

**SCANGROUP**

**Communication on Progress Report**

**December 2013**

# STATEMENT OF CONTINUED SUPPORT

Hereby enclosed Scangroup's Communication on Progress report, December 2013.

## **Scope of this Communication on Progress**

We have progressed in our attempt to abide by the United Nation Global Principles in the areas below:

1. Human Rights – Principle 1 and 2
2. Labor Rights- Principle 6
3. Environment – Principle 8 and
4. Anti Corruption- Principle 10

Operating in a unique environment, it is beyond our reach to have systems and activities in place for all 10 principles that govern the UNGC.

We continue to work within principles that are relevant to our business and the environment in which we currently operate and these are expounded in the pages that follow.

We pledge to continue to improve our implementation of the 10 principles, where applicable in our current state of operation (attached Letter of continued support from Scangroup CEO).



## SCANGROUP

18<sup>th</sup> December 2013

Secretary General

United Nations,

New York, NY, 10017

USA

Dear Secretary General,

I am pleased to confirm that SCANGROUP limited has continued in its support of the ten principles of the United Nations Global Compact in respect to Human Rights, Labor Rights, Environment and Anti-Corruption since our signing up in April 2010.

Following our commitment, as is required, attached is our submission of our Communication on Progress report that describes our effort in the implementation of the ten principles.

We hereby pledge our continued support to the UNGC and our abidance to the 10 principles that govern it.

Yours Sincerely,



Bharat Thakrar

Chief Executive Officer

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# 1. HUMAN RIGHTS

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

And

**Principle 2: Businesses should make sure they are not complicit in Human Rights Abuses.**

Support and respect of Human Rights has continued to be integral in our company's operations over the years. We have continued to foster close and open working relationship with our employees, suppliers and partners to ensure that the respect of human rights is maintained through all our business operations.

The below are on-going activities that continue to be implemented in line with these principles;

- Provision of health insurance for all employees and their families
- Set working hours for all employees
- Mandatory 21 day leave for all employees
- Providing safe and healthy working environments for all the employees ( as per our code of conduct)
- Open door policy to line managers and the Human Resource department for handling of employee grievances Easy access as per our code of conduct ( Section; Reporting violations)
- Extension of company loans to employees for additional health care and education if need be

## **SYSTEMS:**

- Open door policy with immediate bosses and Group HR Manager
- Implementation of the Supplier tracking system that checks all our partners/ suppliers to ensure their businesses are aligned with Scangroup's ways of working
- Warnings and eventual termination where needed for employees and suppliers that are non-compliant provisions for the above as stipulated by our code of conduct

## **2. LABOUR RIGHTS**

**Principle 6: Businesses should uphold the elimination of discrimination in respect of employee and occupation.**

‘Scangroup is an equal opportunity employer,’ (Code of conduct on discrimination).

We continue to employ systems that drive a discriminatory free working environment. We do not discriminate (sex, age, religion and color) in our recruitment, training or promotion of our employees.

The Scangroup has stipulations that discourage harassment (verbal, sexual or otherwise) of our employees.

Our employee base has grown over the past year. We currently have over 551 employees; 214 female and 302 male with a total of 75 expatriates.

### **SYSTEMS IN PLACE**

- Open door policy with immediate managers and the Group HR Manager
- Annual appraisal and employee review system that promotes employees based on merit
- Mandatory WPP Code of Conduct Training

### **3. ENVIRONMENT**

#### **Principle 8: Businesses should undertake initiatives that promote greater environmental responsibility**

We continue to partner with likeminded organizations when it comes to the protection of our environment.

We continue our work with the Kenya Wildlife Service (KWS) and Kenya Association of Manufactures on the Nairobi Greenline Campaign, an initiative to protect National Parks around the country.

The campaign has continued to prove successful. Over 250,000 trees have been planted to date around the Nairobi National Park and plans are underway to develop at least 13 picnic sites around the park.

The Greenline continues to grow in its Mandate to engage the people of Kenya about the need to protect our environment.

