



**Kapa Oil Refineries Ltd.**  
Bright Ideas, Better Products.

**Communication on Progress**  
**Year: 2013/2014**



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## Chief Executive Officer's Statement of Commitment

It is with great pleasure that I wish to confirm Kapa Oil Refineries Ltd.'s continued support to the Ten Principles of the United Nations Global Compact (UNGC), with respect to Human Rights, Labour, Environment and Anti-Corruption.

In our first COP of 2012/13, we stated our policies stand in the four areas of the principles and included our corporate social responsibilities activities as part of our business concerns. In the past year, we have achieved some of the set objectives in the areas of Human Rights, labour law, environmental impact and the fight against corruption and have realized benefits that we value towards a successful responsible business. In this second COP, we have described various activities undertaken in our effort to advance the Global Compact mission as part of the strategy, culture and practices in our day to day activities of the Company. For each of the four areas we have set goals for the upcoming year, 2014.

To strengthen our commitment, the committee members have participated in various training workshops and seminars on Human Rights, Ethics and Anti- corruption organized by the Global Compact Network Kenya. Further, we have attended functions on Ethics organized by other Companies locally.

We remain committed to the UN Global Compact principles as we recognise our responsibility in communicating best practices to our employees, our contractors and suppliers, our partners and the community we work and live in.



**Nitin Shah**

**Chief Executive Officer**

**Yours Sincerely**

A handwritten signature in blue ink, appearing to be 'N. Shah', written over a light blue grid background.

**27<sup>th</sup> February, 2014**

## Contact Information

**Company name:** [Kapa Oil Refineries Ltd.](#)

**Sector:** [Manufacturing](#)

**Number of employees:** [Permanent Staff: 410](#)

[Contracted Staff: 1470](#)

**UN Global Compact signatory since:** [12<sup>th</sup> March 2012](#)

**Contact person:** [Charles Rubia](#)

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Kapa Oil Refineries Ltd., a private Company, was established in the late 1960's as a salt packaging and baking powder manufacturing Company and was then called Karania Packers. The name 'Kapa' is an acronym derived from the names 'Karania Packers'. Kapa is now a leading manufacturer of different varieties of cooking fat, edible oils, soaps and detergents, margarine and glycerine products in the FMCG industry in Kenya.

Kapa is proud of being innovative in introducing packing of cooking fats in reusable plastic containers, a norm that all cooking fat manufacturers now follow. The Company is certified with the prestigious award on ISO 9001:2008 'Quality Management Systems' for its quality products and services. Kapa is proud to be the first Company in the manufacturing sector to be HACCP UK certified for its edible oil processes. Being a consumer health driven Company, Kapa believes in manufacturing quality and safe products for its customers. Kapa products are now trusted household names, not only in Kenya, but throughout East, Central, West and Southern Africa, as we export our diverse range of products to over 18 African countries serving the EAC, COMESA and SADC markets.



*Source: Kapa Products (2013)*

### Vision Statement

Kapa is committed to being the 'Benchmark Company' for quality products in Africa.

### Mission Statement

We aim to lead the market in terms of quality and performance of our products and customer service.

## Our Business Commitment

Kapa focuses on 'value for money'. We aim at providing our customers with premium quality and safe consumer goods at competitive prices while operating in an environmentally sensitive and socially responsible manner.

In 2012, Kapa signed up to the United Nations Global Compact and Global Compact Network Kenya as a commitment to integrating the 10 principles in the business strategies and operations. A number of steps have been taken to address the 10 principles in the areas of Human Rights, Labour Rights, the Environment and Anti-Corruption. The company did its first Communication on Progress (COP) to the UNGC on 28<sup>th</sup> February, 2013.

Prompted by our experiences and desire, we have identified the need to commit ourselves in doing business ethically, for economic, social and environmental sustainability. We have embraced the concept and designed business ethics strategies. Our existing and evolving ethical culture is based on our values and beliefs. In our values we care for the community around us; contributing to education and medical facilities, providing a roof to the aged and disadvantaged children in the communities we live in.

