

**Period covered on Communication on Progress (COP) – 22<sup>nd</sup> May 2015 to 21<sup>st</sup> May 2016**

**Statement on continued support by Chief Executive Officer (CEO)**

I am pleased to confirm that Kenya Sweets Limited supports the ten principles of the United Nations Global Compact in respect to human rights, labour standards, the environment and anti- corruption.

With this communication, we confirm how the United Nations Global Compact and its principles form part of the daily working environment for the company and its stakeholders (i.e. employees, customers, suppliers, bankers, the state agencies and the society)

A key requirement for participation in the United Nations Global Compact is the annual submission of a Communication of Progress (COP) that describes our effort to implement the ten principles. This is the fourth year our company is reporting on a COP.

I support transparency and therefore commit to report on progress of Kenya Sweets Limited according to the Global Compact COP Policy.

Yours sincerely

Chandravadan Shah

**Human Rights Principles**

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

Principle 2: make sure that they are not complicit in human rights abuses

**Assessment, policy and goals**

Kenya Sweets Limited supports the Universal Declaration of Human Rights in all respect and complies with the human rights principles as specified in the Constitution of Kenya.

One of the core values of the company is respect for oneself and that of its stakeholders, including fellow employees, other business partners and the environment.

For management staff, there is an employee handbook available since February 2009 which specifies best practices at the workplace. The Collective Bargaining Agreement (CBA) applies to unionizable staff and is renewed for a period of two years. The latest CBA was finalised in January 2016 and is valid up to 30<sup>th</sup> April 2017 and a subsequent CBA for the period covering 1<sup>st</sup> May 2017 to 30<sup>th</sup> April 2019 has been negotiated in advance and has been signed to take effect as soon the current one expires.

The company is providing a healthy and safe working environment to its staff.

## **Implementation**

The staff members are encouraged to have one on one dialogue with fellow staff and work in teams so as to promote a healthy working environment.

The company follows the requirements of the Occupational Health & Safety Act on a continual basis and an annual audit is carried out by an independent party.

A new Human Relations Officer was appointed on 1<sup>st</sup> April 2016 and stationed in the production area to allow all workers to communicate effectively and put their points across to the company.

There is a risk assessment review carried out periodically and which is co-ordinated by our insurance company. The frequency for this assessment is based on the insurance company's judgement of significant changes in the risk profile of the entity.

A register is maintained to record work related accidents and injuries.

## **Measurement of outcomes**

Grievances by staff have reduced compared to prior year due to the teamwork and we expect further progress on this area as the new HR Officer will provide the workers with an easier channel of communication

There was a Health & Safety audit carried out by SGS (K) Limited on 21<sup>st</sup> December 2015 and remedial action actively taken on the findings as specified in the report dated 28<sup>th</sup> January 2016.

The latest risk assessment review is to be carried out in June 2016 by a risk management company that will be chosen by the insurance company and corrective action will then be taken on the findings.

The causes of work related accidents and injuries are looked at critically and preventive measures are in place. There were only two major work related injuries to staff members in the production team both of which occurred in 2015. Both staff were administered with first aid and sent to the company clinic for further treatment. They have recovered relatively well and remain part of the workforce.

## **Labour Principles**

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

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

Principle 5: the effective abolition of child labour; and

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

### **Assessment, policy and goals**

Kenya Sweets Limited is an equal opportunity employer.

All unionisable staff has their letters of appointment formalized and their rights are protected by the clauses in the Collective Bargaining Agreement (CBA) which was finalized and is valid up to 30<sup>th</sup> April 2017. We have also agreed upon and signed a subsequent CBA which will be effective from 1<sup>st</sup> May 2017 to 30<sup>th</sup> April 2019

All management staff members are on employment contracts that specify their roles, responsibilities, compensation and benefits.

All staff members are paid above the minimum wage regulations.

Casual workers are made permanent, depending on their work performance and after the first three months of work.

The company does not engage in child labour.

Staff members have been given the free hand to join unions.

Through increase in operations and production output create more employment for the members of the surrounding society and to improve the general standards of living for their families.

### **Implementation**

The CBA was formalized in January with collective input from management & unionisable staff representatives and union officials.

