



Sustainability Report 2014 - 2015

Putting Trust and Excellence to Work



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About this Report



About the Report

- This is the first Kapa Oil Refineries Ltd. (Kapa) sustainability report and covers the period 2014 - 2015.
- We have upgraded from basic Communication on Progress (COP) format in which we reported on in the past two years to sustainability reporting as recommended by the Global Compact secretariat
- Our sustainability report format takes the Global Reporting Initiative (GRI) format of reporting
- The report is a disclosure of our business responsibilities for 2014, with regard to the Ten Principles of Business Ethics as prescribed by United Nations Global Compact.
- We have taken a broader perspective of our business operations to cover all our production and the support processes and the impact we create to the community around us

Scope of the Report

- The report covers our sustainability activities for the year 2014 with our history and on our material matters, our metrics and our future strategies

Our Sustainability Mission

- To build an ethical culture in our business

Report Guide

- The report takes a summarized approach on the topics; about us, our material matters, our metrics, and our future as discussed here in
- A brief history of the business has been given to bring forth the background on which Kapa has emerged from. Figures, analyzed data and photographs have been used to support information reported on our performance

Message from the Chairman & CEO



M.D Shah
Chairman

It is with great pleasure I am releasing the Kapa Sustainability Report, 2014 -2015 at a time when the business is undergoing a realignment process from traditional manufacturing Company to a modernized corporate firm with a broadened outlook of our scope of business sustainability.

We are strategically positioning ourselves to transform not just our business model but also impact the community we are operating in to ethical foundations. This is our mandate as a responsible corporate citizen since it is where we derive our social license of our business.

I wish to affirm our commitment in considering all stakeholders interests in our decision making as we ensure that our responsibilities are accounted for. As a business we have taken it upon ourselves to create awareness among the employees and the community we are operating in on environmental challenges the region is facing today. We are committed to fight corruption in all its forms and respect the law on human rights and labor at every level of our business.

We have established and communicated our business code of conduct to all our employees and soon we shall be reaching out to all our business partners in the supply chain in our effort to ensure we build an effective ethical culture in our business.



Nitin Shah
Chief Executive Officer

I am delighted to present to you Kapa Sustainability Report 2014 - 2015, the first ever kind of a report for the Company and also an elevated mode of reporting since we signed into the United Nations Global Compact (UNGC) and the Local Network in March, 2012. The report is a reaffirmation of our continued support and commitment to the implementation of the Ten Principles of the UNGC and the Code of Ethics for Businesses in Kenya.

In our past COPs, we described on our sustainability plan and our corporate social responsibility activities as part of our business concerns. On successful reporting the UNGC secretariat recommended we prepare a sustainability report for the year 2014. This inspired us into aligning our reporting to the new structure as outlined in this report. We have described what are our material matters, how we measure our performance and what are our strategies in the coming year. The report has also outlined various activities undertaken in our effort to advance the Global Compact mission as part of the strategy, and also addressing ethical issues within the Company.

Contact Information



Company name: Kapa Oil Refineries Limited

Sector: Manufacturing

Number of employees: 186

No of employees under our Business Partners: 1800

UN Global Compact signatory since: 12th March 2012

Contact person: Charles Rubia

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Phone: +254 722 515 172 / 733 655 622

Our History

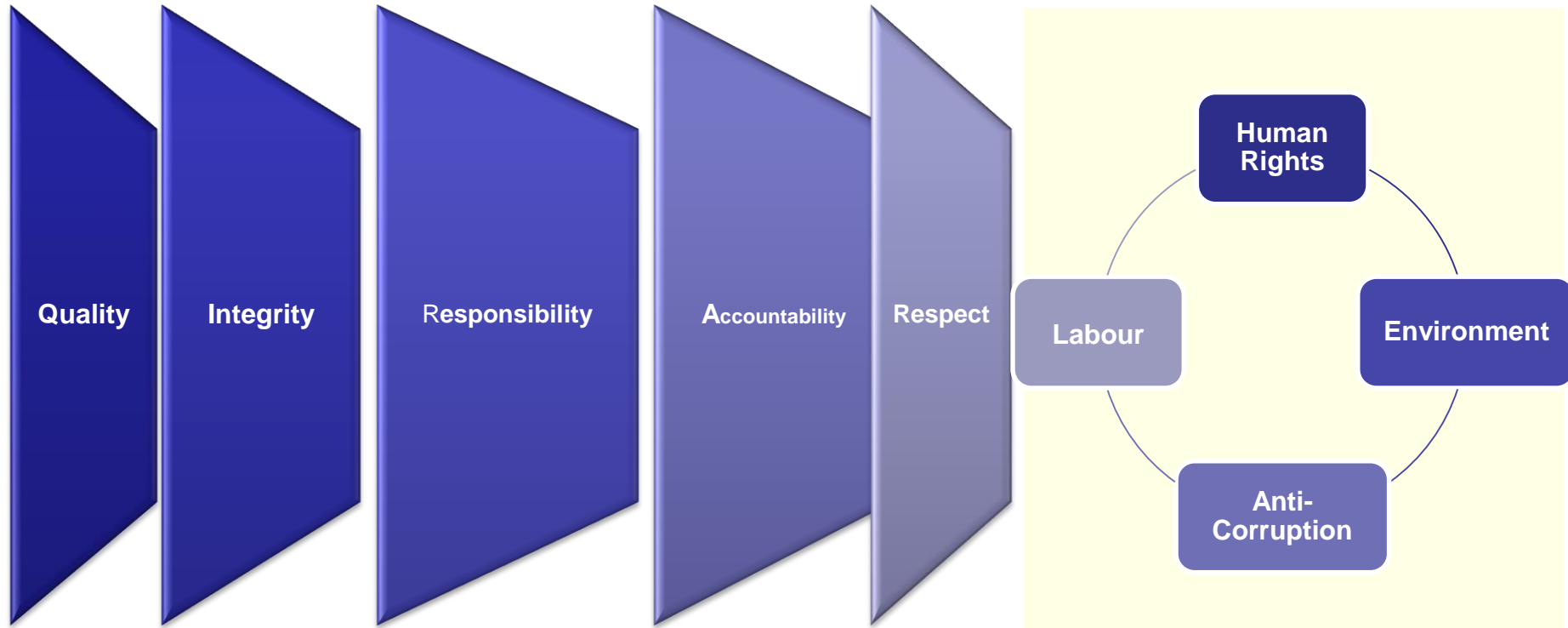


Kapa Oil Refineries is a highly successful family business that has seen tremendous growth since it was established in the late 1960's. It was then known as Karania Packers, a salt packaging and baking powder manufacturing Company. The name 'Kapa' is an acronym derived from 'Karanja Packers'. Over the years Kapa has grown in all dimensions and is now a leading manufacturer of different products that includes; cooking fats, edible oils, soaps and detergents, margarine, baking powder, glycerine and noodles in the fast moving consumer goods industry in Kenya.