## Scope of this COP

The 2013 COP describes the initiative Kapa has undertaken to address the ten principles of the UN Global Compact applicable to the business activities. This being our second COP, the focus was on internal stakeholders and the corporate social responsibility of the Company towards the community on establishing ethical culture in doing business. The theme for this year is '**Headed for Excellence**' including planned activities for the year 2014.



# 1.0 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 Rights abuses**

### Human Rights Current

#### 1.1 Commitment

Kapa is committed to respecting Human Rights in all areas of operations and supporting the community in protection of internationally proclaimed Human Rights. As a Company we are committed to ensuring that all our employees and business partners respect the law on Human Rights and that they are not complicit in human right abuses. We have taken a responsibility to support the Universal Declaration on Human Rights in all our business activities.

Kapa recognizes that its most treasured assets are the employees. We believe that our success is a direct result of our employees' commitment towards achieving the business objectives to a global competitive advantage. The Company recognizes its obligation to conduct its activities in full knowledge of and in compliance with the requirements of the Employment Act and other statutory legislations.

#### 1.2 A brief description of our Processes or Systems

##### Identifying the Need

The leadership of Kapa identified the specific role of respecting and supporting the awareness on Human Rights both internally and externally and made explicit moral responsibilities and obligations, decisions and actions. That is, Kapa has deliberated, on a conceptual framework of ethical values, to ensure that the Company is run ethically and Human Rights, along with labour, environment and anti-corruption principles, which are the foundation and reason for corporate governance.

##### Leadership Commitment

The signing in to the UN Global Compact was a commitment to respecting and supporting Human Rights in all the business activities. The Board took the initiative to communicate its desire for change thereby setting the tone to all employees on Human Rights. Kapa governance on Human Rights is explicit; the Board took the responsibility for building and sustaining an ethical culture that respects and supports Human Rights within the Company. Human Rights strategies and communication mechanism, reporting on performance, and disclosure methods are defined. The Board provides effective leadership on an ethical foundation in recognition of Human Rights. Governance of ethics has offered ethical rationale and guidelines on respecting and supporting the prescribed principles and legislations that are imperative to the organisation's Human Rights commitment.

## Management structure

The Board has established an ethics function within the organisation; an ethics committee which is multidisciplinary formed, has the full responsibility over this function and prepares progress report, and a dedicated officer is fully responsible for establishing, implementing and maintaining ethic standards in Kapa, these forms the codes of ethics management structure. There are planned activities on implementation strategies. These strategies are seen as sufficient measures to address Human Rights violations and possible abuses within the organization.

At a strategic level, the Board demonstrates leadership and takes responsibility for developing and sustaining an ethical corporate culture in the Company. At system level, the ethics manager set specific ethics objectives, designed and implemented strategies to achieve these objectives institutionalise and operationalize ethics in the day to day activities of the organisation through defined ethics management programmes. At the operational level, line managers have the responsibility to constantly sell the ethics ideas to the respective employees in the department. The ethics champions, drawn from key departments are charged with the responsibility of promoting ethics and assessing the performance of ethics in the organization. The position of ethics office in the organisation structure is pivotal to the strategic level and operational level. It therefore lies at the system level. Figure 1.1 below shows Kapa ethics structure.



*Figure 1.1 Position of Ethics Office in the Organisation Structure*

The Board and the ethics committee at the strategic level play the strategic functions as well as an oversight on ethics management. The committee is multidisciplinary comprising of departmental heads working in various areas and reports to the Board. One director is in the committee, and is the chairman of the committee. Ethics forum consists of departmental heads, ethics champions and line managers, who meet with the ethics committee to review on the functionality of ethics management activities. The line managers actualize the strategies on day to day activities within the organization. The ethics champions promote ethics within the departments and monitor its performance. The Ethics Office coordinates all the ethics functions and is the link between role players in the organisation.

In this regard, Kapa has established Code of Ethics and Code of Conduct, which will be available for viewing on our website [www.kapa-oil.com](http://www.kapa-oil.com) once ready. The publication on the web is intended for both internal and external use, as the Company communicates the expectation from employees and partners on their role play on Human Rights.

