



2016

COMMUNICATION ON PROGRESS



EASTERN PRODUCE KENYA LTD

Scope

This Communication on progress report covers the operations of Eastern Produce Kenya Limited in Kenya. It covers the company's activities in the year 2016 with a purpose of providing information about our ethical, social and environmental work.

It also plays an important role in helping us monitor results step by step as they are achieved, thus, helps us shape our future social, ethical and environmental activities. It sets out the standards that our business strives to achieve, in the interests of all of our stakeholders, in the areas of:

- Business Integrity
- Workplace
- Environment
- Consumer
- Community

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.

Christopher Flowers

Group Managing Director

ABOUT EPK

Eastern Produce Kenya Limited (EPK) is part of Camellia Plc., (www.camellia.plc.uk), one of the world's largest private producers of tea. The Camellia Group owns tea gardens in India, Kenya, Malawi, and Bangladesh producing around 80 million kg of tea annually.

Eastern Produce Kenya Ltd (EPK) engages in tea growing and manufacture in Kenya, with tea estates centered in the beautiful Nandi Hills area, west of the Great Rift Valley. It employs over 9,000 employees at any one given time. The equatorial climate, good soil conditions and fairly consistent rainfall means that tea is produced throughout the year and is of a very high quality with well-rounded flavor. Through continuous investment in the land, factories and human resources, EPK produces some of the highest quality teas Kenya has to offer.

EPK tea estates comprise of; Kibabet, Kapsumbeiwa, Kipkoimet, Kepchomo, Kaboswa (Managed)*, Kipkeibon (Managed)*, Siret (Managed)*, Kaprachoge (Managed), Kibwari (Managed)*, Chemomi, Savani and Sitei. Good agricultural and manufacturing practices and the methodology behind production and quality also play an important part in the gradual progression of the company. Technical, strategic research and development teams have been set up under the Technical Department is dedicated to improving all aspects of tea production, soil and leaf analysis,

nursery practices and fertilizer regimes. The department is also active in providing Technical advice on Environmental, Ethical, Food Safety and Occupational Health and Safety aspects of the business.

Linton Park Regional office situated in Nairobi performs the company's marketing and promotional functions. A team of experienced and dedicated individuals are based at these premises, providing a solid marketing foundation for the operations.

STRATEGY AND ANALYSIS

Our Approach

The board of Camellia Plc. is responsible for establishing the group's policy on Corporate Social Responsibility and has given the Executive Committee responsibility for ensuring that the policy is implemented across the group in a manner appropriate to those countries and sectors in which our businesses operate.

In 2009, the board adopted a new Corporate Social Responsibility Policy to replace the Statement of Business Principles that had been in place since 2005. The Corporate Social Responsibility Policy is available on the Camellia plc's website.



Photo1: Employee housing units in one of our estates

We believe that good management of employment and environmental issues is essential in ensuring the long-term success of our business. We are therefore committed to devoting the resources necessary to continually improve our performance with the same vigor that we apply to other aspects of managing our business.

Development 2016

2016 was a good year for our operations. Thanks to all the employees, management and all other stakeholders that made the year a success. Due to sustainability measures taken in previous years, we have remained fit to tackle the challenges and respond very effectively, whilst remaining focused on our business philosophy. A key theme in our business is the drive for environmental stewardship and waste water management. We upgraded the factory machinery in a bid to improve on quality and

catch up with technological advancement. Food Safety Management Systems worked well in all the units with excellent results from the ISO 22000 external auditors. Housing improvement in all the units was also given priority.

We fine-tuned our marketing operations focusing on customer service, “customer intimacy”, and cost efficiency. Best practice and knowledge sharing was enhanced by creating teams, focused on finding solutions to specific issues at the estate level.

Outlook 2016

EPK is committed to consistently deliver incremental improvements in the areas that drive our sustainability goals. We aim to maintain our leading market position, both in terms of quality products and improved service by anticipating consumer and industry trends, and remain focused on ethical business, environmental management and product improvement using innovative programs.

We will continue tracking sustainability indicators monthly and report to the Board quarterly. This will not only improve the reliability and transparency of the data, but will also enhance the link to the more frequently tracked operational performance indicators.

We aim to integrate all performance indicators, financial and non-financial, into one set of data that will allow us to monitor and manage performance to set targets continuously. We expect to enter the next

level of awareness of sustainability issues by actively using the data as part of our regular management review process.

EPK will in 2016 continue to implement and audit CSR requirements for supply chain as part of total quality management. This will be done by sending out supplier questionnaires and visiting selected suppliers premises for verification.

