

Eastern Produce Kenya limited

Communication on Progress
2010—2011



In this report

- Human Rights Issues
- Freedom of Association
- Elimination of Child Labour
- Respect of employment
- Environmental Responsibility
- Work against corruption

STATEMENT OF CONTINUED SUPPORT

Eastern Produce Kenya Limited is committed to implement the United Nations Global Compact as part of our continued belief in sustainable development, responsibility and accountability in our business.

We ensure that our operating standards are of a consistently high level, and that our policies are translated into practical actions.

Through this report on our progress, Eastern Produce Kenya Limited expresses its willingness to support and advance the ten Principles of the UN Global Compact through our policies, processes, actions and products.

Graham Mc Lean

Regional Director

13th May 2010

Our Business

EPK Ltd is a grower and manufacturer of quality black tea in Kenya.

It operates and manages a total of 12 tea estates in the Nandi Hills area.

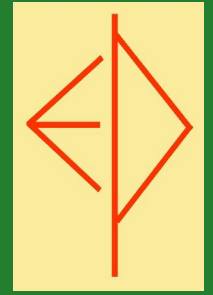
Seven of these belong to EPK Ltd, two to Kakuzi Ltd and the balance is managed clients Including Kibwari Ltd, based in Nandi Hills.

All 12 estates were reviewed for this report.

The estates are planted with the ratio of tea: commercial forestry: indigenous forests being 65 %, 15% and 20 % respectively.

EPK is Rainforest Alliance Certified, ISO 22000:2005 certified, registered with Sedex, and is an active participant in the ETP monitoring program.

WE SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS



A brief description of our processes or systems

The Company respects the ILO Convention and the UN Global Compact Principle on Human Rights. (Eastern Produce Kenya is among the pioneer Global Compact signatories in Kenya having signed on in 2005 and been acknowledged by the then UN Secretary-General Koffi Annan). The Company does not tolerate human rights abuses, and is not engaged or party to any activity that encourages human rights abuse.

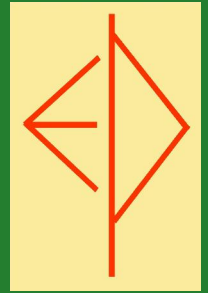
Activities Implemented in the last year

Communication with employees on human rights was enhanced by erecting notice boards at strategic points for communicating policies related to social, environmental and safety issues. Training and capacity building for employees on human rights issues were conducted and refresher training will be conducted in the coming year. Security personnel were trained on conducting body searches to improve the treatment and respect of colleagues as well as maintaining their dignity.

Outcome and Value added to our Company

Employees' knowledge of their rights increased. Improved relationship between management and employees and between the employees themselves.

WE ARE NOT COMPLICIT TO HUMAN RIGHTS ABUSES



A brief description of our processes or systems

The company has a social policy that declares its commitment to complying with labour laws and international agreements that the country is a signatory to. The policy summarizes the rights and responsibilities of the administration and workers, with emphasis on human rights, labour aspects, living conditions, basic services, occupational health and safety, training opportunities and community relations. The social policy has been approved by the company's top management and divulged and made available to the Company's workforce. This policy is clearly displayed on every estates main entrance.

Activities Implemented in the last year

Awareness creation to the employees, general community and our suppliers was done through trainings, field days and community out-reach programmes through the Managed Clients Department. Suppliers were sent questionnaires to assess their human rights practices and conformance to national and international regulations.

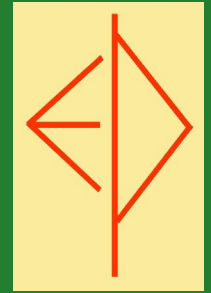
Outcome and Value added to our Company

Employees' knowledge of their rights increased. Improved relationship between management and employees and between the employees themselves.

Closely working with suppliers to improve their human rights and socio-environmental practices.

Generally improving the company image and transferring responsible business practices throughout our supply chain.

WE UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING



A brief description of our processes or systems

Employees in EPK Ltd. have the right to freely organize and voluntarily negotiate their working conditions in a collective manner as established in ILO Conventions 87 and 98. The Company has and divulges a policy guaranteeing this right and does not impede workers from forming or joining unions, collective bargaining or organizing functions for ideological, religious, political, economical, social, and cultural or any other reasons. The Company periodically provides opportunities for KPAWU on behalf of the workers to discuss their rights and alternatives for negotiating their working conditions.