### ***1.3 Activities implemented in the last year***

In the last one year, Kapa has implemented key activities aimed at promoting awareness on Human Rights and as a measure to prevent violation of Human Rights especially within the Company.

- **Creation of an ethics function within the Company**

An ethics function was established within Kapa management structure to specifically coordinate ethics matters amongst them which is Human Rights. This function is anchored at the strategic level where the Board sets the tone on what is expected with regard to respecting and supporting Human Rights. The ethics office has a help desk where employees report using the set channels of communication on any case including potential violation of Human Rights. A Forum of Ethics Champions drawn from various job levels in all departments forms the operative function that ensures constant communication and monitoring on behaviours with regards to Human Rights throughout the organization. The ethics officer works in liaison with the Human Resource Manager, Legal Officer and Compliance Manager to ensure effective implementation of set strategies on Human Rights.

- **Risk Assessment**

A risk assessment was carried out to establish unethical behaviours likely to be violating Human Rights and possible opportunities for violation of Human Rights within the Company. This raised the level of awareness on Human Rights amongst the employees. Perceived issues of Human Rights such as employee's opinions, considerations in management decisions are being addressed.

- **Training of Employees on Human Rights**

A total of 1200 employees have, so far, gone through awareness training on Human Rights and policies. All Kapa staff from Executive to Senior Managers, Line Managers and the General Staff has gone through a training session on Human Rights issues and what is expected of each and every individual on respecting Human Rights.

- **Help Desk**

A help desk has been established with the Ethics Office functions to handle all complains regarding abuse of Human Rights i.e. mistreatment at work place. A case log register has been opened where any issue relating to Human Rights is recorded. The register covers details of the nature of the case, time reported and code or policy violated. To ensure effective control over the cases and in commitment towards enforcement of our code of conduct and policies, the register indicates time taken to close the reported case. The help desk handles issues raised through channels of communication that includes;

- Open door system for all as described in the employees handbook (Policies and Procedures);
- Anonymous email address [speakitup101@gmail.com](mailto:speakitup101@gmail.com) known to all employees;

- **Developed Code of Conduct and Policies on Human Rights**

Kapa has developed employees and Human Rights policies as contained in our Code of Ethics handbook and a code of conduct based on our values of integrity, responsibility, accountability and respect to others. This handbook can be accessed through our website [www.kapa-oil.com](http://www.kapa-oil.com) once ready. The Code of Ethics handbook has been developed and is about to be launched. The handbook contains guiding values and policies in reference to the principles of the UN Global Compact. In particular, it contains the company policies and declaration on Human Rights, values and principles that guide our actions; the document informs all our stakeholders on the company's expectations and decision making when confronted with ethical dilemmas. On the other hand, the Code of Conduct contains both discretions and sanctions to be observed by everyone when dealing with others. The code ensures Kapa fulfils its responsibility as a global citizen and a responsible employer. It further supports and respects the protection of internationally proclaimed Human Rights and make sure our partners are not complicit with Human Rights abuses, towards a sustainable development and human dignity. It is the responsibility of every individual to comply with both the Code of Conduct and Code of Ethics.

	<p><b><i>1.4 Measurement of outcomes and value added for our Company</i></b></p> <p>During the year, 1200 employees and contractors were brought to the awareness on Human Rights among the employees.</p> <p>In the same period a total of 172 employees including the Executive Directors and contractors were trained on ethics concepts and governance with specifics emphasis on the organization roles in maintaining Human Rights.</p> <p>To entrench our values on respecting and supporting Human Rights, ethical talks have been initiated. Ethical talks are forums where employees meet to discuss on various issues pertaining to Human Rights. The Ethics Officer follows up on the progress to closure of the case. One such issue handled this year is identification of existing violation of Human Rights amongst the employees during the risk assessment carried out in October 2013. We intend to be holding ethical talks during departmental management meetings as a forum for addressing cases, and issues recorded in the case log register and making on spot resolutions as necessary.</p>
<p><b>Human Rights Future</b></p>	<p><b><i>1.5 Activities planned for next year</i></b></p> <ul style="list-style-type: none"> <li>• Kapa will in the next one year promote compliance to the code of conduct and ethics policies.</li> <li>• To train the remaining 238 permanent employees on ethics concepts and governance.</li> <li>• To create awareness on Human Rights to 680 contracted employees.</li> <li>• To enforce disciplinary actions on violation of the policies and code of conduct, by taking disciplinary measures on anyone who violates (if any) the set policies and conduct rules on Human Rights. This will ensure all our employees and partners are working in line with our defined guidelines of Human Rights.</li> </ul>