Initially, the business was tightly controlled with specific family values of integrity, patience and respect. However, the need for formalization and establishment of more structures of management was decided on. Since the year 2012, Kapa has undergone several changes among them being, the establishment of ethics and compliance function, information and data management systems and human resource management structures.

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

Our Core Values



Our reputation is built on trust with our stakeholders, provision of quality products and services, and the respect we have for every individual we are in contact with as we do our business. We have made the community around us proud of what we do. We respect and follow the law, act with integrity, take responsibility and are accountable for our actions in areas of human rights, labour standards, environment and anti-corruption as prescribed by Global Compact, the secretariat that prescribes the Principles of Business Ethics.

Our Business



• What we manufacture:

- Edible Oils
- Cooking Fats
- Washing Detergents
- Laundry Soaps
- Personal Care Products
- Baking Powder
- Margarine
- Instant Noodles

• How we manage our business:

- Executive Management
- Production
- Finance
- Marketing
- Sales
- Business Ethics
- Quality Management
- Human Resources
- Maintenance
- Information Technology
- Waste Management

Products

Business Processes

Strategies

Performance

• What we aspire :

- Company Ethical Culture
- Environmental Conservation
- Community Engagement

• How we measure our results:

- Quality Products/ Services
- Employee Performance
- Customer Satisfaction
- Risk Assessment
- Environmental Performance
- Corporate Social Responsibility

Our Products



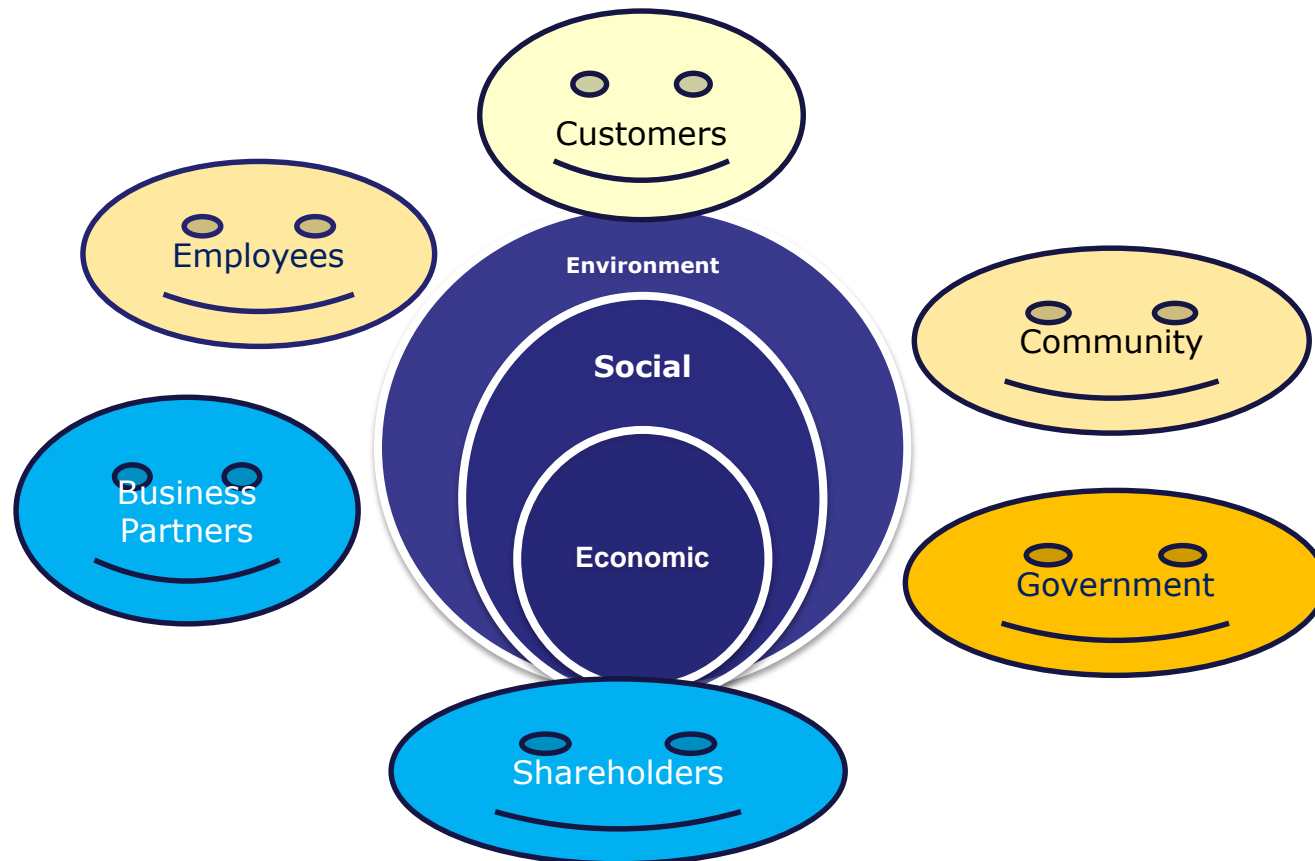
Our products in all range of brands;



Our Stakeholders



We believe in engaging our stakeholders and business partners in our business decisions and strategies. Our ethics policies and business conduct was developed by taking into account their expectations and addressing the significant issues and concerns highlighted throughout our business value chain. We engage with local communities to achieve our business strategies as we realise that this collaboration and partnership is essential for our business sustainability.