CORPORATE GOVERNANCE

The responsibility for managing the Company at the top level rests with the Board of directors, which meets every quarter of the year. We have defined Key Performance Indicators (KPIs) to measure the impact of sustainability actions on our operations. Through the board, the Regional Director, Operations Director, Production and Technical Directors determine the detailed actions to be taken in order to:

- Act with integrity, adhering to high standards of behavior, encouraging leadership by senior management, responsible decision making and dialogue with stakeholders
- Be proactive in our focus areas of business integrity, social responsibility, product and consumer safety, community involvement and environmental management
- Measure, report and communicate

The responsibilities for sustainability issues are aligned with our organizational and hierarchical

structure at the estate level. Corporate Affairs Manager coordinates and advises on all CSR issues, senior management is responsible for the social and environmental performance of the company. First line management is aware of sustainability requirements and is encouraged to integrate and implement the sustainability initiatives in the day to day operations, while living our core values.

Risk Management and Organizational Engagement

Sustainability for us means assurance of long-term success within a stable economic, social and natural environment. We believe that, with the values we have established, and the policies and business practices developed from these, we are well prepared for the move towards sustainability.

Our success is greatly dependent on climatic conditions, plant disease, the cost of labor and the market price for the produce. In addition, exports from Kenya are subject to foreign exchange fluctuations as products are priced in US dollars.

Developing countries such as Kenya tend to be politically less stable, and there are also long-term issues concerning land ownership over which the company has little control but monitors closely.

Our aim is to manage these risks and control our activities cost-effectively. Our precautionary approach enables us to take up profitable business opportunities, avoid or reduce risks that can cause loss, reputational damage or business failure, support

operational effectiveness and enhance resilience to external events.

We apply the principle that where there are threats of serious or irreversible environmental or social damage, lack of full scientific certainty shall not be used as a reason for postponing measures to prevent environmental degradation or negative social impact

ECONOMIC PERFORMANCE

OUR ECONOMIC FOOTPRINT 2016

Through the taxes we paid, the jobs we provided and the supply and distribution businesses we supported, we were a significant contributor to the economy of the country. The sum total of these positive impacts comprises our economic footprint.

In the last year we invested capital in factories and equipment to ensure the consistent quality of our products and sustainability of our businesses.

Supporting Employment

EPK directly supports over 9,000 jobs in a wide variety of positions involving tea plucking and tea bush management, specialist skills, different crafts and the full range of business activities and machinery operation in the tea factories. However, the people depending on our business for their livelihood are much more than listed above.



Photo 2: Aerial view of employees housing units in our estates in Nandi Hills

Paying Taxes

In 2016, we paid duty and taxes to the government as required by the country's legislation. The company is recognized as a distinguished taxpayer by the Kenya Revenue Authority.

Impact on Small Holders

Another significant financial impact of our operations on the economy is support to the smallholders that supply green leaf and other raw material required by the Company.

Assistance is provided in the form of training in good farming practice, extension service provision, roads and other infrastructure improvement and maintenance. We continue to invest in increasing farmers' skills and knowledge in the use of fertilizers, pesticides and tea varieties best suited to

local climatic conditions and infrastructure development.

Working with Suppliers

While focused on the commercial need to procure goods and services of the required specification and quality on the most favorable terms, we work collaboratively with our suppliers to ensure that availability is sustainable in the long term and that contracts are fair and business relationships are mutually beneficial.



Photo3: One of the 15 primary schools constructed by the company for employees and surrounding communities children of school going age to prevent child labor

As part of good governance, we encouraged our suppliers to work towards the same corporate citizenship standards as our own business. All major suppliers confirmed that they operated environmental, business ethics and health and safety policies and operated a system of performance

monitoring to ensure continuous improvement. In the coming years we will be working with smaller suppliers to ensure a similar commitment to corporate citizenship principles.

ENVIRONMENT

We recognize that our activities have the potential to affect the environment either positively or negatively hence aim to improve all environmental aspects of our business. In addition to using resources wisely, we strive to minimize any negative environmental effects that could be caused by our business activities.

We focus our environmental efforts on activities that we believe have the greatest impact. Today we work on an overall level in major areas such as reducing carbon dioxide emissions, using alternative energy sources, managing waste water, and reducing energy consumption.