## 2.0 Labour Rights

UN Global Compact principles covered:	<p><b>Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining principle</b></p> <p><b>Principle 4: Business should support the elimination of all forms of forced and compulsory labour</b></p> <p><b>Principle 5: Business should support the effective abolition of child labour</b></p> <p><b>Principle 6: Business should support the elimination of discrimination in respect of employment and occupation</b></p>
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### 2.1 Commitment

Kapa is committed to complying with labour laws and in addition signed into UN Global Compact principles of Labour Rights. Kapa supports the underlying principles of the convention of the International Labour Organisation (ILO).

### 2.2 A brief description of our Processes or Systems

In line with Kapa's value of respecting others, the Company upholds the principle of freedom of association and effectively recognizes the right to collective bargaining as required by the law. It is Kapa's policy not to be complicit, use or benefit from any form of forced or compulsory labour. It is the Company's responsibility to ensure elimination of all forms of forced or compulsory labour in operations. Terms and conditions of service for all employees and partners are openly negotiated and laid down in the employment contract, code of conduct, employees' handbook, and in human resources policies and procedures. In compliance to the labour laws, there exists a Kapa Employees Labour Union of which every employee specified by the labour rights is free to join. The Company has signed a collective bargaining agreement with the union and agreed on specified terms and conditions of working environment as required by the law.

Kapa adheres to the effective abolition of child labour by ensuring compliance to the minimum age of employment provision of the labour laws; the company does not employ anyone less than 18 years of age. The Human Resources Manager is responsible for verification of these requirements. Kapa has taken up a responsibility to control use of substances, drugs and alcohol to ensure acceptable behaviour and safety of the employees.

Kapa is an equal opportunity employer, as a matter of policy, Kapa does not discriminate anyone on the basis of sex, religion, race, colour, disability, nationality, or political affiliations. The Company recruitment procedure prohibits discrimination in hiring, rate of pay, promotion, demotion, transfer, layoffs and/or termination. Kapa is committed to maintenance of a health and safe working environment through the set Safety and Health policy as part of management systems auditable by external assessors.

Labour Rights  
Current

### ***2.3 Activities implemented in the last year***

- **Risk Assessment**

A risk assessment was carried out to establish labour related behaviours likely to be violating labour laws and possible opportunities for violation of labour standards within the Company. This raised the level of awareness on labour rights among the employees. Perceived issues of discrimination on promotions and salaries payment are being addressed.

- **Safety and Health System**

Kapa has implemented a safety and health management system to ensure health and safe working condition in line with the requirements of National Environmental Management Authority (NEMA and Directorate of Occupational Safety and Health Services (DOSHS). The systems are continuously improved. The following issues are already established and act as a guide to ensuring Safety and Health of all employees.

- Safety and health policy
- Fire safety policy
- First aid boxes at strategic positions and as required by the law
- Functional Safety and Health committee
- Trained first aiders per department
- Trained fire marshal per department
- Safety and health training programme (New and continuing)
- Mandatory annual medical examination for all and semi-annual for food handlers programs.
- Occupational safety and health audit programs
- Fire evacuation procedures
- Emergency preparedness and response
- A functioning clinic

These systems are audited annually; the last was done on 20<sup>th</sup> November, 2013.

- **Training of Employees on Labour Rights**

A total of 1200 employees have gone through awareness training on labour rights. All Kapa staff from Executive to Senior Managers, Line Managers, and the General Staff have gone through a training session on labour rights issues and what is expected of each and every individual.