Performance Highlights



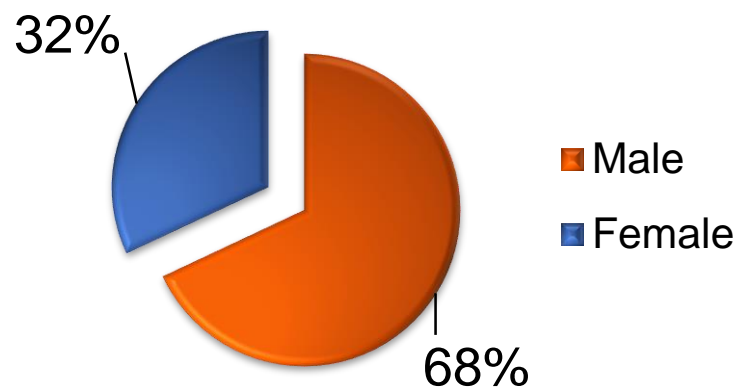
Ethics, 2014

Activities	No.
New Employees Trained	38
Reported Cases (Internal)	32
Disciplinary cases	4
Recorded Gifts	31
External Assessment	2

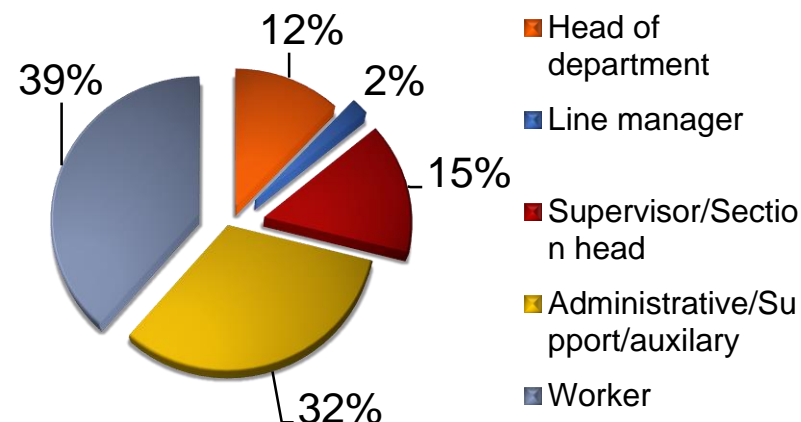
Recruitment and Internship

New Graduates Recruits	30
No of persons on internship or attachment	5
Total No. of students on industrial Visit	235

