

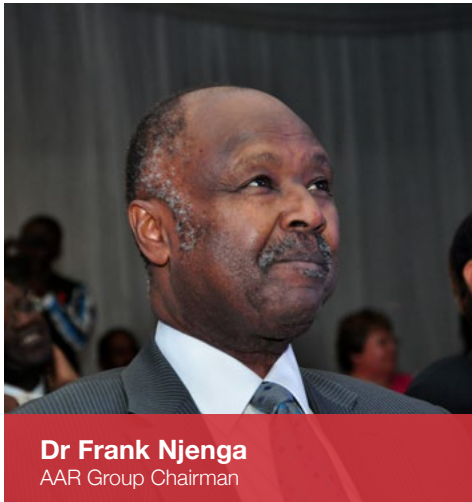


AAR 2015 Sustainability Report

Communication of Progress



AAR Group Chairman's Statement of Commitment 2015 to UN Global Compact



Dr Frank Njenga
AAR Group Chairman

The UNGC calls companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour rights, environment and anti-corruption, and to take actions in support of the UN goals, including the Millennium Development Goals.

AAR Group has demonstrated unwavering support for the United Nations Global Compact, since it joined in 2008, and wherever possible, it has aligned the company's business practices to support UNGC's Ten Principles.

AAR group continues to run its companies, AAR Insurance and AAR Healthcare, keeping in mind proper stewardship of aligning the companies' missions and values and work with the goal of facilitating accessible insurance packages enhancing a better peace of mind. High quality health services are provided through AAR Healthcare which constantly works to improving the health, and therefore the education and economic well-being of citizens in the countries where AAR has a presents.

AAR continues to strongly believe that healthier populations become better educated and more fruitful economically, and thus its work undertakes the betterment of health across the large and diverse landscape of modern-day East Africa and

aiming at the rest of sub-Saharan Africa.

During 2015 AAR Healthcare has set up five new health centers in the region, and it continues to strategies about the possibility of venturing into in-patient facilities in Kenya and Tanzania in the coming years. In 2015 AAR Insurance unveiled a revolutionary product that rewards clients for staying healthy.

AAR community education initiatives, working hand in hand with its trust, address these challenges, as AAR does additional work to address the consequences of global climate change. In fact, the separate companies' commitment to addressing the negative impact of climate change in the East African region has led to strengthening AAR Insurance and AAR Healthcare commitment to support the AAR Beckmann Trusts community initiatives as they wish to be part of the solution for a better future in the countries where AAR has a presents.

So as to lead by example the Directors of the various Boards of AAR have signed a Code of Conduct to ensure accountability at all levels of the business. Furthermore all AAR staff and sales representatives sign an annual Code of Conduct oath, and in return, receive training that incorporates, embraces, and helps implement the goals set forth in the UN Global Compact, the national Visions and the Millennium Development Goals and the SDGs. In this way, AAR endeavors to deserve its members' and other service users' trust, as it strives to advance their health and well-being.

In the meantime, with the challenge of tightening regulatory procedures within the insurance sector, as well as expanding competition in the healthcare and insurance sector, AAR endeavors to continue its responsible business behaviour albeit impunity at all levels remains a major challenge. For example on an everyday level, as AAR endeavors to make ethical buying from business partners, it is often compromised by the uncertainty of procuring from plausible sources in spite of the fact that it has a pre-signed 'Supplier pre-qualification document'. The latter document not only asks for the provider to be keeping to specific regulatory and legal mandatory qualification, but he/she is asked whether the goods and services provided are not detrimental to the environment. Better monitoring procedures to manage this are continually looked into.

A handwritten signature in dark ink, appearing to read 'Frank Njenga', written over a light background.

Dr. Frank Njenga
Group Chairman
Nairobi, 6th May 2016





PHOTO: Dr Njenga planting trees with children at Mbagathi Primary School under the T4H programme



PHOTO: Dr Njenga signing the visitors book at the re-launch of Kampala Hospital, Kampala Uganda



PHOTO: Mrs. Beckmann, Caroline Munene Managing Director of AAR Insurance Kenya and Charles Kariuki General Manager of AAR Healthcare Kenya and the re-launch of the T4H programme in Nairobi, Kenya



PHOTO: Mrs. Beckmann and the Sonia Orwa T4H Programme Manager planting a tree at the re-launch on the T4H programme in Nairobi, Kenya



PHOTO: AAR Brand Ambassador Nurse Betty, Member of Parliament for Nyali Constituency and AAR Group Chairman at the launch of the Nyali Clinic in Mombasa, Kenya

Human Rights

AAR subscribes to the International Labour Organisation and upholds the Constitution and all human rights laws of each country it operates in.

