involve application of safe environmental practices and continual improvement to ensure that elements of:

- Waste management,
- Safe disposal,
- Clean environment, and
- Continual improvements in business practices,

These are given a focused attention.

1. Activities impacting on Environment

Activities implemented in 2011 include:

- a) Substitution for wood trusses with steel trusses by Safal Mitek. Safal Mitek is an affiliate company of MRM
- b) ISO 14001 Environmental Management Systems sustenance
- c) Annual Environmental audits and licensing by NEMA Kenya, a critical but also statutory exercise.
- d) We launched a mini tree nursery for our employees to embrace afforestation at their various homes. We aim to expand this to a 500 tree nursery unit to contribute to schools and immediate community.
- e) Participation in Community Clean-up activities by both our Mariakani and Athi River plants
- f) Participation in tree planting in neighborhood(Kinango) & environmental awareness activities



MRM staff participating in a tree planting exercise

- g) Replacement of high energy mercury bulbs with energy saving Solar Energy lamps and solar system.



- h) Use of translucent sheets to eliminate electricity usage during the day
- i) Energy audits held every 2 years – last one was in 2011. This gives measurement of outcomes and value added for our company
- j) Harvesting of rainwater for factory use. Capacity of 4800 M3 (see appended photo)
- k) We have been able to re-use, after recycling, our Septic waters, in watering our football pitch and lawns.

Outcomes from the above activities

1. A monthly saving of Kshs 100,000 realized from payments to Mavoko Water Company (Local Authority) for treating the same.
2. Full time water supplies to the lawns hence saving purchase of approximately 3,000 litres of water per week used for maintaining the lawn
3. Aesthetic for the environment has improved – achieving green fields.

4. Compliance to Statutory obligation – NEMA Act – in terms of water effluent quality discharge, air emissions, etc.
5. We changed our bulbs to energy saving and enforced more use of natural light through the use of translucent sheets in the factory, hence saving on energy costs

Rain Water Harvesting Tanks

Six Tanks with a total capacity of 4800 cubic meters



2. Enterprise Risk Management (ERM) projects

Highlights of the projects

- Upgrading of our treatment plants-
- Establishment of Lawns nurseries and construction made by recycled water
- Put up an effective red oxide disposal mechanism

Measurement of outcomes and value added to MRM

- Reduced usage of wood
- Clean Environment
- Environmentally conscious employees
- No fines or penalties for non-compliance
- Recycling of water & hence reducing demand on water(environmental protection)
- Reduced cost on power

- Raising environment protection awareness in the organization and also to the neighbors.
- Monitoring on energy usage with a view to taking corrective measures
- Reduced environmental pollution
- Good relations with surrounding community and government agencies

Activities planned for next year

1. Tree planting(extensive)
2. Nurseries for seed distribution to the community
3. Installation of additional solar water system
4. Certification for OHSAS 18001:2007.
5. Integration of Environmental, Kaizen, Quality and Health and Safety dockets into ERP/Sap for corporate policy
6. Risk Management policy & Strategy follow up – through
7. Training: external & internal on environmental issues to raise awareness.
8. Upgrading of Fire Hydrant Systems-(for firefighting preparedness).
9. Arrangement for assistance from 77 Artillery Battalion (Mariakani) in case of big fires.
10. Water consumption reduction Project at the Pickling Plant.

MRM Certification Components:

- ISO 9001:2008 certified on Quality Management System (QMS)
- ISO 14001 certified on Environmental aspects
- ISO 26000:2010 on Social Responsibility (Pursued - Work in progress)
- OSHA 18001 certification (Work in progress)

COP 2012 – HUMAN RIGHTS

Commitment:

MRM is committed to the prevailing Global Compact principles and Recognizes fundamental human rights to its stakeholders and Human Resources through the conduct of all its business activities.

1. Our Processes/Systems

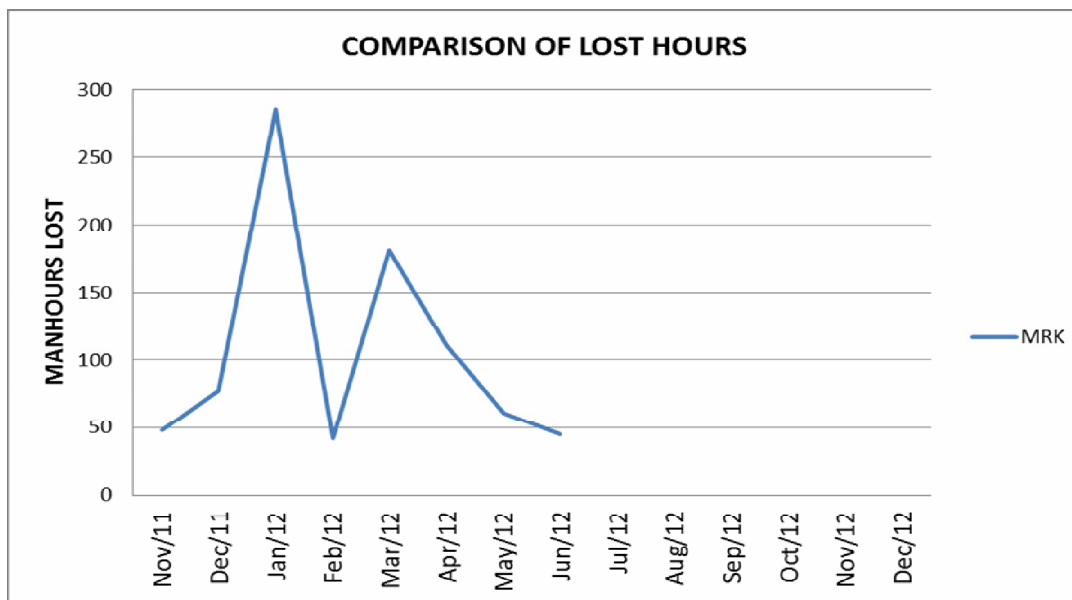
2. Employment in MRM is strictly, managed in accordance with the Labor laws of Kenya, our Constitution and ILO Conventions.
3. MRM has adhered to its core values and continuously engaged employees through the HR-Barazas (forums) and Employee Relations Council meetings.
4. MRM does not condone child labor and as a show of its compliance to Kenya's rules and obligation it has recently effected the directive to process maternity and paternity leave to its employees