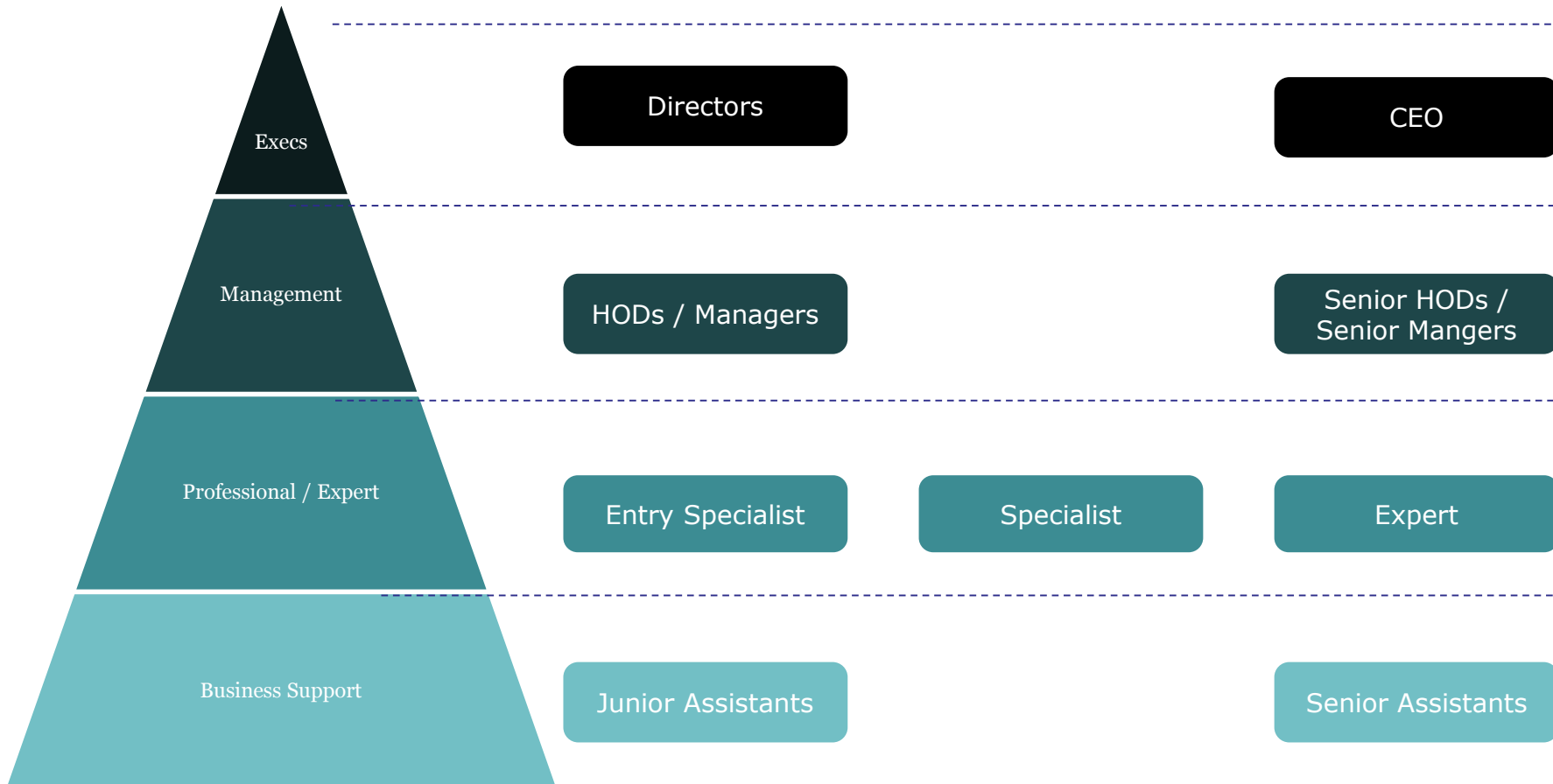
Gender



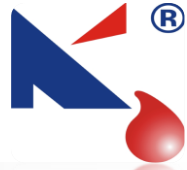
Job Levels Distribution



Management Structure



The Board of Directors



Committed to ethical leadership, the Board bears the responsibility for effective strategic and operation policies formulation and considers legitimate interests of stakeholders in decision making. The Board leadership is based on ethical foundations and ensures that the business is run ethically on the values of integrity, accountability, responsibility and respect, with specific focus on the UNGC ten principles in the areas of human rights, labour, environment and anti-corruption. The Board is answerable to stakeholders and is responsible for the business performance and reporting on economic, social and environment status.

The Chairman oversees the individual board members performance. The Chief Executive Officer is responsible for business sustainability, business ethics including fight against corruption and he is the sponsor of the business ethical program run by the Ethics Committee. The Board meets on quarterly basis during the year.

In the year 2014, the directors approved the budget allocation towards education, health and environmental activities to be executed in the year 2015. In the same period, the directors led the entire organization in tree planting initiative within the factory compound as a symbolic emphasis to the employees on the commitment towards building an ethical culture within the Company.



The Chairman of Kapa, planting a tree within the Factory, 2014

The Executives



Kapa Executive Managers are responsible for the effective execution of strategic decisions in full compliance to the statutory and regulatory requirements as well as to the interest and expectations of stakeholders. The Executives actively cultivate building of an ethical culture as set out in the Code of Business Conduct while upholding both business and family values.

The Executive is composed of the Chief Executive Officer, the Finance, Sales and Marketing Executive and Production Executive, each overseeing the respective departments under their roles as well as ensuring effective implementation and enforcement of ethical practices. The team sets the ethical tone through out the Kapa business chain.

Chief Executive Officer

Finance, Sales and
Marketing Executive

Production Executive

Finance and Accounts



The Finance and accounts department diligently handles all financial transactions for Kapa. Reputable for its prompt payment to suppliers, it is one of the most effective finance office in the region. The efficiency in the department leaves no room for corruption or bribery from whichever quota of service. One service provider commented this recently, and I quote;

“One thing I am sure about Kapa is you will be paid on the agreed time without having to ‘push’ for your cheque...”

For effective financial accountability, we ensure accurate and legible data recording both in journals and in the system. Our verification process ensures no error is carried over to the final reports, thus complying with accounting best practices and IFRS standards. The department has engaged competent personnel who maintain high standards of efficient, effective and economical resource use. The team also provides prompt response, impartiality, and equitable provision of services.

To ensure transparency on financial resource allocation, the internal audit department validates all financial records throughout the organization. To ensure integrity is upheld in all our activities we have come up with guiding policies and procedures that are communicated and understood by all staff within the departments. This has improved on providing timely financial reports.

In April, 2014, we engaged a team of professionals to set up the ERP system, SAP R3, which was completed and implemented successfully in a record time of 2 months. The new system has enhanced integrity of our data and information. We are now able to provide real time data and information throughout the Company with more precision and accuracy as and when required..

Marketing



Our market reach is what sustains us in the business. We therefore have high regard for our customers and carry out our marketing activities responsibly. The marketing process constantly keeps the consumer informed of their preferred products, any new products and also provides customer feedback on the products and services. The feedback given forms part of decision making on product value addition as well as brand improvement.

With the theme 'bright ideas better products', the marketing department, through creative and innovative products and brand designs, has managed to dominantly spread our market reach not only in Africa, but also into Middle East regions. In 2014, we launched Numi Noodles, our new product in the market.

Our marketing strategies are laid down with regards to ethical marketing principles, which upholds our core values in all our actions. We respect the competition law and abide with international laws regarding product requirements in our international market.

To maintain the marketing strategies, the department has innovative, creative and passionate staff that uphold integrity and transparency in all the marketing activities. The staff within the department have been trained on the Code of Business Conduct and practice it everyday, everywhere.

Production



The production department ensures continuous and consistent manufacturing of all our products. Quality products calls for stringent controls and monitoring of the process. The production department takes the responsibility to ensure suitable and appropriate measures of controls are maintained through the ISO 9001 and HACCP Systems.

The Factory Manager and the Line Managers are responsible for organizing and controlling labour utilization, maintaining a conducive working environment and ensuring all health and safety requirements within the factory are adhered to at all times.

The quality management representative has designed and documented the appropriate quality and safety policies and procedures, set the standards for effective operation and controls to ensure consumer health protection and safe environment within the production lines.



Quality assurance, part of quality management, focuses on providing confidence that quality requirements are fulfilled throughout the production processes. Quality control confirms and validates product quality as per the set specifications provided by both the national international standards.

Quality control and quality assurance includes the testing and inspection of raw materials when received and when in-process, final products, complaint samples and trial batch samples. The findings are reported as per the set procedures and specifications given. The results allow adjustment to the process and product thus ensuring that the customer does not receive a substandard product. Quality control / assurance ensures all products are of high quality and consistently produced in order to meet customer expectations, legal and statutory requirements.

Quality assurance has ensured that regular monitoring, inspection and test activities are carried out for all products to ensure conformity as per the set procedures, work instructions and specifications. This continuously ensures that non-conforming products are identified, recorded and transferred to the non-confirming area. Quality assurance has successfully ensured that operations, internal audits of QMS and HACCP system, and training of the general production workers are carried out as per requirement of these standards.



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. 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. Ethics function through HR ensures we respect the law on human rights and we are not complicit with it as guided by the set values and provisions, policies and procedures set in our Code of Business Conduct.