- **Help Desk**

A help desk has been established with the Ethics Office functions to handle all complains regarding unfairness, inequalities and any form of discrimination at work place. A case log register has been opened where any issue relating to labour rights is recorded. The register covers details of the nature of the case, time reported and code or policy violated. To ensure effective control over the cases and in commitment towards enforcement of our code of conduct and policies, the register indicates time taken to close the reported case. The help desk handles issues raised though these channels of communication;

- ✓ Open door system for all as described in employees handbook (Policies and Procedures);
- ✓ Anonymous email address [spaekitup101@gmail.com](mailto:spaekitup101@gmail.com) known to all employees;

- **Developed Code and Policies on Labour Rights**

Kapa has developed employees and labour rights policies contained in the Code of Ethics handbook as described under labour rights, the handbook will be available for view on our website [www.kapa-oil.com](http://www.kapa-oil.com) once ready. The handbook contains our stand and commitment on labour Rights. The code has ensured Kapa fulfils its responsibility as a global citizen and is a responsible employer. It is the responsibility of every individual and all the Company partners to comply with this code.

- **Staff Motivation**

Kapa holds an annual staff party, the party brings all employees together to celebrate the past years success and define new strategies for the upcoming year. The party combines activities aimed at bonding the executive and employees together through team building activities between management and employees.



*2013 staff party: Tissue rolling game*



This year, the marketing team lead an initiative to recognise all the lady employees in the Company, by presenting a rose flower with a message of appreciation to each lady during the valentine day.



*Marketing Staff Appreciating others Staff*



*Merchandise staff appreciating customer , 2014*

#### **2.4 Measurement of outcomes and value added for our Company**

- 1) During the year, 1200 employees and contractors were brought to the awareness on Labour rights, the awareness concentrated on employees' safety and work environment.
- 2) A total of 172 employees including the Executive Board and contractors were trained on ethics concepts and governance with specifics on the organization roles in maintaining labour rights.
- 3) In the same manner as is done under Human Rights, ethical talks on labour rights were initiated, and employees discussed on various issues pertaining to labour rights with ethics team. The ethical talk's forums have been set to ensure compliance with safety and health work environment.
- 4) Issue of Personal Protective Equipments (PPE's) are addressed during the year. The safety and health committee ensured all workers are using the appropriate PPE's at all time.
- 5) Decreased number of accidents in the factory section. The safety and health committee carry out analysis on the number of accidents per department and set strategies to reduce accident occurrence.
- 6) The number of cases reported on violation of labour rights has started trickling in at help desk, so far, 12 cases have been reported ranging from unfair dismissal from work, unfair allocation of duties to discrimination of staff by security department, and unfairness on hours worked. Four (4) of the cases have been resolved and closed, while others are under investigation.

<b>Labour Rights Future</b>	<p><b><i>2.5 Activities planned for next year</i></b></p> <ul style="list-style-type: none"> <li>• To train the remaining 238 permanent employees on ethics concepts and governance.</li> <li>• To create awareness on labour rights to the remaining 680 contracted employees.</li> <li>• To improve safety awareness through Health &amp; Safety, Fire fighting, and First Aid Trainings in all Departments from 74% to 80% by December 2014.</li> </ul>
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## 3.0 Environment

### UN Global Compact principles covered:

**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**

### Environment Current

#### **3.1 Commitment**

Kapa being a manufacturing Company has a direct impact to the environment. As a responsible and accountable corporate citizen, Kapa supports the UN Global Compact principles on environment. We have undertaken a precautionary approach to environmental challenges; we recognize environmental protection as one of the key responsibilities to sound business performance, and have therefore diffused to environmentally friendly technologies to our success. All Kapa activities are carried out in full compliance to environmental laws. We are committed to supporting the environment principles prescribed in the UN Global Compact. The Company has a commitment to ensure full compliance to the applicable laws as stipulated in the National Environmental Management Authority (NEMA) in the country.

#### **3.2 A brief description of our Processes or Systems**

Kapa consistently employs sound environmental practices. These include setting up the following objectives:

- Maintaining an Effluent Treatment Plant (ETP) for treatment of effluent discharge which is then either discharged into the public sewer or recycled and used in the production plant.
- The ETP discharge is checked regularly to ensure compliance to acceptable alkalinity levels. On assessment, NEMA has accredited the plant and said it is the only legally connected line to the public sewer line system.
- Recycle of paper and plastic waste materials.
- A maintenance program on all our machines, devices and equipments.
- The company has taken environmental precautionary measures to control waste generated in the production processes; these include recycling of by products and reuse of treated water in cleaning and sanitation.