Environmental Activities Co-ordination

Each business unit has a senior manager in charge of planning and implementation of measures to ensure that stores, factories, living quarters and engineering workshops take environmental responsibility seriously. Each unit has its own action plan detailing the work towards achieving the goals set for social and environmental training, waste management,

saving energy and water, as well as minimizing environmental impact from transportation.

The operations progressively introduce tougher demands in the area of environmental management, such as energy consumption and waste management. They also demonstrate that they have effective and reliable methods for monitoring progress. There are monthly reviews, focusing on issues related to environmental management set-up and evaluation of actual performance.

Description of our Processes or Systems

We support the principle of “wise-use” through hands on management and see this as key to sustainability and the long term preservation of our natural resources.

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
- The Company has the necessary processes for follow up, measurement and analysis, including that of claims by workers or other persons or groups, 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.
- We do not knowingly support businesses and practices which contravene any relevant international conventions to which the country is a signatory.
- We 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.
- All existing natural ecosystems, both aquatic and terrestrial, have been identified, protected and are being restored through a conservation program. The program includes the reforestation of areas

- within the farms that are unsuitable for agriculture.
- EPK maintains the integrity of aquatic or terrestrial ecosystems inside the farms and do not permit their destruction or alteration as a result of management or 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 position and type of work carried out.
- 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.

Waste Management

Our operations have an integrated waste management program for the waste products we

generate. This is based on the concepts of refusing or reducing the use of products that have actual or potential negative impacts on the environment or human health waste as well as reusing and recycling waste. As part of this program, the sources and types of waste have been identified and the quantity (weight or volume) estimated. The activities of the integrated waste management program are in accordance with the types and quantities of waste generated.

We have appropriate treatment systems for all of wastewaters we generate. The treatment systems comply with applicable national and local laws and have the respective operating permits. There are operating procedures for industrial wastewater treatment systems.

Our Factory waste water is handled through Constructed wetlands. These are currently working well with biological indicators such as fauna and flora showing good growth and diversification in species proving that it is effective. Ashes and clinkers generated from the combustion of firewood are placed on the compost heap. Solid factory waste i.e. tea leaves are placed on compost heap for recycling i.e. used as manure, an alternative fertilizer source.

Office refuse is sorted and the combustible materials are burnt in boilers and other material disposed of in a pit. The metal scraps are collected and sold to a scrap dealer. Paper and plastic is disposed of by

recycling where possible. Solid factory waste consists mainly of tealeaves, plastics, paper, textiles, cotton wool, glass, pieces of wood etc. Litterbins are provided at each factory for collection of waste with separation at source.

The hospital waste is handled with the due care. Incinerators are available to dispose of tissues and contaminated combustible material. The ash from the incinerator is buried accordingly. The company has a License to operate a waste treatment plant namely an incinerator.

Waste oils and greases from the factories are collected and returned to Group Central Workshops for disposal by Shell Oil Company (on contract) and greases from the wash down are handled by a system of oil and grease traps.

Human waste from management houses and factories are collected in septic tanks. The human waste from the village is handled by use of the pit latrines, which are properly decommissioned when full. The 'VIP' pit latrine types are well ventilated for reduction of bad odor and flies.

The compost heaps for biodegradable rubbish generated in the estate villages are built according to a very specific design from our social/environmental consultant.

As a further waste management strategy a waste classification report has been compiled and the analysis conducted.

Energy Consumption

The tea production consumes both thermal, electrical energy and energy derived from fuel oils.

Our goal is to reduce the energy consumption in relation to the quantity of products produced at each unit. Energy use is continuously monitored at each factory and estate. Action plans based on these results are made in order to improve efficiency and raise awareness among workers.

Transport

The impact exerted on the environment as a result of transport activities related to our operations cannot be overlooked. We invested in acquiring a greater insight into this relationship, not least to stipulate environmental criteria when negotiating the future provision of transport and goods forwarding services. A plucked leaf's route from field to Factory can be long. Smart route planning, full utilization of the volume capacity in a trailer as well as the filling with the right weight of goods is the most effective weapon to reduce the environmental impact and cost of transport.

Households

Within the households the main sources of energy are Fuel Wood, Kerosene, Liquefied Petroleum Gas (LPG) and Coal. The conversion to energy efficient stoves is reducing the village's requirements for cooking fuel material. Trials have just been

undertaken to see how much more efficient jikos are than open fire cooking.

Although energy efficient jikos have been installed across the estates, we are looking at the best way of maintaining them, as the clay used in the original design has not lasted as hoped. New designs are under review.

Water Management

We have instituted a water conservation program that ensures the rational use of water resources. The program activities make use of the best available technology and resources.

