

Period covered on Communication on Progress (COP) – 22nd May 2016 to 21st May 2017

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 fifth 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 which was finalised in January 2016 for the period covering 1st May 2017 to 30th April 2019 has already been implemented.

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 1st April 2016 and stationed in the production area to allow all workers to communicate effectively and put their points across to the company. Her progress in communicating with production staff is being constantly monitored by the executive management team

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. Full investigations are carried out on each and every major injury that results in part or full disability of the employee be it temporary or permanent.

Measurement of outcomes

Grievances by staff have reduced compared to prior year due to the teamwork and we have noticed significant improvement in staff morale in the production area as the HR Officer appointed in April 2016 has been able to better accommodate staff grievances and issues. The staff members feel they now have an avenue to effectively channel their issues.

There was a Health & Safety audit carried out by SGS (K) Limited on 21st December 2015 and remedial action actively taken on the findings as specified in the report dated 28th January 2016. A review of the same was carried out in December 2016 to measure which of the remedial actions were taken and which are yet to be implemented.

The latest risk assessment review is to be carried out in December 2017 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 2016. 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. The nature of the injuries necessitated an investigation on both events. The results of the same revealed that both injuries were due to ignorance and carelessness on the part of both staff members who despite being experienced and knowing better did not follow due procedure. It was decided that we would embark on a compulsory re-training exercise for all staff to reiterate the importance of following the right procedure when handling machinery.

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 agreed upon and signed a effective from 1st May 2017 to 30th 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 current CBA was formalized in advance in January 2016 with collective input from management & unionisable staff representatives and union officials. It is already in force effective from 1st May 2017

Management staff are appraised every year and rewarded on performance based pay. The average increment for the last year was 12%

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 75% of our permanent staff belongs to the Food, Manufacturing, Bakery, Confectionery and Allied Workers Union (Kenya).

The remuneration agreed in the new CBA is approximately 18% higher than the applicable minimum wages.

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. We have employed approximately 30 more staff between May 2016 and May 2017. We have also embarked on further investment in a new production line which will be in place by June 2017 and will require us to employ at least 15 new staff for its operation.

The continuous expansion business model sits well with our focus to contribute towards Sustainable Development Goal no 8 (SDG 8) where we are improving our contributions to the economy by increasing operations and hence turnover which leads to greater profits and higher taxes payable to the government which go into development of the country, employing more people from the community to achieve our growth and also by paying consistently higher than minimum wages we are ensuring that our employees are progressing financially and economically. In summary we are consistently growing as an organisation hence contributing to economic growth but at the same time we are growing not only as a company but inclusive of all our employees and the community around us by providing fresh employment opportunities and better pay to those who are employed. In essence we are moving forward together as a whole.

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 recommendations made in the energy audit are to be implemented over 3 years.

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 saving we experienced due to the solar power usage has convinced our Board of Directors to embark on a further Kenya Shillings 23 Million investment on solar power in addition to the Kenya Shillings 13.75 Million we spent in 2015. We expect completion of this project by December 2017.

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. With further investment in solar power in the new project we expect savings of 20% on energy costs.

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. In March 2016 we submitted a report to the Energy Regulatory Commission (ERC) to show the improvements made in the first year after the audit. We are this month going to submit the report for the second year of improvements. The next energy audit is due in March 2018 but we intend to have it earlier in December 2017.

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.