### 3.3 Activities implemented in the last year

- **Awareness Creation**

During the year, awareness on the three principles of environment prescribed by UN Global Compact was made to 1200 employees. This aimed at alerting employees' role in taking precautionary measures on environmental challenges such as waste disposal, handling of non biodegradable materials and controls on processes discharge.

- **Machine Efficiency**

Maintenance of all machines equipments and devices was carried out as scheduled. The exercise ensured effective and efficient operation of the machines and equipments. Devices were checked and calibrated as necessary to ensure accuracy on the intended use. The soap plant has been renovated with new modern machines in use that have improved efficiency and increased capacity.



*Kapa New Soap Plant , 2013*

- **Energy Efficiency**

A 'switch off the light' policy is always enforced throughout the Company to ensure energy saving, a program to convert our bulbs and tubes to LED lighting type have already started. The Company intends to come up in this year, with a concrete energy policy that will address the issues that affect environment on our energy efficiency.



*Source: Kapa Machines,2013*

- **Waste Disposal**

Each department is responsible for controlling and handling the amount of waste disposed through the factory effluent. Each department effluent alkalinity status is checked before release to the effluent treatment plant. This ensures control over the status of discharge into the public sewer line and regulates the condition of recycled water.

	<p><b><i>3.4 Measurement of outcomes and value added to the company</i></b></p> <ul style="list-style-type: none"> <li>• All our environment systems are subject to annual audits to assess compliance with policies and procedures against national environment standards prescribed by National Environmental Management Authority (NEMA).</li> <li>• Amount of Gas emissions into the air (air quality).</li> <li>• Reduced amount of power consumption</li> <li>• Quality of water released into public sewer line.</li> </ul>
Environment Future	<p><b><i>3.5 Activities planned for next year</i></b></p> <p>To establish an Energy Management Policy by 31st December, 2014.</p>

## 4.0 Anti-corruption

### UN Global Compact principles covered:

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

### Anti-corruption Current

#### **4.1 Commitment**

Kapa supports the fight against corruption and shares the principle of the United Nations Convention against Corruption and agrees to comply with applicable laws relating to this problem. Kapa respects and complies with both local and international laws and regulations on anti-corruption, and therefore takes zero tolerance approach to corruption. The Company is committed to conducting its business fairly, openly, honestly and without improper influence or any form of improper payments. Every employee is responsible for ensuring that the Company business is undertaken with utmost integrity and no form of extortion or fraudulent deals are acceptable.

Kapa management has demonstrated its commitment in dealing with bribery and corruption by signing into the United Nations Global Compact Network (UNGC) and Global Compact Network Kenya (GCNK) which requires members to provide annual reports on initiatives they have undertaken to uphold the principle on anti-corruption. This commitment was further demonstrated by establishing an ethics management function in structuring, monitoring and evaluation of ethics-related initiatives.

#### **4.2 A brief description of our Processes or Systems**

##### **Leadership commitment**

Kapa views bribery and corruption as a key component of the ethics programme and has put in place a multidisciplinary ethics committee comprised of the Finance Director, Senior Human Resources and Project Manager, Chief Accountant, Personnel Manager, Legal Officer and the Ethics Officer. Part of the role of the ethics committee is to manage the risk of bribery and corruption.

Kapa has put in place measures to ensure that the tone at the top reflects its resolution to combat bribery and corruption. One of the key measures is the Codes of Ethics that is applicable to both the Executive Board and all cadres of employees.

Kapa has worked to institute structures to deal with bribery and corruption through promoting an ethical culture within the organization that encompasses both Board and business operational level perspectives. The Company's Chief Executive Officer (CEO) has the ultimate responsibility for the implementation of the Company's anti-bribery and corruption compliance program.