We consider water re-circulation and reuse, maintenance of the water distribution network and the minimizing of water use. We keep an inventory and indicate on a map the surface and underground water sources found on our farms. The operations record the annual water volume provided by these sources and the amount of water consumed. We have obtained the relevant permits for the abstraction of water for all extraction points.

We have maintained riparian vegetation along the rivers and streams in its estates. Areas previously under Eucalyptus within these areas have been rehabilitated with indigenous. The wetland sections within the estates are conserved accordingly. No negative impacts have been reported regarding the alteration of ground water movement from surrounding communities due to the agricultural activities.

Monthly water quality analysis is carried out and the verification of the parameters done by External laboratories. The parameters analyzed for include chemical, physical, Microbiological and nutrient composition. A possible source of contamination of the surface water is the factory wash-down effluents, runoff and the nutrients in the form of the fertilizers applied in the fields. Fertilizer runoff has been monitored in recent years. No pollution of water courses or swamps has been detected. The other possible sources of contamination of the surface water are incorrectly established pit latrines and spillage or leakages from the underground petrol and diesel storage tanks. Regular audits, of fuel pumps are conducted to determine deviations and enquiries done to ascertain whether the storage tanks are leaking. No extension or upgrading of current water resources is planned in the near future.

Air Quality Management

The estates emissions into the air include smoke from the boilers, gases from maceration, dust from tractors, vehicle emissions, as well as smoke from within the households (Charcoal stoves) and firewood across the estates. The point sources of emissions are the generators and the boilers.

Air pollution may be caused by emission from the combustion of fuel wood. The main pollutants of concern are carbon dioxide, carbon monoxide, Sulphur dioxide, nitrogen oxides, hydrocarbons,

dust, fly ash, and particulate matter, which are produced during combustion. Indoor pollution may lead to negative impact to occupants and exposed workers.

Common effects are respiratory disease including allergies and bronchitis. Mitigation measures including proper ventilations, tall stacks, provision of chimneys in kitchens, and fuel efficient Jikos are practiced on the estates. No evidence of any significant air pollution from the factories or vehicles is apparent and no complaints have been received.

Factories use dried eucalyptus wood as a fuel source in their operation. The calorific value of the wood is high and smoke emissions are reduced. Moisture content of the eucalyptus is monitored on weekly basis to ensure conversion ratio is optimal.

Households within the villages are using improved cooking stoves for energy conservation efficiency and ventilation. The use of improved jikos' has reduced fuel consumption and ensured that there is less smoke in workers homes.

The total quantity of the different pollutants emitted from the factories depends on the production capacity and operational efficiency of the factory. This can be expressed in terms of specific pollution load i.e. the total quantity of a typical pollutant generated per quantity of tea produced.

Due to the publication of Kenya gazette supplement

No 74 of 13 October 2006 legal notice 131 Fossil fuel emission controls. Vehicles are serviced regularly as per Manufacturers guidelines and the fuel usage monitored on a monthly basis.

Soil Management and Conservation

High rainfall and undulating hills favor erosion. Isolated areas are prone to erosion but these are identified by conducting soil profile analysis prior to fields being uprooted and replanted.

The Company implemented erosion control measures to combat the problem in all fields that were replanted which included, contours, soak pits, vetiver grass, oats etc. The operating policy of the management is to leave 30 m from water bodies/courses uncultivated, to retain its natural vegetation. This policy has been continued with felled areas in riverine areas being rehabilitated. Erosion control measures have been put in place to secure areas that are unstable and on steep slopes. The management has continually carried out rehabilitation of riparian vegetation river catchments as a way of conserving the environments while protecting the riverbanks and hence controlling erosion and flooding incidences downstream. No flooding or landslides have been reported on the estates since the inception of the tea plantation project.

All pruning are left in the field as in previous years to improve organic matter, water retention, soil

cohesion and fertility. Vegetative protection to prevent soil erosion at the edges includes Lemon grass, Agapanthus and vetiver grass. Sediment traps, spillways and barriers are dug in the gutters to reduce the velocity of water and prevent erosion from the roadways into the tea fields. Comprehensive soil fertility databases are available on request for each field, which is used to monitor changes in soil fertility

Natural Resources



Photo 4: Aerial view of the tea field intertwined with forestry cover in a bid to enhance biodiversity.