Internally, our code of conduct stresses environmental accountability. (Section under Community Partnerships)

Activities that the company has undertaken are as below:

- Recycling of printed paper for internal use ( re use, re-use, recyle )
- E-mail briefing system to avoid wastage of printing paper

## **4. ANTI CORRUPTION**

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

**“The company has adopted a zero tolerance policy for bribery regardless of any circumstance,” (Scangroup Code of Conduct under Anti Corruption).**

All our employees are required to work with integrity in their dealing with both our internal and external customers. We do not allow violation of the law in our dealings by any of our employees and business partners.

### **SYSTEMS IN PLACE:**

The Scangroup Code of Conduct guides our business practices and client dealings by requiring the below from our employees

- Strict abidance to Competition Fair Market play
- Employment of stringent procurement practices with our vendors
- Avoiding situations that could create a conflict of interest with the company or with the law
- Open communication policy with our internal and external partners

### **ACTIVITIES:**

- Mandatory WPP Global Bribery and Corruption awareness trainingMandatory WPP code of conduct training for all employees

## **PARTNERSHIP PROJECTS**

The company has also undertaken the following partnership projects over the last year:

### **Nairobi Greenline**

Scangroup continues in its support of the Nairobi Greenline; a joint project between the Kenya Wildlife Service and the Kenya Association of Manufacturers to protect the Nairobi National Park. With over 250,000 trees planted around the park.

### **Bring Zack Back Home**

The Group is proud to have been associated with the 'Bring Zack Back Home' campaign launched by the Kenya Paraplegic organization in partnership with Safaricom. The face of this campaign Zackary Kimotho (Zack) was in early January 2004, shot in an attempted carjacking incident. This caused him to become paralyzed from the waist down. Zack's goal was to travel to the nearest spinal injury rehabilitation centre in South Africa for treatment, on a wheel chair.

Scangroup helped to launch and drive the campaign with a target to raise Sh250 million for construction of a rehabilitation in Kenya centre for spinal cord injury patients. The social investment made by Scangroup was in the form of creative time, energy and resources spent to make this campaign a multimedia success. Bring Zack Back Home raised seed capital for a rehabilitation center here in Kenya and drew worldwide media attention around the globe.



# AWARDS AND DONATIONS

Scangroup through its various agencies won at least 6 awards as this year's Loeries and at least 9 awards at the Marketers Society of Kenya Awards.

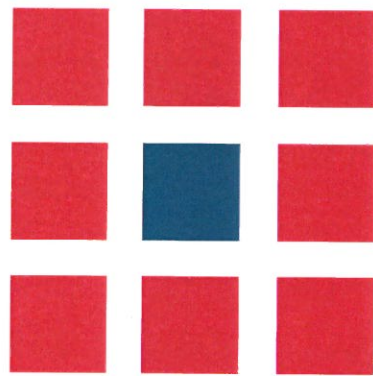
**Monetary Donations/ sponsorships for the last financial year in varying sectors (Health, Sports, Education) totaling just under Kshs. 3M Million are as below:**

## **Donations:**

- Kilimanjaro Blind Trust – Kshs. 890,000
- Kenya Bengalee Culture Welfare Society – 51,000
- Maharashtra Mandal – 51,000
- Lifebox Foundation ( Safe anesthesia – Kshs. 1,360,707
- St Luke Khurale – 5,000
- Hope house babies – Kshs. 240,000
- Chase Group Foundation Walk – 25,000
- Rotary Club Fundraising Film- 20,000
- Save the Children- 18,000

## **Sponsorships:**

- Lewa Marathon Water Station - Ksh. 250,000
- Charity Golf Day – Kshs. 200,000



**Scangroup**

**Code of Conduct**

## *Introduction to the Scangroup Code of Conduct*

The Code of Conduct (“Code”) is an overview of fundamental Company policies and directives guiding our relationships with each other and with our stakeholders. This includes our Clients, Media owners, Suppliers, Shareholders and the Community at large.

