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Pwani Oil Products Limited Communication on Progress Year: 2012



Statement of Continued Support of the UN Global Compact

On behalf of Pwani Oil Products, Ltd, I am proud to reconfirm our commitment to the UN Global Compact. We first became a signatory in 2007 and did so out of the belief that the Global Compact's 10 principles truly reflect Pwani's operating philosophies, standards and processes.

The company's core values – **Passion, Willingness, Accountability, Never give up and Initiative** – are woven into everything we do and align with the UNGC principles. Within our control, we remain committed to adhering to and advancing the 10 Principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. The Management Team leads the entire range of activities with dedication and continues to identify sustaining ways of meeting our commitment to the UN Global Compact by balancing economic interests with those of the environment as well as with those that represent the needs and interests of the communities in which we operate and serve.



Peter Beard

CEO



30/08/2012

Company name: Pwani Oil Products Limited

Sector: Food Manufacturing - Edible Oils & Fats



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UN Global Compact signatory since: 13th Feb 2007

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Brief description of nature of business

Pwani Oil Products Ltd, fondly known as "Pwani", was founded in 1985 by our Chairman, Ramesh Malde and Director, Anil Malde. Our beginnings were humble; selling out of a kiosk and with an initial production of 15 tons a day. Our first plant in Mombasa started production in 1985 with corn and coconut oil that later evolved into a palm oil refining plant.

Today, our modern state of the art factory at Jomvu, Mombasa, has a capacity to refine over 500 metric tonnes of oil a day, prepared to the highest international standards. Adding to this, our new production facility at Kikambala produces excellent laundry and moisturizing beauty soaps, which is to the highest pharmaceutical quality.

Pwani is now one of the largest manufacturers of high quality edible vegetable oils and fats, laundry and toilet soaps in the East and Central African region.

Scope of this COP

This communication on progress covers Pwani's internal processes including relationship with employees, suppliers, consumers and the community. The report covers all the four broad areas labour, human rights, environment and anti-corruption.

Human Rights

UN Global Compact principles covered:

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

Principle 2: Business should ensure that they are not complicit in human

The company has an elementary duty to observe, respect, protect, promote and fulfill the rights and fundamental freedoms of its employees and stakeholders.

A brief description of our Processes or Systems

The company has a well established human resource department which has the responsibility to equip employees with required skills and to deal with the needs of special groups within the company including women, older staff members, persons with disabilities, and persons with special medical needs.

The company supports the under privileged in the community by providing them with basic requirements for a better life.

Activities implemented in the last year

- Annual occupational medical examination on going
- Community health support on going
- Seminar’s on HIV / AIDS for better information, knowledge and awareness
- A range of Environment Health and Safety (EHS) activities leading to 100% safety and healthy working environment.
- Training to empower the employees at large with technical knowledge and skills.
- Counselling centres within the HR department to cater to softer issues of the employees.
- Promotion of staff expression through suggestion boxes and idea banks on the staff intranet.

Measurement of outcomes and value added for our company

- We have no records of human rights abuses
- We have zeroed down the number of accidents or incidents arising due to safety issues
- We have zero cases of occupational diseases

Activities planned for next year

- Annual occupational medical examination on going
- Community health support on going
- Training to empower the employees at large with technical knowledge and skills.
- Counselling centres within the HR department to cater to softer issues of the employees.
- Publish and avail to staff all company policies and relevant labour laws

Labour Rights	
UN Global Compact principles covered:	<p>Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p>Principle 4: Business should support the elimination of all forms of forced and compulsory labour</p> <p>Principle 5: Business should support the effective abolition of child labour</p>

Commitment

Pwani is an equal opportunity employer with a firm policy in place to protect individuals' rights against discriminatory practices on race, gender, sex, religion, marital status, ethnic or social origin, colour, age or disability. The company respects and applies fair labour practices in accordance with the labour laws of Kenya, International Labour Organization (ILO) Conventions and other International Standards, eliminating all forms of labour malpractices. The company believes that working positively and directly with employees best serves their interests. Pwani also strives to work cooperatively with all heads of departments in the common pursuit of the interests of all employees and the Company's mission. Our recruitment is very transparent whereby the vacancies are advertised on the website and any candidate who is employed is considered based on work experience relevant to the post applied.

A brief description of our Processes or Systems

It is the policy of Pwani that all employees be provided a work environment which is respectful and free from any form of inappropriate or unprofessional behavior, such as harassment including sexual harassment, pestering or bullying and any form of unlawful discrimination based on sex, gender, race, sexual orientation, gender identity, disability, age, ethnic origin, or other inherent personal characteristic protected by law.

We have a Sexual Harassment Policy in place which informs the Employees on the procedure to take in case faced with instances of harassment. The policy expresses the consequence if an employee is found guilty of the same.