**Management structure**

Kapa has developed a work plan for the year July 2013 to June 2014 with scheduled activities to deal with integrity and ethics including anticorruption for a whole year and is already implementing the work plan. The work plan shows the activities to be undertaken by the Ethics Office with regard to risk assessment, formulation of ethics strategy, governance of ethics and structures, data management, benchmarking, reporting on Code of Ethics, promotion of ethical leadership and provision of feedback on ethics performance and challenges. The work plan is in the form of an action plan showing the timelines for the planned activities. The ethics committee holds a regular meeting to review progress on the work plan. Guided by the Ethics Officer, the committee is responsible for the implementation of the anti-bribery and corruption compliance program. This is a break from the past where ethics compliance was discussed in various meetings as an agenda. The development of an ethics function has brought focus and coordination in the way Kapa manages its ethics-related initiatives. Kapa's internal audit department has also been responsible for compliance with anti-bribery and corruption. Any cases reported on bribery and corruption are directed to the Ethics Committee and finally to the Board of Directors.

**Due diligence**

Kapa performs due diligence procedures on its customers, agents, suppliers as well as employees. Background checks on new employees are conducted through telephone calls and reference forms sent to previous employers aimed at gathering information relating to their integrity and history.

Majority of Kapa customers are regional distributors. The Company requires its customers to produce relevant certification documents such as PIN and VAT certificates. Before taking on any customer, background checks are carried out including contacting references and fellow business associates who have dealt with them before. The results of the background checks are recorded in writing via email or letter and attached to the Customer Data form (which is used to open new customer accounts). Kapa's customers are assessed on a regular basis. In case of any negative reports or suspicion of fraudulent activities, the customer can be dropped or blacklisted depending on the severity of the offense.

Kapa's suppliers go through a vetting process before being selected. The process includes background checks, checks with referees, obtaining copies of important documents such as PIN and VAT certificates, certificate of incorporation and recommendations from business associates. Suppliers are required to sign a supplier data form which captures all their details. Once contracted, their performance is monitored periodically. Every supplier signs an agreement with Kapa which contains Kapa's Code of Conduct requirements on anti-corruption.



### **Communication and training**

Kapa embraces an open door policy whereby employees are free to report any suspicions relating to bribery and corruption or otherwise to the management. The Company liaises with other companies that have been recognized to have best practices on ethics for mentorship on ethics and related issues.

New staff members are made aware of the Company's ethical policies through the Kapa employee handbook. The new employees are also trained on ethical policies during induction. During the training, the employees are made aware that fraud which encompasses bribery and corruption will not be tolerated and are also informed where they can report such incidences.



Kapa: Marketing team in a training session, 2013

### **Monitoring and review**

Testing of controls is carried out by the internal audit team. The internal audit procedures have been designed to incorporate tests relating to anti-bribery and corruption.

### **Response and investigative procedures**

Employees are encouraged to report any ethics-related allegations to their Line Manager, who forwards them to the Ethics Officer. The report is then discussed by the ethics committee. Depending on the committee's deliberations, the Ethics Committee can recommend the matter to be investigated further. From the third line of defense, the Ethics Officer may be assisted by the internal auditor to carry out investigative activities when they arise. Where allegations are leveled against any of the Board members, relating with the conduct of business itself, the matter is handled at the Board level. Kapa is committed to reporting any cases of corruption and other forms of dishonesty to the relevant authorities and cooperating with the authorities in facilitating legal actions against those involved.

### ***4.3 Activities implemented in the last year***

#### **Anti-bribery and corruption risk assessment**

In the year 2013, Kapa conducted a risk assessment to enable development of the Company risk profile and consequently investigating on identified high risks on corruption and improper payments. The risk assessment was conducted through employees completing a questionnaire that was designed through consultations with finance and internal audit departments. The questionnaire included aspects of the inherent risks to the jurisdiction relating to government agents, local authorities and industry-related risks. The Ethics Officer analyzed the received questionnaire and developed the risk profile. The results of the analysis were forwarded to the ethics committee for further discussion.