Activities Implemented in the last year

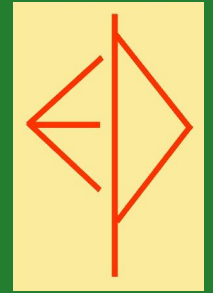
The workers union (KPAWU) remained vibrant, with new employees being informed of their right to join a union. Meetings are held between the union and its members within the premises of EPK. The union and EPK management in turn also have meetings to discuss the issues raised by both parties. The company continued to honour the current Collective bargaining Agreement.

Outcome and Value added to our Company

There is good working relationship between the union, its members and the company. Wages and salaries of employees are well above the national recommended wage for the industry.

There is improved company image and motivated work force.

WE SUPPORT THE ELIMINATION ALL FORMS OF FORCED AND COMPULSORY LABOUR



A brief description of our processes or systems

Any type of forced labour is prohibited, including working under the regime of imprisonment, in agreement with International Labour Organization (ILO) Conventions 29 and 105 and national labour laws. The Company does not withhold any part of workers' salaries, benefits or any rights acquired or stipulated by law, or any of the workers' documents, in order to force them to work or stay on the farm, or as a disciplinary action. The Company does not use extortion, debt, threats or sexual abuse or harassment, or any other physical or psychological measure to force workers to work or stay on the farm, or as a disciplinary measure.

Activities Implemented in the last year

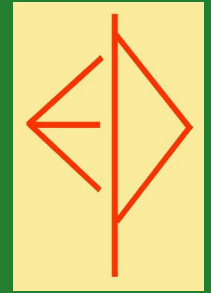
Employment continued to be freely chosen in the year, with employees leaving and joining at will. We continued to be the leading employer in the region, with good remuneration and benefits to employees.

Sexual harassment policy was reviewed during the year and communicated to all employees. Copies of the policies were displayed on the notice boards and sessions held with employees to discuss its contents and implementation.

Outcome and Value added to our Company

No complaints on forced labour or sexual harassment received in the year. Monitoring continued.

WE SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR



A brief description of our processes or systems

It is prohibited to directly or indirectly employ full- or part-time workers under the age of 18 within Eastern Produce Kenya Limited. A Register is maintained of any person on attachment. Students on attachment are guided by the following:

- There must be a confirmation from a recognized institution that the person in question is a student. Procedures are in place to be followed before attachment is confirmed.
- The students have the right to one rest day for every six days worked and rest breaks during the workday the same as or more frequently than contracted workers.
- They do not form part of the farm's contracted workforce.
- They must not work at night.
- They must not handle or apply agrochemicals or be in areas where agro chemicals are being applied.
- They must not carry heavy loads nor do work that requires physical exertion unsuitable for their age.
- They must be under the supervision of a responsible adult in order to guarantee that they understand how to do their work safely.

Activities Implemented in the last year

Continued implementation of National Identity Card as a confirmation of someone being over the age of 18 years before engagement into the company. The same is applied to all our contractors and service providers and their employees.

Employees with children of school going age encouraged to take their children to schools. These schools are constructed and equipped by the Company but open to both company employee's children and children from the surrounding community. Primary Education is free.

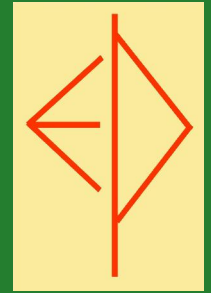
Bursaries given to bright students from the surrounding community and employees children to support their education.

A cordial relationship with Directorate of Industrial Training and training institution was maintained with over 20 students gaining hands-on experience in various departments within the company. We have a memorandum of understanding with Moi University, School of Environmental Studies to support their students on Masters programmes and field attachment.

Outcome and Value added to our Company

All the employees and contractors engaged by the company have national identity cards. Children of school going age are in school. Village Headmen, who monitor social aspects in the villages, also encourage children to attend school

WE SUPPORT ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION



A brief description of our processes or systems

The Company does not discriminate in its labour and hiring policies and procedures along the lines of race, colour, gender, age, religion, social class, political tendencies, nationality, syndicate membership, sexual orientation, civil status or any other motive as indicated by applicable laws, ILO Conventions 100 and 111, and Global Compact. The Company offers equal pay, training and promotion opportunities and benefits to all workers for the same type of work. The Company does not influence the political, religious, social or cultural convictions of workers.