Apart from the indigenous forests there are no other natural resources of significance in the area. No mineral resources have been found on any of the estates. Due to our environmental requirements certification by Rainforest Alliance was obtained in 2007 and recertified in 2012 to ensure sustainable agricultural practice and sound environmental

practices. To prevent any chemical degradation due to the use of pesticide the necessary precautions are taken as per the Premier foods pesticide audit.

Murram is mined for construction and repair of roads which is done mostly by contractors. Most of our estates have quarries on their land, from which stones are collected. Blasting for new stones has not been done for some time but when needed; the services of a licensed explosives operator are utilized.

Audits

Annual Environmental audits are done within our operation and environmental management and integration plans developed. The plans have indicators and clear implementation timelines.

Any new developments with anticipated major impacts are only implemented after Environmental Impact Assessment has been done and an elaborate environmental management plan put in place.

In addition, we work closely with certification bodies to develop standards and implementing baseline and pilot studies.

LABOUR PRACTICES AND DECENT WORK

Our core value in relation to labor practice and decent work is to respect the dignity and well-being of all those people who work for us. Looking after the people who work in our businesses, wherever they may be based, is our priority.

As we aspire to be the leading player in the tea growing and production arena, we continued to invest significantly in our people in 2016. To retain this leadership position it was critical for us to develop our people by means of formal and on the job training.

Our managers learnt how to lead and not just manage. In 2016 we will continue to expand our leadership development and training programs. This, we hope, will make us a more attractive employer, creating a sustainable competitive edge.

EMPLOYMENT

In 2016 our farms continued to directly hire the workforce, except when a contractor was able to provide specialized or temporary services. We strongly discouraged use of mechanisms to avoid the direct hiring of workers and the obligations normally associated with labor contracts. Employment of foreign workers in our operations is subject to a work permit issued by the responsible government agency.

We do not ask for money from workers in return for employment. All our employees, apart from members of management, are unionisable and are free to join a union of their choice.

Total workforce by employment type, employment contract, and region

In 2016 we employed an average of 12,000 Employees, up by 12% compared to 2015.

Absenteeism

In 2016 we remained focused on health and safety programs and increased our communication around these issues. Examples include safety training for employees, focusing on physical safety and employees' wellbeing and welfare, and procedures to maintain a healthy and safe working environment etc.

We also focused on absenteeism, casual leave and sick leave monitoring. The figures were monitored on a monthly basis and discussed at the various board meetings on a quarterly basis.

Lost Time Incidents Frequency Rate

A reduction of the lost time incidents frequency rate (LTIFR) by paying attention to and preventing accidents remains an important item on our agenda.

We have taken several initiatives including rejuvenating the Joint health and safety committees, building their capacities, conducting accident investigations and instituting recommendations among other measures. We will continue our efforts and focus in occupational safety and health in 2016.

Employee Development

Developing our employees is key for us: we want our employees to continuously grow in their current

roles and responsibilities and develop their potential, skills and competences. This is reflected in many different initiatives and aspects of our business. We have invested in our employees' capacity building and training. In 2014 we rolled out our new corporate values through training programs across the operations. Another theme that remains important is the continuous development of our leadership capabilities, within departments and across the group.

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

Temporary and part-time workers (both national and foreign) have the same rights and benefits as permanent workers. They have been informed of and are familiar with their rights, responsibilities, salaries or pay, work schedule and other subjects normally forming part of a legal work contract. All our operations do not maintain relations or contracts with third parties in order to avoid directly hiring workers or related obligations, such as social security payments, accident and injury insurance and medical services that normally are the responsibility of the employer.

Our Employment Principles make clear our strategy of ensuring that our reward levels are highly competitive within the local area. We are confident that through regular external benchmarking with

legal provisions and other players in the field we remain a generous benefit provider. In 2016, the salaries and wages paid to all categories of our employees exceeded the national legal minima for the various territories.

LABOR/MANAGEMENT RELATIONS

Percentage of employees covered by collective bargaining agreements

In all our businesses, all workers have the right to freely organize and voluntarily negotiate their working conditions in a collective manner as established in ILO Conventions 87 and 98 and local legislation. We have and continuously divulge a policy guaranteeing this right and we do not impede workers from forming or joining unions, collective bargaining or organizing for ideological, religious, political, economic, social, cultural or any other reasons. We periodically provide opportunities for workers to make decisions regarding their rights and alternatives to form any type of organization for negotiating their working conditions.

Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements

As a practice, we formally and regularly consult and inform workers and general community regarding any planned technical and organizational changes and their potential social, environmental and economic impacts.