Management staff are appraised every year and rewarded on performance based pay.

Medical and lunch benefit are provided to all employees, including sub-contracted staff.

The offices have open plan layout and staff approach each other to have constructive and transparent discussions on work related matters.

Innovation and Introduction of new products to increase our market share and sales which would lead to higher demand for our products and hence increase in operations which will require additional labour to cater for the same.

### **Measurement of outcomes**

Approximately 80% of our permanent staff belong to the Food, Manufacturing, Bakery, Confectionery and Allied Workers Union (Kenya).

The remuneration agreed in the new CBA is approximately 20% higher than the applicable minimum wages and since the CBA was backdated to May 2015 all the staff has been paid their respective wage arrears.

Cordial working relationships exist between staff and this is evidenced by the negligible involvement of the Ministry of Labour and Union officials on staff related matters.

Due to increased demand of new products additional labour hours have been required to cater for additional production output. We have been able to employ and assimilate additional staff for the same and continue to employ more staff as demand increases. Our staff numbers as at 15<sup>th</sup> May 2016 are 30% higher than the same time last year.

### **Environment Principles**

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

Principle 8: undertake initiatives to promote greater environmental responsibility; and

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

### **Assessment, policy and goals**

The team at Kenya Sweets Limited understands that the company's activities affect the environment & the nearby communities and have a responsibility to identify and manage these impacts as effectively as possible.

Environmental matters are dealt by staff on a continuous basis. Specialised staff is in place to deal with various environmental issues.

### **Implementation**

The Energy Management Regulations, 2012 provide the guidelines for efficient use of Energy and as such these regulations and any changes to same are regularly monitored and followed.

A special Energy Committee headed by an Energy Specialist Manager has been finalized.

In line with the requirements of the Energy Management Regulations, an energy audit was carried out in March 2015 by an independent party, Merculex Energy Solutions.

The use of solar powered energy as an alternative form of sustainable energy was approved by the Directors and Installation of Solar Panels was started and completed in 2015.

The annual National Environment Management Authority (NEMA) audit was carried out on the 21<sup>st</sup> of December 2015 and was approved/recognised by NEMA on the 20<sup>th</sup> of April 2016.

### **Measurement of outcomes**

Installation of Solar Panels was completed in November 2015 and this has helped the company keep its electricity bills in check as the Bills have been relatively at the same level despite a 20% increase in machine and power usage since November due to extra production output and demand.

The new boiler that was installed in 2014 continues to show its efficiency as our Power & Fuel Expenses rose by only 18% in 2015 despite producing 30% more output over the course of 2015.

The findings of the energy audit, carried out by Merculex Energy Solutions, are presented in a report dated March 2015. Corrective actions were taken based on the recommendations in this report and the Special Energy committee is monitoring progress on a regular basis.

### **Anti – Corruption**

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

### **Assessment, policy and goals**

Kenya Sweets Limited has a vetting procedure in place to ensure that people with integrity are recruited and then retained.

The company has an internal control system in place to safeguard its assets.

The company also ensures that all laws and regulations are abided by strictly be they National, Regional or at Industry level so that cases of non- compliance and the opportunities for corruption to thrive thereafter are minimised.

### **Implementation**

Improvements are made on an ongoing basis to the internal control system. In particular controls on the inventories have been strengthened during the year due to the high risk of misappropriation of assets and particularly affecting manufacturing companies.

Staff has been provided training on ethics by fellow team members and external parties.

All interactions with licensing & regulatory authorities are carried out in a transparent manner where no single member handles communications and all information is shared with the relevant staff and the Board of Directors where necessary. Tangible proof of the interactions is maintained in the company records.

Specialised staff are hired and allocated duties such as renewing of licences and handling of Regulatory Audits e.g. Revenue Authority audits.

### **Measurement of outcomes**

The values of the company are continually being shared with team members such that there is a wider appreciation of the integrity concept and responsibility placed on all staff to safeguard the company's assets.

All licences obtained are accompanied with official receipts of the payments made to relevant authorities.

All fines and penalties in cases on non- compliance with laws and regulations, that are incurred by the company are recorded and official receipts are available in the company records.