Human Resources department recruits talented employees for a mutual benefit. The function continually capacity builds all employees on skills needed for improved performance. The HR function has a strategy to attract and retain a workforce of highest integrity that carries the same vision as the board. In 2013, the HR department led by the CEO embarked on the 360° performance appraisal and employee personal assessment. This allows the measuring and benchmarking of progress across the business.

Individual performance is measured and rewarded around corporate strategies, integrity, social attributes and productivity. Annual performance feedback is carried out to determine ones performance on these areas throughout the year. High performers are rewarded by promotions or salary increments. Those who have performed below the set standards are taken through a Performance Improvement Programme. Development opportunities and performance are reviewed annually for all employees in the our business.

Our Material Matters



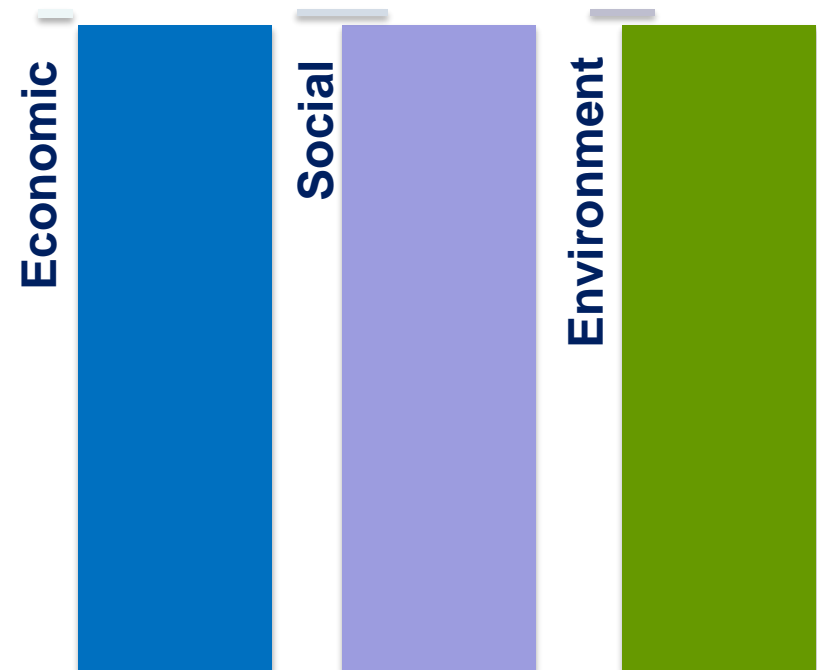
Materials Matters



Our business sustainability is anchored on how we perform with regards to:

- Code of Ethics
- Quality Products / Services
- Employees
- Environment
- Anti-Bribery & Corruption
- Community Engagement

It is our responsibility, as a business, to build an ethical culture based on our values. We have identified our values, established policies and standards that guide our actions everyday everywhere. Kapa ethics revolves around business sustainability on economic, social and environmental pillars.