2. Activities implemented in the reviewed year

- a) MRM carried out an employee satisfaction survey to measure our staff satisfaction while in our employment
- b) We finalized a policy on business code of conduct.
- c) We have now a policy on Whistle Blower which gives employees an opportunity to raise any issue that they may find unethical.
- d) We have consistently provided appropriate Protective equipment (PPE) for staff to ensure they are not injured while working in the company
- e) We now have a new medical centre for our staff and the community
- f) We have refurbished our staff canteens for all our staff
- g) We now have an employee satisfaction survey champions committee responsible for implementing the last year recommendations but raise issues of concern

3. Measurement of outcomes and value added to MRM

- a) There has been a drastic reduction on injuries and absenteeism in the plant
- b) There is increased harmony between Shareholders, Management and Union Staff
- c) There is more room and say for continual improvement
- d) Core values of Quality compliance and Teamwork are extolled
- e) Easy access to medical and other health concerns by the staff



4. Activities planned for next year

- More HR-Barazas (forums) to be held to educate the staff on the new constitution of Kenya, and on their rights as individuals.
- Changes of the Collective Bargaining Agreement to be presented to employees
- A policy on sports to be finalized
- Training of all supervisors on the provisions of the labor laws
- Staff exit policy to be finalized

COP 2012 – ANTI - CORRUPTION

Commitment

MRM does not tolerate corruption in all its forms and other vices. There is commitment to policy, value statement, global compact principles and corporate governance policies that outlaw corruption in the business.

1. Our Processes or Systems

MRM's value statement affirms the company policy on anti-corruption: We do not take shortcuts to quality and ethics. There is Code of Ethics on Business Conduct that is binding to the staff and suppliers. The Human Resource Department has developed an Employee Handbook to guide staff operations.

2. Activities implemented in the last year

- Adherence to Kenya Bureau of Standards (KBS) regulations on quality standards.
- Stakeholder dialogues are convened as an act of transparency.
- Training of Employees on Code of Ethics & Business Conduct;
- Sensitization of Employees on existence of a Whistleblower policy and the reporting channels available;
- Signing of the Code of Ethics for Business in Kenya under the aegis of Global Compact Network Kenya;



- External Training of Ethics Champions to spearhead awareness on implementation of the Code of Ethics for Business in Kenya;

- Sensitization of employees on the need to implement the provisions of the Code of Ethics for Business in Kenya.
- The Compliance office ensures standards and procedures are stated in the whistle blower, the employee code of conduct standard and in other documents are adhered to
- Transparency in all operations through SAP - Enterprise Resource planning
- Continuous Online training of all employees on ethics.

3. Measurement of outcomes and value added to our company

Cases on violation of ethics policy of the company and staff discipline for reasons related to corruption, were avoided.

COP 2012 - AWARDS TO MRM IN 2011

AWARDS given to MRM during the reviewed period:

- Best Company of the Year 2011.
- CEO of the Year 2011 – Mr. Kaushik Shah
- Manager of the Year 2011 – Mr. Rajat Ranjan
- Best Company – Leadership & Management Practices
- Best Company – Financial Management
- 1st Runner Up – Productivity & quality Practices
- 1st Runner Up – Corporate Citizenship & Environmental Management Focus
- 2nd Runner Up – Customer Orientation & Marketing
- 2nd Runner Up – Information, Innovation & Knowledge Management.
- 1st Runner Up – MRM HIV/AIDS WELLNESS PROGRAM by Global Business Coalition (GBCHealth) Awards. Award was declared at the GBCHealth's Conference in New York City, May 14-15th, 2012.



Activities relating to employee relations



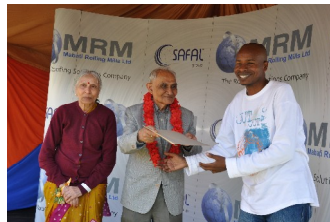
Collective Bargaining Agreement forum over video conference at MRM boardrooms



Staff enjoy goodies during the Christmas party at MRM



Trained First Aiders during the Staff party



MRM recognizes with a token Performing Staff during the party



Monthly Staff Birthday celebrations

End of Report