Both AAR Insurance and AAR Healthcare have taken this a step forward by providing safe and healthy working conditions, by guaranteeing freedom of association, by ensuring non-discrimination in personnel practices, by ensuring that they do not use directly or indirectly forced labour or child labour, by providing access to basic health, education and housing for the workers and their families and further by making reasonable recruitment for all employees' religious observance and practices.

AAR Group hold monthly staff meetings across the businesses to ensure freedom of expression and through quarterly staff surveys feedback is received from the employees.

The medical and insurance businesses call for utmost respect for individual privacy of all the companies' clients and employees with a streamlined employee and patients' information system. Both AAR companies' employees sign an oath to ensure confidentiality of patients' results.

AAR Group has explicit policies that protect the human rights of workers in its direct employment and throughout its supply chain. The company further established a monitoring/tracking system to ensure that human rights policies are being implemented; moreover the company actively engages in open dialogue with stakeholder groups, including civil society organizations. Finally the company ensures that in the course of business no human rights are violated.

In case of a human rights violation the human resources policy gives guidance on how to report and address the same.

In 2016 AAR Group plans to update the Staff Manual so that it is in line with the current laws. Staff training is ongoing throughout the year and this continues in 2016.



PHOTO: A T4H volunteer deworming a child



PHOTO: AAR Healthcare Nurse giving a health talk to students



PHOTO: Deworming children at a children's home in Nairobi, Kenya

Labour Standards

Employment in AAR is on mutual agreement where the members of staff offer their services in return of a consideration (Salary). There is a mutual agreement (contract) signed at the initial engagement stage. Staff and sales people are required to read through the company's staff manual and sign off that this was done.

According to national laws, AAR respects the right of all employees to form and join a trade union of their choice without fear of intimidation or reprisal. The operating companies have put in place non-discriminatory policies and procedures with respect to trade union organization, union membership and activity in such areas as applications for employment and decisions on advancement, dismissal or transfer. AAR does not interfere with the activities of worker representatives while they carry out their functions in ways that are not disruptive to regular company operations. Moreover, AAR Group allows trade unions to do collection of union dues on company premises, posting of trade union notices and address any other pertinent problems and needs of interest both of employees and management, including: restructuring and training, redundancy procedures, safety and health issues, grievance and dispute settlement procedures as well as disciplinary rules. In the meantime family and community welfare employees are encouraged to nominate a representative to act as a bridge and liaise with management on different issues affecting them.

AAR Group does not use, be complicit in, or benefit from forced labour. The company ensures that all its officials have a full understanding of what forced labour is. Employment contracts for all employees state the terms and conditions of service, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work. AAR writes employment contracts in languages easily understood by workers, indicating the scope of and procedures for leaving the job.

AAR Group is aware of countries, regions, sectors and economic activities where there is a greater likelihood of child labour. It adheres to minimum age provisions of national labour laws and regulations and, where national law is insufficient, takes account of international standards. AAR Group uses adequate and verifiable mechanisms for age verification in recruitment procedures and where wages are not determined collectively or by minimum wage regulation, takes measures to ensure that wages paid to adults take into account the needs of both them and their families reflecting cost of living in the East African region.

AAR is an equal opportunity employer which has instituted company policies and procedures that make qualifications, skill and experience the basis for recruitment, and placement. It continues to provide adequate training where needed throughout the course of the year which allows for advancement of staff at all levels. The company assigns responsibilities for equal employment issues at a high level; it issues clear company-wide policies and procedures to guide equal employment practices, and links advancement to desired performance. AAR Group keeps up-to-date records on recruitment, training and promotion that provide a transparent view of opportunities for employees and their progression within the organization. It also reasonably adjusts the physical environment to ensure health and safety for employees, customers and other visitors with disabilities.

AAR promotes diversity and even enjoys culture days across its businesses and this diversity continues from year to year.



PHOTO: Employees enjoying cultural day festivities in AAR offices



PHOTO: AAR Group staff members at a team building activity

Environment

In line with the CEO water mandate that AAR became signatory to in 2013, AAR, has been in the forefront of intensive initiatives of reforestation in the East African region through its Trees for Health (T4H) school CSR project. For the last 9 years much of the action in this field has been conducted through its trust, AAR Beckmann Trust. Due to environmental challenges, therefore also climatic challenges, facing the whole of the East African sub-Saharan region, AAR Healthcare trains children, the youth and the wider community on the importance of environmental conservation under the Trees for Health programme.