This Code cannot anticipate every possible situation or cover every topic in detail. The central concept of the Code of Conduct is to confirm the Company’s commitment to the principles of ethical and lawful business conduct, and all of our business decisions should be evaluated in this light.

Employees are expected to understand and comply with the guidelines set forth in this Code. They should read the Code carefully to make sure they understand all of the provisions of the Code, the consequences of not complying with the Code, and the importance of the Code to the Company’s continuing success. All employees (existing and new) must sign a declaration of their observance of the Code pledging that they have read and understood the code and that they will abide by all of its provisions.

All employees are reminded of their obligation to act in utmost good faith, ethically and in the best interests of the Company.

## *Applicability of the Code*

This Code applies to all employees of Scangroup, its subsidiaries and associate companies.

## *Compliance*

Each employee is required to follow this Code in letter and more so in spirit as well as with all applicable laws and other Company policies and directives. Failure to do so may result in disciplinary action including termination of employment and in appropriate cases civil and criminal liability. Additional responsibility for compliance is placed on Managers. They must lead by example. It is important that all Managers report all instances of violations to the Group HR Manager as soon as the same come to their attention with a view to addressing the non-compliance immediately. In urgent circumstances they are required to take immediate measures to forestall the commission of violation of the Code or furtherance of the same.

## *Reporting Violations*

Employees are encouraged to report any conduct that they believe, in good faith, to be a violation of laws or the Code to the Group HR Manager. This includes violations in relation to accounting, internal accounting controls, auditing matters, or any deceptive financial practices. The first point of call on seeking guidance is with a face to face meeting with your immediate manager. If an employee is not comfortable talking to their Manager or has reservations after doing so, they should consult another Manager or any of the following:-

- Group HR Manager
- Group Company Secretary & Head of Legal
- Chief Finance Officer
- Chief Executive Officer
- The Chairman of the Board of Directors

The Company will not allow any discrimination or retaliation action against employees for having, in good faith, reported violations or suspected violations of the Code or disclosures required under the Code. A 'good faith' report means the information given is given in the belief that the same is true and with no ill intentions. If you believe or are subjected to retaliation, please contact any of the staff listed above. You are assured of confidentiality on all reports and disclosures made. Employees might be called upon to help with investigations relating to a breach of this Code by being asked to provide more information.



## *Conflict of Interest*

Conflict of Interest occurs when our personal or family interests interfere or appear to interfere with our ability to make sound business decisions on behalf of the Company. All employees are reminded to avoid situations that could create an appearance of a bias and in particular that they should have no relationship with clients, media owners and suppliers that may conflict or appear to conflict with their obligation to act in the best interests of the Company. Accordingly, no employee should directly or indirectly accept or solicit any inducement (monetary or otherwise) from any client, media owner or supplier that may compromise or appear to compromise their judgment in business dealings with that client, media owner or supplier. Employees are encouraged to disclose to the CEO any attempt by any client, media owner or supplier to compromise them. This may be done through anonymous communication or in person. In both cases, the information shall be treated as strictly confidential and will only be used to investigate and put in place measures to safe guard the interests of the Company.

## *Disclosure of conflicts of interest*

The Company requires that employees disclose situations or transactions that present conflict of interest or, that would reasonably be expected to give rise to conflict of interest. Disclosure should be to the Group HR Manager or the CEO. While it is not possible to address all areas of conflict of interest or potential conflict of interest below are common situations where conflict of interest can occur.

### **i. Doing business with family or friends**

Employees are required to disclose instances where they or their spouse, partner, child, relative or other family member has a direct or indirect stake, employment or any interest in the business of existing or potential vendor, client, media owner or competitor to Scangroup or a competitor to a client of Scangroup. Failure to report this will be deemed as conflict of interest.