Our Employment Principles make clear that, where restructuring is necessary, we are committed to doing so in a responsible manner. Where such situations do occur, our companies adopt responsible local approaches and procedures to address each instance, including severance pay and any other measures as may be appropriate to the situation and location, including extensive outplacement support to help displaced employees to find alternative employment.

OCCUPATIONAL HEALTH AND SAFETY

All our farms have an occupational health and safety program to reduce or prevent the risk of accidents in the workplace.



Photos 5: Inside one of the factories.

All workers receive training on how to do their work safely, especially regarding the application of agrochemicals and carrying out any hazardous work.

We provide the necessary equipment to protect workers and guarantee that the tools, infrastructure, machinery and all equipment used on the farms is in good condition and does not pose a danger to human health or the environment.

Measures are taken on our farms to avoid the effects of agrochemicals on workers, neighbors and visitors. We also conduct risk assessments and identify potential emergencies and are prepared with plans and equipment to respond to any event or incident, as well as to minimize the possible impacts on workers and the environment.

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

On our farms all the Joint Health and safety committees meet on a quarterly basis as a guarantee that we comply with our occupational health and safety program objectives. The members of these committees are elected according to an established procedure. The employees elect their representatives, while the management representatives are appointed by the Top Management. The representation to the committee is on a fifty-fifty basis and is dependent on the number of employees at each workplace and national guidelines on Occupational safety and Health Committees. Issues raised in the meetings are dealt with by the Management representatives and

any policy or capital expenditure issues are forwarded to the Top management who gives a response within Twenty One working days. Our employees confirm that they participate, either by direct communication with the administration or through the occupational health and safety committee, in verifying that policies, procedures and other activities indicated in the occupational health and safety program are being complied with.

Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

We have a permanent and continuous training program to educate our workers on how to carry out their work correctly and safely, especially regarding the handling of machinery and agricultural equipment.

Our employees are familiar with the training requirements for their job, and must be trained before starting work on the farms (induction program). We also maintain written records of each training session, including its objectives, subjects covered, workers required to attend, materials used, frequency and duration, and a list of those who participated.

We are also good neighbors and relate in positive ways with our neighbors, surrounding communities and local interest groups. We periodically inform the

surrounding communities, neighbors and interest groups about our activities and plans, and consult with interested parties about changes that could have potential impacts on the social and environmental well-being of surrounding communities. We contribute to local economic development through training and employment and try to prevent negative impacts on the areas, activities or services that are important for local populations.

TRAINING AND EDUCATION

Our Principles specifically cover Learning and Development and the provision of opportunities. We also emphasize the importance of personal responsibility for growth.

Our training and learning strategy is to build capabilities through a focus on coaching and by enhancing our ability to connect, collaborate and share. We do not limit learning to 'off the job' education activities but we provide comprehensive frameworks for development planning as well as performance management.

We place considerable emphasis on creating a coaching culture throughout our operations, as we believe that training and development should take place as close as possible to the work being done and that coaching is the right way to develop leaders at all levels, to share knowledge and to build better business solutions.

We expect any restructuring to be carried out in a responsible manner. Any of our companies implementing closure or downsizing are encouraged to make a social assessment and to consider ways of mitigating the impact. We expect them to be as considerate as possible with severance pay and redundancy support and, wherever possible, to support employees in gaining alternative employment through a mix of counseling, outplacement services and skills retraining.

All management employees are expected to complete the performance appraisal process. The approach to performance and career development for employees in our companies is managed locally. For other employees, careers are stipulated in the Collective bargaining agreements. These systems enable objectives to be set for each employee for the coming year and record achievement against those objectives. The systems also contain development and career planning information which feeds through to our training and administration department.

HUMAN RIGHTS

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). Our business units do not tolerate human rights abuses, and are not engaged or party to any activity that encourages human rights abuse.

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

All our employees have the right to freely organize and voluntarily negotiate their working conditions in a collective manner as established in ILO Conventions 87 and 98. We have in place and divulge our policy guaranteeing this right and do not impede workers from forming or joining unions, collective bargaining or organizing for ideological, religious, political, economic, social, and cultural or any other reasons.

We periodically provide opportunities for workers to make decisions regarding their rights and alternatives to form any type of organization for negotiating their working conditions.

Any type of forced labor is prohibited, including working under the regimen of imprisonment, in agreement with International Labor Organization (ILO) Conventions 29 and 105 and national labor laws. We do not withhold any part or all 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 units do 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.

We prohibit direct or indirect employment of full- or part-time workers under the age of 18 within our business units. 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 agrochemicals 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.