We also have a Grievance & Disciplinary Policy which details the procedures an Employee could utilize in case they have any grievance which is not addressed at their department immediately.

We have implemented a system for checking and recording that all employees are paid above the minimum wage recommended by the Government. Electronic timecards, payroll, leave days and production records are put in place and reviewed on a regular basis.

Overtime is voluntary and compensated at 1.5 pay rate on regular days and double rate during holidays and Sundays

Each employee is entitled to 21 leave days annually as per the company's human resource policy. Employees are also entitled to 15 days sick leave fully paid and 15 days sick leave half paid when accompanied with a medical certificate from the Doctor.

The company forbids engagement of minors and persons below 18 years of age or exposure to situations in or outside the work place that are hazardous, unfair or unhealthy. Pwani Oil seeks to have a positive impact on the reduction of unlawful child labor and child exploitation. Pwani Oil expects the suppliers and contractors with whom it does business to embrace similar values and standards.

has a Policy documented on the same which assures Employees on the Company's stand on HIV related issues.

Activities implemented in the last year

- **Restructuring**

Pwani recognises that for a business to grow and meet the ever competitive demands of the industry there is a constant need for an organisation to change the way it runs its business. These changes are the organisational restructures which are very crucial for any business. In 2011, the company conducted a major restructuring process which would give a clear career progression to the employees.

The continuous alignment of functions at Pwani is also meant to ensure a strong leadership path that meets current and future business needs is in place. HR in conjunction with senior management conduct an annual talent review of the company's business to ensure organisational effectiveness and workforce capability needs are being met. In 2011, 23 employees were promoted and 6 moved to other sections where their full potential could be realised.

- **Compensation and Benefits**

Pwani's vision is to become a leading employer of choice in Kenya by providing its employees with comprehensive compensation and benefits programmes. The company introduced a performance based salary review system where employee input is handsomely rewarded. This has greatly motivated employees who feel much appreciated. In 2011, 37 employees received more than 20% pay increase; 213 received 15% while 92 received more than 10%.

- **Welfare**

Pwani day – staff day out to celebrate with the directors the success of the organization.

- **Capacity Development**

Pwani provides a wide variety of training and development resources for employees to apply to their current role and develop in their career development through the company's training system. HR department developed a skills matrix to identify employees' training needs. They include: good manufacturing Practice (GMP), production efficiency, energy management, IT skills; environment health and safety; and quality. In addition, the company has embraced ICT by creating intranet where can access life skills that can help them manage life challenge outside work.

Measurement of outcomes and value added for our company

- There has been no labour conflict and this has led to good relationship between management and staff.
- Reduced injury levels
- Increased work morale and accountability amongst staff.
- Structured communication leading to a better sense of 'Ownership' amongst the employees.

- To partner with KEPSA on the youth empowerment program through attachment
- Increased internal recruitments to offer more career growth opportunities to staff.

Environment

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

Principle 8: Business should undertake initiatives to promote greater environmental responsibility

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

Commitment

Pwani Oil Products Limited is firmly committed to pursue appropriate and best practices in Environment, Health and Safety (EHS) standards in all aspects of its operations related to persons in its premises, business operations, the wider community and physical environment.

A brief description of our Processes or Systems

Pwani uses a business risk review process to evaluate environment, health and safety issues across the lifecycle of its products and services. Through this process, risks to human health and the environment are identified and risk migration options are identified and implemented.

The company have installed a system to monitor general environmental performance data for waste, air emissions, water use, electricity, steam and other input utilities. We have worked actively to reduce power consumption in our facilities, increase machine efficiencies and reduce our cost of production.

Activities implemented in the last year

• Environmental Stewardship

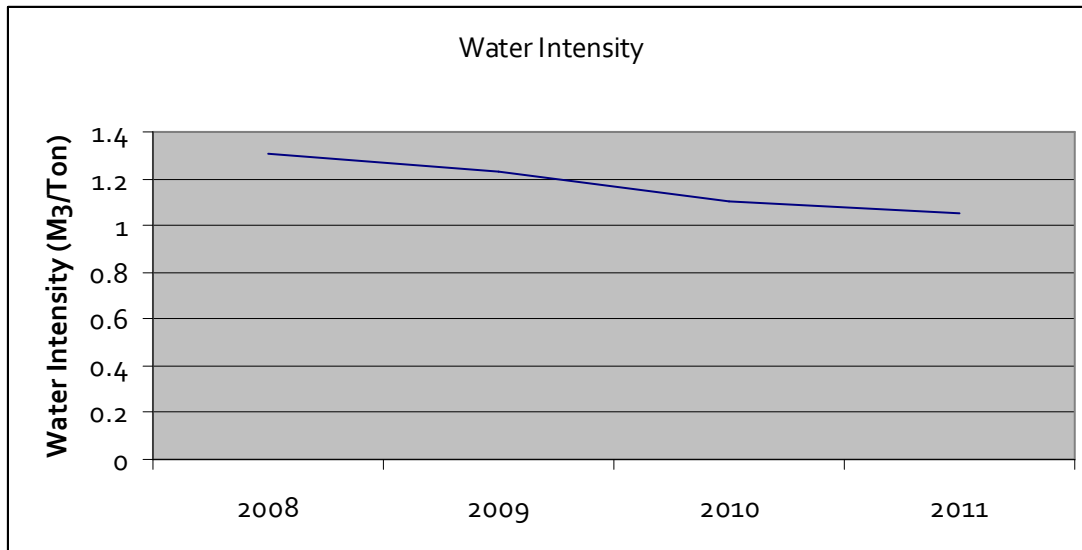
Pwani has been involved in various environmental management initiatives in line with her environment health and safety policy. The company's diverse operations ranging from crude palm oil refining to sales, present significant impact to the environment which require appropriate mitigation measures to be put in place for sustainable operations to be realised. In 2011, the company focused on the following areas:

- Water quality
- Solid waste management
- Energy and air quality management
- Health and safety

Water Quality

Pwani obtains water for industrial processes from municipal water supplies and onsite boreholes. Edible oil refining process is a water intensive activity. Much of the water we get is

in cooling purposes. As a measure to minimize on water consumption, the company has conducted major maintenance works for the entire water piping network including refurbishing of the storage tanks. As a result of production expansion and diversification, the company water demands have increased. This has called for stringent waste water reduction measures. Among these include the recovery and use of steam condensate, re-use of water from the onsite waste water treatment plant and utilization of reject water from the reverse osmosis (RO) plant. There has been a remarkable decline in water consumption levels since 2008. For the year 2011, the company utilized an average of 1.05M3 of water per tonne of production compared to 1.1M3 in 2010, 1.23M3 in 2009 and 1.31M3 in 2008. This is as a result of numerous water conservation measures initiated by the company. A considerable amount of effluent is discharged from process and plant cleaning activities. Pwani has installed state of the art wastewater treatment plants at her two operation sites to adequately deal with the challenge of wastewater management. The treated effluent is analysed for its discharge suitability in accordance with the national effluent discharge standards. The treated effluent is reused in gardening and general cleaning.



Solid Waste Management

Pwani recognises waste generation as a significant aspect of its operations. Earlier waste reduction efforts focused on dealing with potential risks and legal responsibility. Since implementation of world class manufacturing practices, the company’s efforts in waste management have been motivated by potential financial gains and process efficiency. In order to achieve sustained waste minimisation in our processes, we have started performing detailed tracking and analysis of reported waste data from each section. In 2011 we paid special attention to product leakages in the tank farm and raw material offloading sections. Material offloading efficiency has been improved after installing cam locks on all trucks and offloading hoses. Besides reducing expenses related to raw material and product handling, waste minimisation initiatives have also helped to reduce environmental impacts associated with our operations.

Energy and Air Quality Management

Pwani’s energy policy emphasises the need for energy efficiency in all its operations. The policy outlines the roles of both management and staff in ensuring energy optimization to reduce the

returns on capital investment as well as achieving reduction of Green house gases. In implementing this energy policy, Pwani has carried out several activities to optimize energy consumption and reduction of pollution through the use of clean fuels. Through technology change, the company has installed efficient machinery in terms of production output and energy consumption. Major production units have metered separately in order to effectively monitor and manage power consumption. The company utilizes approximately 64 KWH for every tonne of production in the refinery, fats, soap and oils production units. In 2011, a number of energy efficiency initiatives were implemented to optimize energy consumption and reduction of pollution through the use of clean fuels. These include the following:

- Installation of Energy saving lamps.
- Installation of timers to control security lighting
- Proper drive and motor rating combined with planned periodic motor servicing
- Installation of variable speed drives (VSD) in motors
- Servicing of steam traps
- Fixing of steam leaks
- Lagging of steam lines and hot vessels
- Condensate harnessing and use as part of boiler feed water.



Lagging of steam valves and condensate tank

Pwani recognises the fact the managing energy effectively enhances business efficiency as well as conserving natural resources. Since switching from fossil energy to biomass energy in steam generation in the year 2009, the company is assured of positive contribution toward enhanced air quality, decreased fine particulates that contribute to adverse health effects, and reduced greenhouse gas emissions. It has become routine that boiler and generator emissions are analysed annually to check efficiency of these facilities. From flue gas analysis done in 2011, all boiler and generator emissions were within international standards for emissions. The company is planning to start quantifying and reporting greenhouse house gas emissions for its facilities.