Activities Implemented in the last year

Education and training of the employees on need to co-exist and why we need each other were conducted in collaboration with APHIA II. All of these courses and trainings were free of charge to the employees and community and the company even encouraged the staff to go for additional training courses during working hours.

Cultural diversity has proven to be a great advantage, despite the challenge in terms of language, behavior and integration. This has resulted to synergies, which have lead to a strengthening of the entire company. EPK Ltd. employs workers of different tribes and nationalities. The cultural diversity in relation to gender, age, ethnicity/origin, sexual orientation, disability/illness, religion, ideology, career, lifestyle and performance not only improves a company's image, but will certainly increase the company's potential. Our goal is to increase and take advantage of the potential, which is a result of the differences and similarities within the workforce.

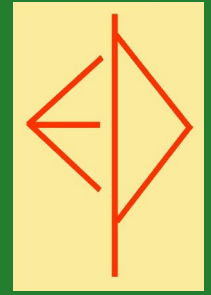
Outcome and Value added to our Company

There were reduced cross-cultural conflicts. The cultural differences and the effect on collaboration is evident in the quality and diversity of the products.

An increase of innovation ability. Different perspectives and ideas encourage creative problem solving, which is the result of diversity within the workforce.

A higher level of tolerance and understanding within the work environment.

WE SUPPORT PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES



A brief description of our processes or systems

EPK supports the principle of “wise-use” through hands-on management and sees this as key to sustainability and the long term preservation of natural resources.

This program was conceived to achieve the objective of the environmental policy of the Company which includes the following:

1. To recognize that economic development may result in both adverse and beneficial environmental change. Sustainable development seeks to maximize the potential of environmental resources, to mitigate any adverse impacts on the environment, and where possible to increase the supply of environmental assets.

2. As part of our business objectives we therefore:

- Seek the efficient use of natural resources;
- Seek investment opportunities where sound economic development is coupled with the protection and improvement of the environment;

Avoid investments where impacts on communities and the environment have not been properly considered and mitigated in their design.

Activities Implemented in the last year

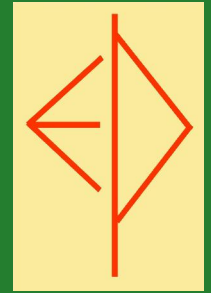
The potential social and environmental impacts of new works or activities were evaluated. These included the upgrading of the waste water treatment areas, the construction or installation of new infrastructure, or major changes in production or processing systems.

The evaluations were carried out before the initiation of any changes or new work in accordance with applicable laws and based on technically accepted and recognized methods. All the evaluations considered procedures for monitoring and evaluating the significant impacts identified and not foreseen during the development of new works or activities.

Outcome and Value added to our Company

- With the improved waste water management system (constructed wetlands) in all our factories, possible adverse environmental and social effects have been overcome.
- Improved community relations and company image.
- The wetlands are used as picnic and educational sites.

WE UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY



A brief description of our processes or systems

The Company has the necessary processes for evaluations, measurement and analysis, to evaluate the functioning of our social and environmental management system. The results of these processes are recorded and incorporated into the policies through a continual improvement plan and program.

Furthermore:

- We ensure that the environmental effects of our investments are assessed and monitored in the planning, implementation and operational stages.
- The business is designed and operated to comply with national and international legislation.
- EPK will not knowingly support businesses and practices which contravene any relevant international conventions to which the country is a signatory.

EPK will assess the environmental standards and practices for planned projects and achieved by operational projects with reference to local regulations. This is to enhance sustainability and encourage a long term perspective in the way we conduct our business.

Activities Implemented in the last year

Village environmental committee meetings to discuss environmental issues at the employee level, internal and external environmental audits, meetings with communities and other stakeholders.

Involvement of both employees and the surrounding community in conserving the environment.

Investment in environmental initiatives and incorporating these activities it in our day to day operations.

Rehabilitation of riverine areas and indigenous forests and trainings on environmental management and conservation.