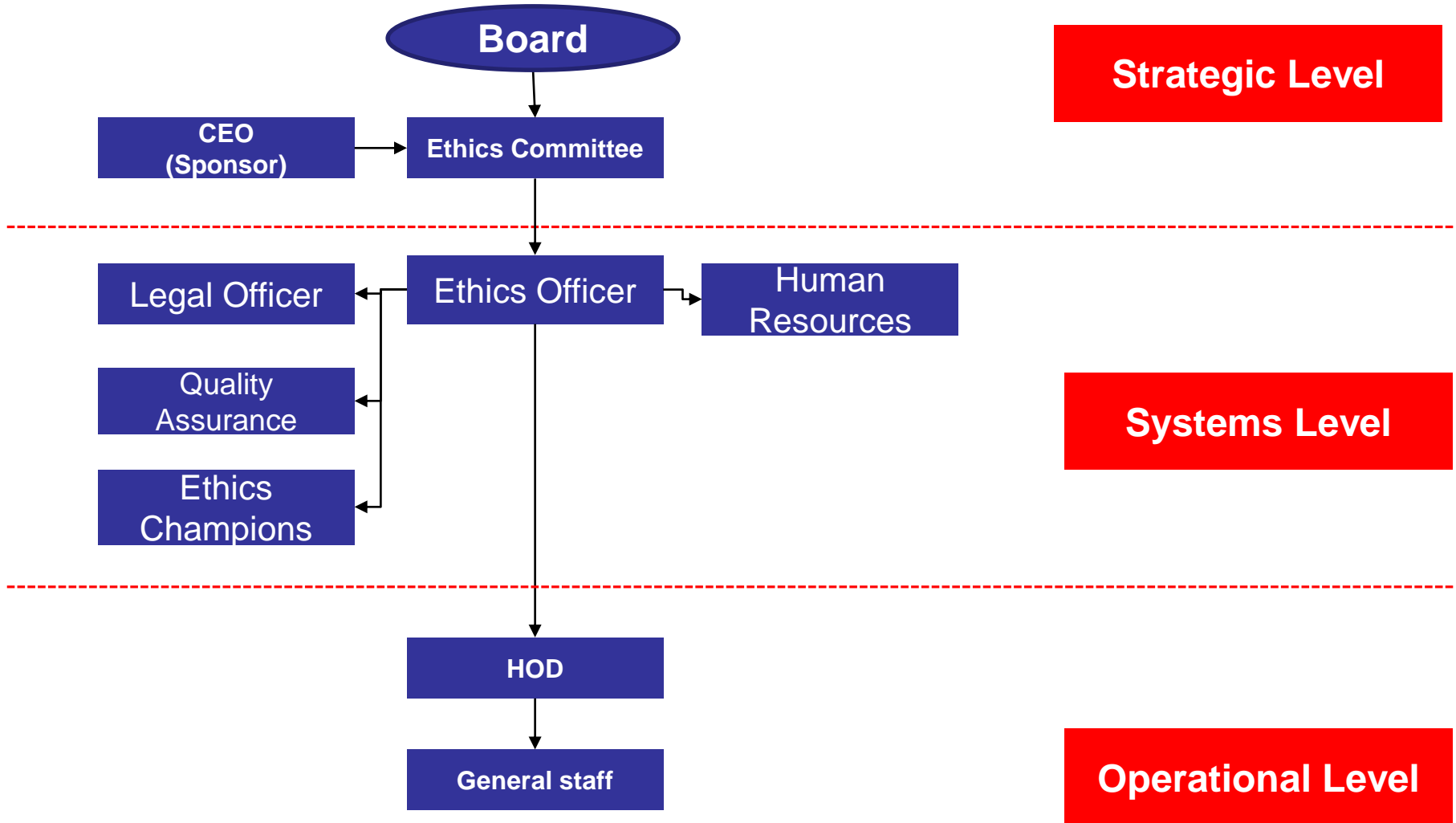


Kapa has embraced present global business practices by incorporating business ethics in day to day activities towards economic, social and business sustainability. The executive management at Kapa has demonstrated leadership commitment into adopting Code of Ethics principles as prescribed by the United Nations Global Compact, on doing business ethically within the four key thematic areas of Human Rights, Labour Standards, Environment and Anti-Corruption. The management has put up concerted efforts in structuring ethics governance, compliance frameworks and implementation mechanisms. This is geared towards sensitizing all Kapa stakeholders on the essence of ethical business practices, aimed at improved work relationship for sustainable benefits.

At the strategic level the CEO and the Board determines the strategic measures to be undertaken by the function to enhance corporate image of the business. The ethics function works hand in hand with the legal function, human resources and the quality assurance to ensure all processes in the business are driven on the set ethical foundations as a system. To strengthen the ethics roles and to ensure effective management, a team of ethics champions representing each department were trained on ethics policies implementation, case investigation and reporting mechanism. To operationalise the ethics function, the heads of departments and ethics champions ensure running the activities as guided by the code of business conduct. The management envisages expansion of the ethics function to a compliance function in line with global business practices.

The management on its commitment to fulfill its sustainability mission provided for the training of the Ethics Officer on Ethics Management. The officer successfully completed the Ethics Officer Certification Programme, (EOCP) offered by University of Stellenbosch Business School of South Africa and was certified by Ethics Institute of South Africa. The Ethics Officer runs the ethics function at Kapa.

Ethics Governance Structure





At Kapa, we are guided on our actions, decisions and behaviour in our business activities by a set of values and principles of ;



These values are the foundation of our Code of Business Conduct and are qualities that underpin our decisions and working practices. Our Code of Business Conduct outlines the behaviour we expect of every employee as well as our business partners.



The Code of Business Conduct identifies 10 guiding policies based on these values and informed by results of risk assessment. These policies are;

- Quality of our product
- Our employees
- Human rights
- Finance and account
- Marketing and brand
- Data and Information,
- Conflict of interest,
- Anti-corruption and fraud,
- Environment and
- Corporate social responsibility.

These policies were approved by the board in 2014 and can be viewed on our website, www.kapa-oil.com.

To ensure no violation of these policies , we have created a platform where employees can raise concerns without fear of reprisal and information given remain confidential and/or anonymous , mainly for our internal stakeholders as;

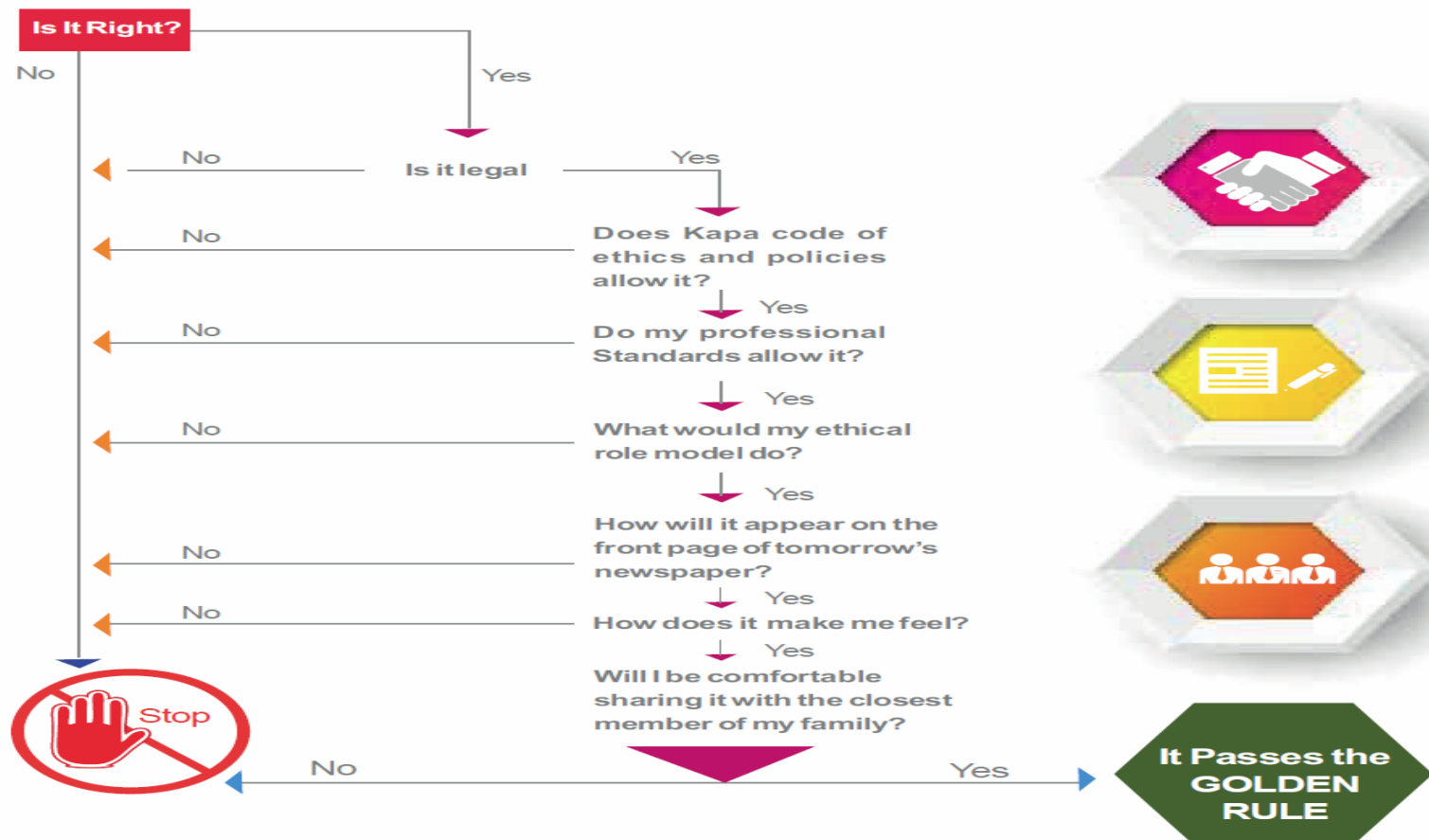
- Help Desk at the Ethics Office
- Anonymous E-mail Address (speakitup101@gmail.com)