In the year 2015 the school T4H initiative dewormed some 20,000 children and planted approximately 14,000 trees in the region. The programme since its inception some 20 years ago has not only had a general environmental benefit but it also has had a powerful health impact on school children, who are the adults of tomorrow. The programme has nurtured a healthier generation which has become more aware that it is not only a matter of tree planting but it is also necessary to see that the planted tree seedlings grow. Therefore the Trees for Health programme has had outstanding health as well environmental impacts. Among other initiatives in 2015 to further boost buy-in from school children, watering cans were donated to schools and communities that plant trees to encourage them to maintain and take care of newly planted tree seedlings.

AAR Group encourages all its different businesses centres to recycle waste paper. In Kenya newspaper is collected for recycled into pencils through the “Green Pencils” programme, these are distributed to students in schools that participate in the T4H reforestation initiative.

For drug provision at its health centre pharmacies AAR Healthcare uses recycled brown paper bags. AAR businesses, where possible, are encouraged to carry out rain harvesting to reduce the use of local water sources. There are AAR facilities fitted with solar panels to reduce their reliance on the local power grid.

Operating in the medical field AAR Healthcare deals with biohazardous waste which is properly disposed of in an environmentally friendly manner. The company uses the services of licensed disposal companies to handle biohazardous waste which is weighed at collection. Once a year, AAR conducts random visits to the waste disposal facilities to ensure that these are not only in line with the regulations of the country but are not disposing of hazardous waste in a manner that would be detrimental to the environment. AAR Group’s IT departments also dispose of their e-waste in a manner that is not harmful to the environment.