### **ii. Outside Employment and Activities**

Employees are also reminded of their obligation to devote the whole of their time to the business of the Company. Accordingly, employees shall not take on, either for themselves or on behalf of others, any work or assignment that competes with the business that the Company engages in now or has intention to do so. Currently this includes advertising, media planning and buying, creativeworks including modeling jobs, public relations, market research, branding and identity, digital, field marketing, activation, event management and any other business that the Company may get into from time to time.

Involvement in such business/activity or part-time employment outside the Company and office hours needs to be disclosed in writing to the CEO who will on a case-by-case basis issue a 'No Objection Letter' or agree on a timeframe for disengagement from such business/activity.

The Company encourages active citizenship and community service which may include serving on boards of non-profit, community or religious organizations. This does not require prior approval, as long as it does not interfere with your ability to do your work but must be disclosed if the Company will be involved in any business transaction with such entity. However this work should not be undertaken during working hours or using Company resources. In case of any doubt as to whether any work, service, or activity constitutes a breach of interest, you should consult the Group HR Manager

### **iii. Gifts and Entertainment**

Good working relationships with clients and suppliers is encouraged and at times employees may be presented with gifts and entertainment offers. These gifts may include items of value, travel vouchers, meals, entertainment accommodation, favours and services accorded to an employee even if unaccompanied by the giver. Employees should be cautious when receiving such offers since this can give rise to conflict of interest by such an activity creating an obligation or making the receiving employee biased in future business dealings with the giver. All gifts and entertainment should be declared and recorded in the Gifts register maintained by the Group HR Manager. Receiving of gifts and entertainment is extended to include spouses, partners and relatives and are applicable all year round.

### **iv. Business Opportunities**

Employees should not take business opportunities for themselves that are discovered in the course of their employment with the Company, as this could be contrary to the interests of the Company. Nor may they otherwise use the Company property, intellectual information, proprietary information, presentations and or documents prepared by the company or their position at the Company for personal gain. If an employee is presented with a business opportunity through the use of Company property or information or because of his/her position with the Company, and is within the Company's lines of business, then such an employee must present the business opportunity to the Company.



## *Asset Protection*

The Company has a wide variety of assets, including physical assets, proprietary information and intellectual property. Employees have a responsibility to protect the Company assets and ensure their effective, efficient and appropriate use. Theft, carelessness, and waste have a direct impact on the Company's profitability. All Company assets must be used in accordance with applicable Company policies and procedures. All assets shall be used for official work only.

When employees leave the Company through resignation, termination or for whatever reason, they must return all Company assets, including documentation and any media containing the Company's proprietary or intellectual information.

Below are certain instructions for internal and external handling of information, communication systems and intellectual property.

### **Physical Assets**

It is of paramount importance that we protect and use the Company's physical assets with respect and care protecting them from theft, damage, loss or misuse at all times. In addition, no employee is allowed to remove any of the Company's physical asset from the Company premises without the written authorization of his or her Manager. To do so will be a violation of this Code and subject to disciplinary action including termination. In appropriate cases, criminal and civil actions may also be instituted against such employee. Managers are required to authorize all equipment taken out of the Company premises for work related assignments.

### **Intellectual Property**

As Company employees we are duty bound to protect all intellectual property created by the Company including ideas, processes and any work that may be deemed our own creation. The Company shall at all times have exclusive ownership of any intellectual property conceived by employees in relation or within their scope of work. The Company retains the rights to all the intellectual property created by employees even after they have left its employment.

### **Use of the Company's communication systems**

The Company's communications systems, including connections to the Internet, should be used for conducting Company business only and consistent with various Company polices including the Acceptable Internet Use Policy.

Employees are encouraged to desist from unacceptable use of the Company communication systems which includes processing, sending, retrieving, accessing, displaying, storing, printing or otherwise disseminating material and information that is fraudulent, harassing, threatening, illegal, racial, sexually oriented, discriminatory, offensive or otherwise inconsistent with professional conduct. Breach of this is totally unacceptable and carries heavy disciplinary action. All electronic communication sent out of the Company network bears the Company signature and is identifiable with the Company. Electronic messages both personal and business are recoverable and storable data. Employees are all reminded to bear in mind that this communication can be forwarded or copied to third parties worldwide without their knowledge and consent. Employees are therefore requested to take utmost care and consideration of all electronic communication sent from the Company network at all times.