All incidents are investigated and the findings reported to the Ethics Committee. Serious breaches are discussed by the Executive and the Board .

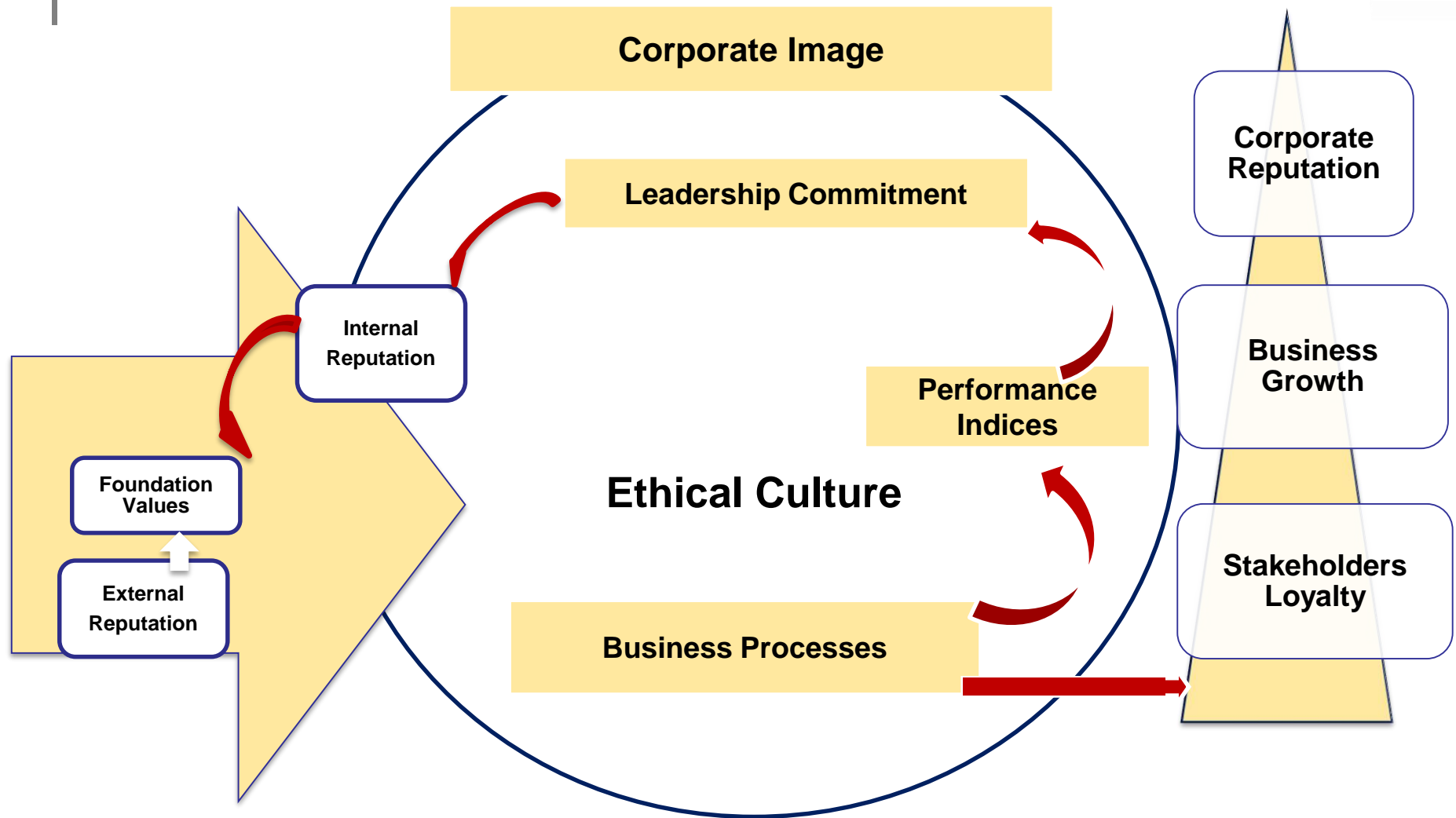
Kapa Ethics Decision Making Tree



When faced with an ethical dilemma, we have provided a decision making tree that will guide us into making the right decision. One will require to answer the questions in the step by step guide in order to make the right decision. Seven “YES” answers are required for an action to be ethical and qualifies as a ‘Golden Rule’.



Our Ethics Model



Quality Products and Services



Kapa emphasis on total quality products and services which is evident throughout the manufacturing processes and associated services. Provision of quality products and services forms the foundation of ethical values within Kapa. Our products have gained a strong market dominance for many years and they fulfill demand of quality requirements by the consumers and the regulatory requirements. Quality is assured through continuous testing of raw materials and products through laboratory tests and quality control procedure under the guidance of the Quality Assurance Officer.

Kapa recognises that its social, economic and environmental responsibilities to the community are integral to the business and this is demonstrated through actions: Being a consumer health driven Company, Kapa believes in the manufacture of safe and healthy edible products. Kapa products are NON-HYDROGENATED, thus making them heart friendly, cholesterol free and therefore beneficial to the health and well-being of all consumers. In our commitment and responsibility of our consumers, we fortify all our edible oil and fat products with Vitamin A to alleviate Vitamin A deficiency in Africa as required by World Health Organization.