Health and Safety

Pwani family is firmly committed to ensuring the occupational health, safety and well being of our employees, contractors and visitors. Our management to occupational health and safety is underpinned by our core values: 'Passionate about everything we do', 'Willingness to embrace change', 'Accountability for team and individual', 'Never giving up', and 'we recognise Initiative'. In addressing workplace safety, Pwani uses a risk-based approach that identifies, evaluates and prioritizes hazards, and then acts to correct and prevent them. In 2011, we a rigorous hazard close-out programme focusing on major injury causes – slips, trips and falls. By end of 2011, we had reduced incidences by 25% from 2010 figures.

occupational medical examinations for its staff to establish any occupational health anomalies. In September 2011, occupational medical examinations were carried out for all permanent workers in accordance with the medical examinations rules, legal notice no. 24 of 2005. The areas covered were – audiometric tests, clinical assessment and lung function tests. The tests showed that operations at Pwani are within the safety and health requirements and no occupational health anomalies were detected.

In September 2011, the company conducted a fire safety audit for all Pwani operation sites pursuant to legal notice no. 59 of 2007. The audit examined work procedures and activities that have a likelihood of causing fire hazards with the aim of providing remedial measures. The exercise also evaluated the existing fire emergency preparedness levels of the company. Pwani has endeavoured to put in place an elaborate fire safety systems and emergency response plan to guarantee the safety of its staff, visitors and property.

Introduction of New Fresh Fri Jeri can

In July 2012 Pwani launched a new revolutionised Jeri can for Fresh Fri, its flagship brand. The Jeri can features a non-drip spout that reduces oil spillages from Jeri cans when pouring by 5 % per Jeri can, hence minimising wastage as well as pollution to water.



Introduction of Eco-friendly shopping bag

In 2012 Pwani embarked on an initiative to influence publics on the **need to use re-useable** bags. This would be at grocery stores, malls, supermarkets, shops – anywhere there's a need to bag and carry items in a **re-usable, eco-friendly bag**, as opposed to **disposable plastic bags**. Pwani has introduced a simple, lightweight, easy to carry, **canvas tote bag** for this purpose.



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Measurement of outcomes and value added for our company

- As a result of the activities initiated, Pwani has witnessed a decline in energy consumption.
- Reduced energy demand has lessened environmental degradation that could have been brought about by resource overuse and Green House Gas (GHS) emissions.

Activities planned for next year

- Implement an efficient water utilisation system.
- Community forestation initiatives e.g. through agro forestry.
- Afforestation agenda to 'give back' to the environment and make the world a 'Greener' place.
- Ensuring that our factories become a model for 'Clean and Green' environment.
- Sensitization and education of all the employees to have 'Pride and Care' at their place of work which will lead to having a clean environment.
- Campaign to promote the use of the Pwani eco bag with possible partnership with a local supermarket chain.

Anti-corruption

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

Commitment

Pwani Oil is committed to the principles of good governance and shall ensure that policies, programmes, guidelines and practices to manage corporate governance and ethics are always in place and observed.

A brief description of our Processes or Systems

The company endeavours always to foster an effective ethics system which is open and transparent in order for employees and stakeholders to feel comfortable raising issues they believe are inconsistent with the company norms.

We have a policy in place to curb conflict of interest between our employees and the business aspect of the company. No employee is supposed to engage in business of similar manner with

also not allowed to be part of suppliers of input materials

Pwani expects employees to avoid any activity, investment, association or interest that might reflect unfavorably upon the integrity or good name of the company or of themselves. They are obligated to place company’s interest in any business transaction ahead of any personal interest or personal gain to either themselves or to their spouse, family member or other individual.

We have supplier pre-qualifications requirements before we engage doing business e.g. they must be tax compliant (have VAT and pin numbers) and licensed to operate.

Activities implemented in the last year

- We have put in place a fully fledged internal audit department
- We engage the services of external auditors to verify our records and business engagements.
- Pwani is an active member of the edible oils industry grouping that has come together to fight trade malpractice in the industry and promote ethical business.

Measurement of outcomes and value added for our company

- No significant audit issues
- We have not experienced any violations
- Positive influence of the supplier chain

Activities planned for next year

- Sensitisation of staff on business ethics and governance
- Strengthening the Internal Audit Department to make sure all the processes and policies to the company are audited leading to 100% adherence of the Policy.

How do you intend to make this COP available to your stakeholders?
<p>We intend to make this COP report known to all our stakeholders</p> <ul style="list-style-type: none"> • For our staff this report shall be circulated online through the intranet and notice boards. • For all other stakeholders this report shall be uploaded to the company website as well as the UN Global Compact website.
Donations, awards
<ul style="list-style-type: none"> • Energy Efficiency Award • Donation of products to Olive Rehabilitation Centre, Mombasa • Donation of old billboards to Red Cross for IDP Camps in Tana River Area