PHOTO: Tree planting with AAR Staff for the T4H programme



PHOTO: An AAR Group staff volunteer teaching children how to plant trees

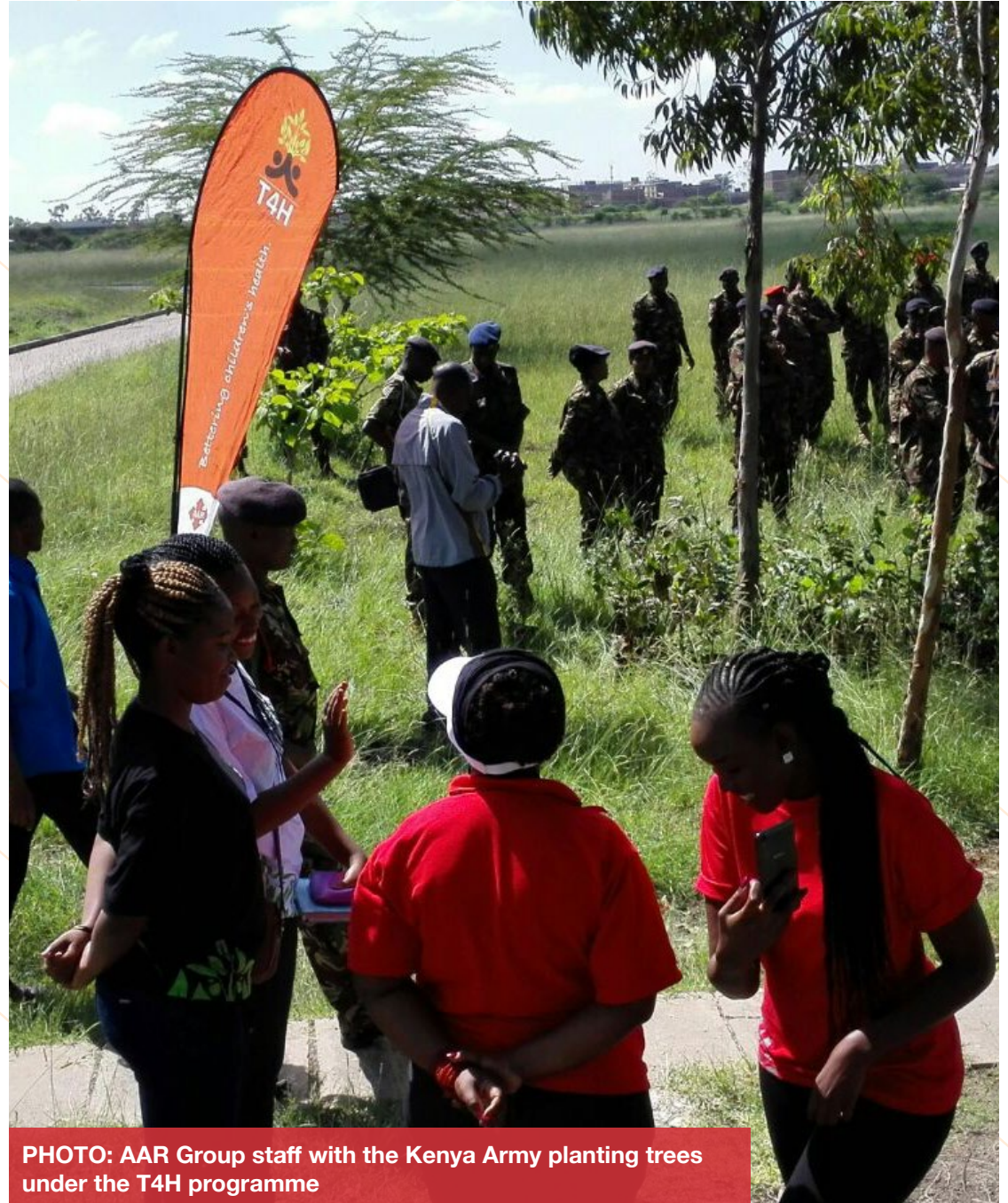


PHOTO: AAR Group staff with the Kenya Army planting trees under the T4H programme

Anti-Corruption

The fight against corruption in AAR is one that is not only fought at operation level but one combatted from Board level. A Code of Conduct is executed by all Directors to ensure that they act in the best interest of AAR Group as well as upholding the ethical and moral standard that the brand is known for.

All staff members, sales persons and AAR associates must uphold the Code of Conduct duly executed upon joining the business not only in the conduct of their business but as they go out to represent AAR. The company has embraced internal initiatives to sensitize its employees against unethical practices. It further declares to all persons affiliated with AAR of all areas that may pose a conflict of interest.

A procurement committee ensures quotes for all items come from several suppliers rendering fair and price worthy procurement. The strict hiring and recruiting process in AAR ensures and mitigates possibility of corruption. At recruitment, following the

short listing of candidates, a panel of 5 people from different AAR departments conduct the interviews to ensure that the process is fair and free from corruption.

In 2016 AAR Group will see the revival of good governance and ethical practices by enforcing the Corruption & Whistle blowing policy, a policy which relates to bribery, corruption, fraud and theft. The reinforcement of this policy will encourage employees to uphold the highest standards of integrity, openness and accountability. This will further enhance the same ethical behavior expected from volunteers and others conducting business with the company.





John Kuria Kariuki
AAR Credit Chief Executive Officer

AAR CREDIT

AAR Credit is part of the AAR Group and is also dedicated to upholding the standards and the Ten Principles of the United Nations Global Compact.

AAR Credit Services provide innovative and beneficial financial service products for its clientele. The products are tailored for small to medium enterprises that are interested in creating wealth and generating opportunities for the society as well as for individuals seeking personal growth and development.

17% of our loan portfolio consists of loans to low to middle income Kenya government pensioners who are ordinarily shunned by banks. 35% of our loan portfolio consists of loans to small scale dairy farmers who would normally be forced to sell their milk to extortionist middle men than wait 45-60 days to receive payment from New Kenya Cooperative Creameries. Through our digital invoice discounting programme these farmers are able to receive payment upfront for their milk supplies. This shows that we are an all inclusive business that will innovate products to serve any demographic.

AAR Credit is an equal opportunity employer with different cultural and ethnic backgrounds working harmoniously to provide the best products for our clientele. We uphold the rule of law and human rights as set out in the Constitution of Kenya.

We believe in empowering the next generation and that is why our main corporate social responsibility is the sponsorship and mentoring of fifty two (52) very needy students at Ronald Ngala Primary school in the slum area of Huruma Estate in Eastlands. Our sponsorship consists of food and uniform. Students who perform exceptionally well in their primary level education also have the opportunity to be sponsored through their secondary education. We have a close association with the students we mentor even after they have left the programme.

AAR Credit Services has been a fully paid-up member of the Association of Micro-finance Institutions of Kenya (AMFI Kenya) since inception and abides by the Association's Code of Conduct.



PHOTO: AAR Credit CEO John Kariuki awarding a scholarship to a deserving student so she can peruse her secondary school education. Looking on are other members of AAR Credit staff and her father



PHOTO: AAR Credit mentoring team



PHOTO: AAR Credit staff members mentoring students at Ronald Ngala Primary School



AAR CREDIT RECEIVE A TROPHY AWARDED TO THEIR COMPANY ON BECOMING A MEMBER OF THE KENYA TOP 100 MID-SIZED COMPANIES 2014/15, ON 10TH OCTOBER 2014.