Our business units do not discriminate in labor and hiring policies and procedures along the lines of race, color, 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. We offer equal pay, training and promotion opportunities and benefits to all workers for the same type of work. We do not influence the political, religious, social or cultural convictions of workers.

Cultural Diversity

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 led to a strengthening of the entire company.

We employ 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 our 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.

Trainings and Awareness creation



Photo 6: Managers talking to farmers and neighboring communities during one of the field days organized by the company

In all our businesses, employees were trained on various aspects of Human rights and their rights as employees. This included communication on their right to join a recognized workers union, right to a safe work environment and right to be considered for employment without discrimination. EPK enhanced this communication by erecting notice boards at strategic points for communicating policies related to social, environmental and safety issues. Trainings

and capacity building for employees on human rights issues were conducted and refresher trainings will be conducted in the coming year. Security personnel were trained on conducting body searches to enhance humane treatment of colleagues.

Awareness creation to the general community and our suppliers was done through trainings, field days and community outreach programs through the Managed Clients Department. Suppliers were sent questionnaires to assess their human rights practices and conformance to national and international regulations. Contracts were also reviewed to capture aspect of human rights and environmental responsibility.

Human Rights Risk assessment

A general human rights risk analysis was conducted and areas within our operations with high risk identified and mitigation measures put in place. The internal audit department and Technical Departments carry out scheduled and ad hoc inspections and report to senior management on positive and negative findings. As a result of freedom of association policy, the workers unions remained vibrant, with new employees being informed of their right to join a union. Meetings between union and employees and union and management were held with issues raised by both parties sorted out. The company continued to honor the current Collective bargaining Agreements and relevant labor laws.

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 regions, with good remuneration and benefits to employees.

Sexual harassment policy was reviewed in 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.

We continued the verification of National Identity Card as a confirmation of someone being over the age of 18 years before engagement into the company. The same was 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. Bursaries were given to bright students from the surrounding community and employees children to support their education.

Education and training of the employees on need to co-exist and why we need each other were conducted in collaboration with Non-governmental institutions. 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.

Grievance Mechanisms and Whistle Blower System

Eastern Produce Kenya Limited has a grievance procedure in place. The policies established stipulate how grievances are to be raised and handled with the company representatives. The procedures cover both internal and external grievances including from all our stakeholders. A whistle blower system has been established where any human rights abuses are raised through a secure and confidential way to the top management who then conduct investigations and disciplinary procedures instituted.

We are working with Typhoo foods on piloting a Gold Standard with a strong focus on whistle blowing and reporting.

Monitoring and Evaluation

All human rights aspects are monitored on a daily basis and reported by the businesses on a Monthly basis. The Technical departments and Internal audit departments carry out impromptu visits, checks and audits and raise any issues of concern with the concerned and reports to the Top management.

Every year external auditors both financial and social auditors carry out audits for our operations.

Corrective Action Requests are raised and measures taken to correct and prevent the recurrence of the issues raised.

Measurement of (expected) outcomes and value added for our company

- Employees' knowledge on 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. There is good working relationship between union and the company and the employees. Improved wages and salaries to employees, which is well above the national recommended wage for the industry.
- No complaints on forced labor or sexual harassment received in the year. Monitoring continued.
- All the employees and contractors engaged by the company have national identity cards. Children of school going age in school
- There were reduced cross-cultural conflicts. The cultural differences and the effect on collaboration and contact is

portrayed in the quality and diversity of the products.

- An increase of innovational ability. Different perspectives of creative problem solving are the result of the diversity of the staff.
- A higher level of tolerance in the entire business area

COMPLIANCE

Business integrity

Our Core value: - To act honestly, fairly and with integrity and respect in all business dealings

Acting lawfully and honestly is fundamental to our business philosophy. The management of each unit is responsible for compliance with the company codes, thereby ensuring that social and environmental issues are integrated into daily business. The codes are in form of confidential standing instructions referred to as Company Blue, Red, Green, Yellow, white and black books.



Photo 8: Copy of the certificate awarded to the Company as a distinguished tax payer in Kenya in 2011

We have internal auditors (Financial, environmental, Social and Food Safety Management System) at the units. The auditor's task is to support the operations, including agreeing on action plans for improvements as well as explaining the requirements, performing monitoring and consultation visits and offering and executing training. The auditors have checklists with detailed criteria on financial management, working conditions, including child labor, on the environment and on other socio-environmental aspects.