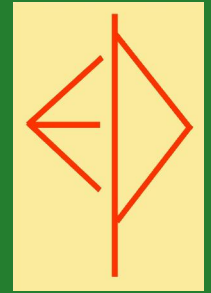
Outcome and Value added to our Company

Rehabilitation of riverine areas has improved biodiversity and created sanctuary for indigenous *Flora & Fauna* from the deforestation in surrounding areas.

The use of natural resources is part of the local community's culture and by maintaining the diversity it assists in ensuring that indigenous knowledge and traditions are maintained.

By ensuring that the interests of the employees and the surrounding community are addressed through sound environmental practice it ensures a good clean working relationship.

WE ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES



A brief description of our processes or systems

All existing natural ecosystems, both aquatic and terrestrial, have been identified, protected and or being restored through a conservation program. The program includes the reforestation of areas within the farms that are unsuitable for agriculture.

The farms maintain the integrity of aquatic and terrestrial ecosystems within the farm and do not permit their destruction or alteration through production activities.

Production areas are located in places that cannot provoke negative effects on national parks, wildlife refuges, biological corridors, forestry reserves, buffer zones or other public or private biological conservation areas.

The farms implement a training and education program in order to guarantee the effective execution of the social and environmental management system and its programs. The training topics are identified according to the type of work carried out and to build capacity within the business.

Records are kept that include the participants' signatures, topics covered and the instructor's name for each training or educational event. The employees attending the trainings are as part of the normal workday.

Activities Implemented in the last year

Many stakeholders including employees, the surrounding community and other tea producers have visited and witnessed the environmental technologies implemented on the estates. In particular Pfunda tea estates from Rwanda who had particular interest in the constructed wetlands. A delegation from China also came for training on Kitchen gardens and food sustainability.

EPK has been proactive in trying to provide appropriate environmental technologies and is willing to share ideas with other role players within the industry.

Further investment in environmental initiatives and incorporating these activities it in our day to day operations.

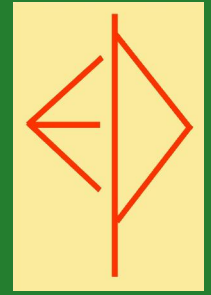
Trainings on environmental management and conservation as well as developing and improving on existing technologies.

Outcome and Value added to our Company

Better public image as a company as well as that of the industry in general. Sharing of knowledge and experiences has proven to be motivating factor for personnel with buyers and auditors giving positive feedback on the initiatives.

By building capacity within the business it is hoped that the information will be utilized and implemented in the community and at the employees farms/homesteads.

WE WORK AGAINST CORRUPTION AND ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY



A brief description of our processes or systems

Eastern Produce Kenya Limited has adopted a Code of Conduct and Ethics, which complies with the highest standards of integrity, honesty and ethics in dealing with all its stakeholders, including directors, managers, employees, customers, suppliers, competitors, shareholders and society at large.

The Code also stipulates policies and guidelines regarding the personal conduct of employees. All new staff receive a copy of the Code and a presentation on the Code as part of the induction process. They are required to sign a declaration stating that they have received it, have read and understood it, and will comply with it.

Activities Implemented in the last year

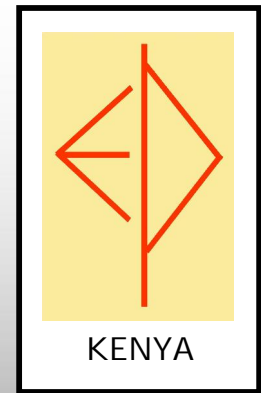
The code of ethics was forwarded to Senior management personnel during the course of the year. This was to ensure that any conflict of interest was declared. Channels of communication are available for the reporting of any inappropriate behaviour.

No disciplinary hearings took place relating to corruption during the course of the year

Outcome and Value added to our Company

A clear transparent code of conduct and ethics ensures personnel are conversant with what is expected. Hence in the event of any disciplinary measure being implemented they are aware of the consequences.

The value to the company is a motivated workforce.



Communicating this COP

This Communication On Progress Report will be circulated to all the tea estates and to interested customers. It is made available to the public through the Global Compact Website.

Eastern Produce Kenya Limited is a participant in the Kenya network of the Global Compact. Almost all events, meetings and gatherings are attended by a company representative.

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