Employees are also reminded not to expect any privacy as they use the Company Information Technology network and facilities, the Company reserves the right to monitor all communication sent out from its network.

#### **i. Business Records**

As a listed Company we are obligated to provide our shareholders with full, accurate, timely and understandable information about our financial and operational results in accordance with the applicable laws. Our credibility is judged through the integrity in which we present our books and records at all times.

#### **Accurate Data Entries and Records**

We are obligated to make sure that all the information we record in the process of our day to day work is complete, accurate, accessible and protected. This information is used to arrive at business decisions as well as reporting to our investors and preparation of public financial results. The Company will not tolerate falsifying of information including expense claims, mileage claims, entertainment claims, timesheets, financial or business records or making of false statements to our external and internal auditors. Presentation of false information is against the law and the consequences are serious and detrimental to the image and credibility of the Company's internal system of control and well being of the Company.

If you are or become aware of a potential issue you are to raise your concerns immediately with the Company CEO for immediate investigation and action.



## ii. Accurate Communication

All employees are requested to direct all inquiries from outside parties such as investors, analysts or the media to the CEO or Company Secretary for appropriate responses.

## iii. Insider Trading

The Capital Markets Authority Act (CMA Act) has prescribed certain regulations that expressly prohibit the use of unpublished insider information. All employees shall act in strict compliance with insider trading rules and regulations. The complete regulations may be viewed on [www.cma.co.ke](http://www.cma.co.ke).

Employees are not permitted to, directly or indirectly, buy or sell shares in any publicly traded company, including Scangroup Limited, while in possession of inside information regarding such company or to disclose inside information to anyone within or outside Scangroup including family, friends, co-workers or others.

“Inside Information” is non-public information. It is price sensitive; if it were to be generally known in the market, it would affect the price of Scangroup’s shares. It is impossible to give an exhaustive list of topics which are or may be price sensitive.

The onus is on the employee to ascertain that he or she is not in violation of the CMA act. Some common examples are:

- A proposed take-over or merger
- Actual or estimated profits or losses
- A decision relating to payment of dividends
- A significant new line of business
- Unusual borrowing
- Liquidity problems
- A potential insolvency

Employees are not permitted to comment about the Company or its affairs to the media, investors, financial or industry analysts, outside consultants, on Internet chat pages or other public forum without written approval by the CEO.

# *Safeguarding our relations with Clients and Business Partners*

## **Ethical Business Practices**

When dealing with clients we are committed to act within stringent measures of integrity and honesty and we are expected to follow the guidelines given below when dealing with clients:

- All communication must be made honestly and truthfully with terms of engagement clearly stated in an accurate and easy to understand manner
- Disrespectful or rude , verbal or written, or in any form will not be tolerated. If a difference with a client emerges that is beyond your authority you should escalate the same to your immediate manager.
- Confidentially, integrity and accuracy must be maintained at all times when dealing with client's records and business transactions.
- Our commitment is to serve diligently never making promises that we cannot keep to other parties.

We are to be extremely cautious at all times to ensure that we never engage or offer money or anything else of value considered as a bribe to anyone with whom we are doing business or might do business with in future if the purpose is to retain business, secure business or encourage the party engaged to do a corrupt, deceptive act.

## **Procurement Practices**

We must abide to fair purchasing practices at all times making decisions fairly, objectively and in the best interest of the Company and clients. We should ensure we have vendor diversity and do not allow personal influences or prejudices to influence or appear to influence business decisions.

## **Competition**

We must always strive to work within a fair competitive environment where we do not breach the competitions fair market play.

## **Working with Colleagues**

No employee should be discriminated against because of age, race, gender, religion, H.I.V status, marital or maternity status, political opinion or ethnic background. All employees should know the basic terms and conditions of their employment.