The Corporate Social Responsibility (CSR) Office

In order to make sure that the same standards are followed throughout the organization, Linton Park Regional Office has a Corporate Affairs Manager. The Manager is responsible for calibrating socio-environmental assessments in the region, for training and support of the auditors and units, and for conducting own compliance audits.

Third-party auditors conduct their own audits and also verify the results of internal audits by interviewing the employees, checking records and practices to secure that company policies, local law and standards are followed. The work is done together with the Technical and internal audit departments.

External and Third-Party Auditing

In order to ensure objectivity and verification, we use external auditing companies to verify our working methods and results. These are PwC (PricewaterhouseCoopers), SGS, Africert, Kenya Bureau of Standards, government officers etc.

Corrective Actions

When deviations are found, the auditors require – in writing – an action plan from the unit detailing how the non-compliance will be rectified. An action plan must be sent to the Audit department or Technical Departments, within one month following the audit.

The action plan includes a description of the corrective action, the person responsible and timelines for each non-compliance issue to be rectified. The Top Management and auditors then follow up to make sure that the necessary corrective actions have been completed according to the approved action plan and timelines observed.

Supplier assessments have been initiated. Our major suppliers are issued with a supplier questionnaire which checks on various socio-environmental requirements. If one is found to deviate from the requirements, we are willing to work with them to rectify the situation. Only if there is no willingness from the suppliers to improve, is the business relationship terminated, within the terms of the contract

Anti-Corruption

We are a British company and as such subjected to the new Anti-Bribery and Corruption legislation in the UK which is attributable to businesses owned by UK companies but not situated in the UK.

Various policies and procedures have been rolled out to ensure compliance with this UK legislation.

We also participated in the development of the Code of Ethics for Business in Kenya and were among the pioneer companies to have adopted the code.

We have developed and adopted a Code of Conduct, which complies with the highest standards of integrity, honesty and ethics in dealing with all our 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 receives 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.

A general corruption risk analysis was conducted and areas within our operations with high risk identified and mitigation measures put in place. The internal audit department and Technical Departments carry out scheduled and ad hoc inspection and report to senior management on positive and negative findings.

All our business operations have a whistle blower procedure in place. The policies established stipulate how corruption cases are to be raised and handled with the company representatives. The procedures cover both internal and external cases from all our stakeholders. The effectiveness and integrity of the whistle blower system is maintained. Cases of corruption are raised through a secure and confidential way to the top management who then conduct investigations and disciplinary procedures instituted.

In the year 2016, No case of fraud were investigated and progressive disciplinary measures taken in all the cases that warranted the same.

PRODUCT RESPONSIBILITY

Overall Product quality and Safety responsibilities

Product safety is paramount in all operations from farm, transportation, processing, packaging and freighting to customers destinations. The Operations Director has the overall responsibility for ensuring that the objectives on food safety are met. This responsibility has been communicated to the management in charge of the units. All our tea factories have attained ISO 22000:2005 certification and currently in the preparation phase for the new FSSC 22000 certification audits



Photo 9: Hygienically packed teas with correct labeling and all relevant information indicated.

The Marketing and Technical Department represent the Company on all quality and food safety matters. They report to the Operations and Regional Directors respectively, to ensure the promotion of awareness of legal, regulatory and customer requirements throughout the organization.

Senior Management in all our operations are responsible for allocating the necessary resources and infrastructure to ensure the effective performance of our business and to ensure product safety and quality is maintained.

Every individual employee of Eastern Produce Kenya Ltd is responsible for meeting agreed requirements and for conducting themselves in accordance with our principles and the code of conduct.

Systems

As a manufacturer and marketer of black tea, we generally do not provide products to end-users, but to other players in the industry who later extracts constituents, blends or repackages the products for the end user. We therefore base our advertisements on word of mouth backed by strong evidence of business integrity, ethical trade, and safety with assured quality. We comply with legal requirements, sector regulations and customer requirements, designed to assess product safety and also participate in voluntary initiatives.



We have documented our product stewardship process which assesses health and safety impacts of our products and we conduct ongoing analysis and tests to assure quality and product safety. Through the marketing and technical departments, we provide services to process owners and customers. For internal requirements and in association with maintaining FSMS and QMS certification, the Marketing department conducts annual visits to buyers annually, reviews the results of these visits, and identifies opportunities to improve products and services.

In 2016, we did not receive any documented noncompliance concerning our products and services or health and safety impacts associated with our products. In this regard, there were no fines for noncompliance with laws and regulations concerning the provision and use of our products. We did not receive any complaints from customers regarding breach of their privacy or lose of customer data.