#### **Developed Anti-Corruption Code and Policies**

In February 2013, Kapa embarked on developing policies on anticorruption aimed at ensuring that its various stakeholders do not engage in corrupt activities. There is now a fully developed policy on anti-corruption and fraud which will be available for view on our website [www.kapa-oil.com](http://www.kapa-oil.com) once ready.

The Kapa Code of Conduct requires every employee to take responsibility for ensuring that the Company business is undertaken with utmost integrity and respect but not limited to fraud and extortion, bribery, facilitation payments, gifts and entertainment, interaction with third parties, government and public officials, charitable contributions and sponsorships, political donations and conflict of interest. The Code of Ethics includes a commitment to work against corruption and publicly states a policy of zero tolerance on these issues.

The policies have taken into account the requirements of the Anti-Corruption and Economic Crimes Act (2003) and its enforcement mechanisms as well as the UN Global Compact principle on anti-corruption. Employees, business partners and other third parties are required to sign up to the anti-corruption Code of Conduct upon entering into contract with Kapa.

#### **4.4 Measurement of outcomes**

##### **Incidences of Corruption**

Through the risk assessment conducted in September, 2013, Kapa identified key high risk areas in the operation functions. These areas were Weigh bridge, Dispatch and Contractors Recruitment of Staff. Investigation was launched and so far, 3 senior managers have been convicted of corruption and sacked by management at the Weigh Bridge, 3 permanent employees were transferred to other departments, while 12 contracted employees cases on falsification of records were taken up by the contractor. Investigations are on-going on the allegation of bribery with contractors supplying labour force. In the event that any contractor is convicted of bribery, the contract will be terminated and the contractor blacklisted from doing any business with Kapa.

##### **Internal Audits**

Internal audits on stock movement for finished goods are conducted on monthly basis. The Import Materials audit is carried out on a quarterly basis which assesses the level of consistency with anti corruption commitment. Any violation is investigated and a report prepared on the same for the closure of the matter.

##### **Awareness Training**

During the period under review, awareness on anti-corruption, fraud and bribery was made to 1200 employees and contracted staff sensitising employees to the different types of corruption such as facilitation payment, bribes, and gifts, and create a shared language and understanding.

##### **External Assessment**

During the year, external assessment on anti-bribery and corruption was conducted by KPMG under Kenya Association of Manufacturers (KAM) as a case study on best practice in the emerging businesses. The process involved a one on one interview with senior staff at Kapa by KPMG assessors, the interview collected information on history of Kapa with respect to corruption, the commitment status, the due diligence and monitoring and evaluation. Furthermore, a questionnaire was issued to various heads of department in Finance and results analysed. The report on this assessment is being published by KAM for public profile.

#### **4.5 Activities planned for next year**

To introduce a gift register to record any gift or entertainment offers received above the set acceptable value.

Anti-corruption  
Future

## 5.0 Corporate Social Responsibility

### 5.1 Commitment

Kapa recognises that its social, economic and environmental responsibilities to the community are an integral part of the business. This is demonstrated via the various community activities as showcased below:

### 5.2 Donations and awards

- Financing local health centre that serve the employees and communities we operate in. Kapa has provided a health centre within the factory compound that serves both the employees and the local communities. The premises are maintained by Kapa.

Kapa Health Clinic



Consultation Room , 2014



Dental Clinic, 2014



- Sponsoring needy students in support of their education through our charitable organization, the Karania Foundation.



*Some of the students sponsored through the support program in 2013*

- Charitable donations to children and the aged homes in the form of cooking fat, soaps and detergents are done on monthly basis.



*Kapa donating to the needy in the society, 2013.*





*St. Barbados Children Home receiving donations from Kapa.*



*Kapa monthly donations to Children Home, 2013*

### The COP availability to our stakeholders

In line with our values of integrity and accountability, 'Kapa COP 2013/2014, will be communicated to all our key stakeholders through our common channels of communication. The channels are;

- ✓ This report will be available on the intranet and sent on emails to all Kapa employees
- ✓ The COP will be published on the Kapa website [www.kapa-oil.com](http://www.kapa-oil.com) where all external stakeholders will access the report.
- ✓ Ethics Communication Mechanism that includes awareness training, referenced in published brochures and Code of Ethics handbook.