The quality management department takes the responsibility of ensuring that, as a food manufacturing Company, we have all reasonable precautions to control the risk of food contamination in the manufacturing processes. The HACCP system, identified as the most effective method of ensuring food safety at all levels within the Company, has a plan on identifying, effectively and efficiently controlling all possible hazards. Quality on product services is achieved through timely, accurate and precise delivery of data and information to all support departments.

Production Process



Weighing of products



Laboratory testing of products



Products Storage



Products coding and packing

Employees



Kapa recognizes that its most treasured asset is its Human Resource. We are committed to achieving our business objectives through the employees. We believe that our success is a direct result of our employees' contribution to the organization. The Company recognizes its obligation to conduct its' human resource function activities in full knowledge of and compliance with the requirements of the applicable employment and labour legislations.

From ethics frame of mind, we consider three aspects that are optimal to the fulfilment of human potential. These aspects are human well being, purpose to work and self actualization aimed at changing the organization culture. The human well being or optimal human flourishing is an approach model meant to bring understanding and change in human behaviour at the work place. The approach can be measured, and effectively managed for performance improvement in an individual's day to day activities.

Decent pay for young employee: a principle by UNDHR requires that businesses to consider decent pay for newly employed employees. This is in the view that, the new employees have a role to play in the society as well as their contribution in the organization. Together with the corporate role they turn the spike of growth in an organization.

At Kapa we embrace this principle and in 2013 we embarked on a 'fresh graduate training' program aiming at providing diverse management skill with gender balance that will see them grow to senior manager level. The HR function view this group as a faction that is in search of equipping their profession with skills and expertise from a practical point while realizing personal growth and to the business this is the faction that embraces challenges and harnesses risk taking opportunities. In managing our human resources, we institute a staff welfare mechanism and a devised inherent motivation and reward framework aimed at harnessing performance and nurturing employee satisfaction.

Our Employees



Kapa employees at work.

Employees



We respect the laws on human rights as prescribed in the United Nations Declaration on Human Rights (UNDHR, 1948). We work with business partners that support and respect the laws on Human rights. We have developed a policy entrenched in our Code of Business Conduct that guide everyone on how we have taken up human rights approach. We do not abuse or engage child labour. Our country in which we operate has set clear guidelines on the age of employment which we abide and comply with. We have no engagement with anyone violating laws on human rights as stated in our Code of Business Conduct.

We have established a collaborative relationship with our employees and provide a supportive environment where each employee has an opportunity to develop his or her capacity through skill acquisition at various levels in their respective working areas.

By embracing the value of diversity, our employees have cohesively supported each other regardless of their tribe, color or race, age or gender . We have an affirmative action on our gender balance, about 32% of our labour force are women which is in line with the law in our country.

The Human Resource function understands that lack of a meaning in work leads to individual moral degradation that may lead to self withdrawal. We recognize that work is a central part of one's existence that makes a crucial part of self actualization, a factor that determines human development. The function has therefore created an environment where one feels significant and appreciated for what they do. The freedom of association has enabled individuals to group together as friends and advance their social welfare to celebrate great achievements. We encourage creativity and recognize talented employees to ethical leaders for our business sustainability.

Labour Standards



We have maintained the health and safety standards as required by the law under the Occupational Health and Safety Act and defined standards of employees' work environment. To ensure safety management, we have a health and safety committee in place that deliberates on safety issues.

All employees are provided with Personnel Protective Equipment (PPE). All areas within the factory are marked with signs and symbols to guide on any hazardous operational activity that can cause injury. To manage the work environment we record daily data on injuries, and analyze each case for analysis in categories of either major or minor accidents. The report is availed to the management on daily basis for review and action. Whenever a major accident occurs the health and safety committee meets immediately for corrective action. Each employee is responsible for his safety while at work as guided by the occupation health and safety guidelines displayed at strategic areas ease of access. Each manager ensures that all employees are protected from any hazardous condition.

It is the responsibility of each Line Manager to ensure that we do not affect the health and safety of the community around us with any of our activities. All employees ensure effective controls of activities during processing to protect our environment against unnecessary waste.

The responsibility and individual accountability to our work environment rests at all levels of the business. Every day, the production department, led by our CEO reviews how each business unit and function is progressing against the set objectives. This ensures that at any given day, we do not affect the environment and the community around our business.

Environment



Kapa has undertaken initiatives to promote greater environmental responsibilities such as tree planting and improving the efficiency of the effluent treatment plant. In 2014, Kapa staff planted over 200 trees within the factory compound. The effluent treatment plant has been effectively maintained to process all factory waste water to maximum capacity. Part of the processed water is recycled back into the factory for reuse in sanitation and the excess water is released to the sewer line upon meeting the regulatory requirements for the discharge. We comply with all waste management and cleaner production regulations and control emissions and pollutants from the processing plant to the environment. We undertake annual environment audits as required by the regulator.



Kapa Management staff planting trees in the factory compound



As manufacturing Company, we are aware of the environmental implications of our operations, products and service, in line with the 3 principles of environment prescribed by UNGC, we have taken up initiatives in collaboration with local communities to address the environmental challenges. As we grow in business we also consider maintaining a clean and sustainable environment.

We recognize that, irresponsible environmental pollution may have a real impact to the community and the society at large that may result to heavy financial penalties, loss in value of land, loss of brand names, law suits and damage to our corporate image.

We take responsibility on reporting about our environmental performance as required not just by the law but in awareness that this will give us a social license for the business. In addition to reporting on our environmental performance, we have gone further to address other environmental issues. These include; pollution prevention and water resource conservation. By effectively disposing off waste materials, we reduce the environmental impact caused by waste material emissions to acceptable levels. We also focus on sustainable water resource catchment conservation, waste water reduction, and water use to address the challenges of today on decreasing availability, declining quality, and growing demand of water use.

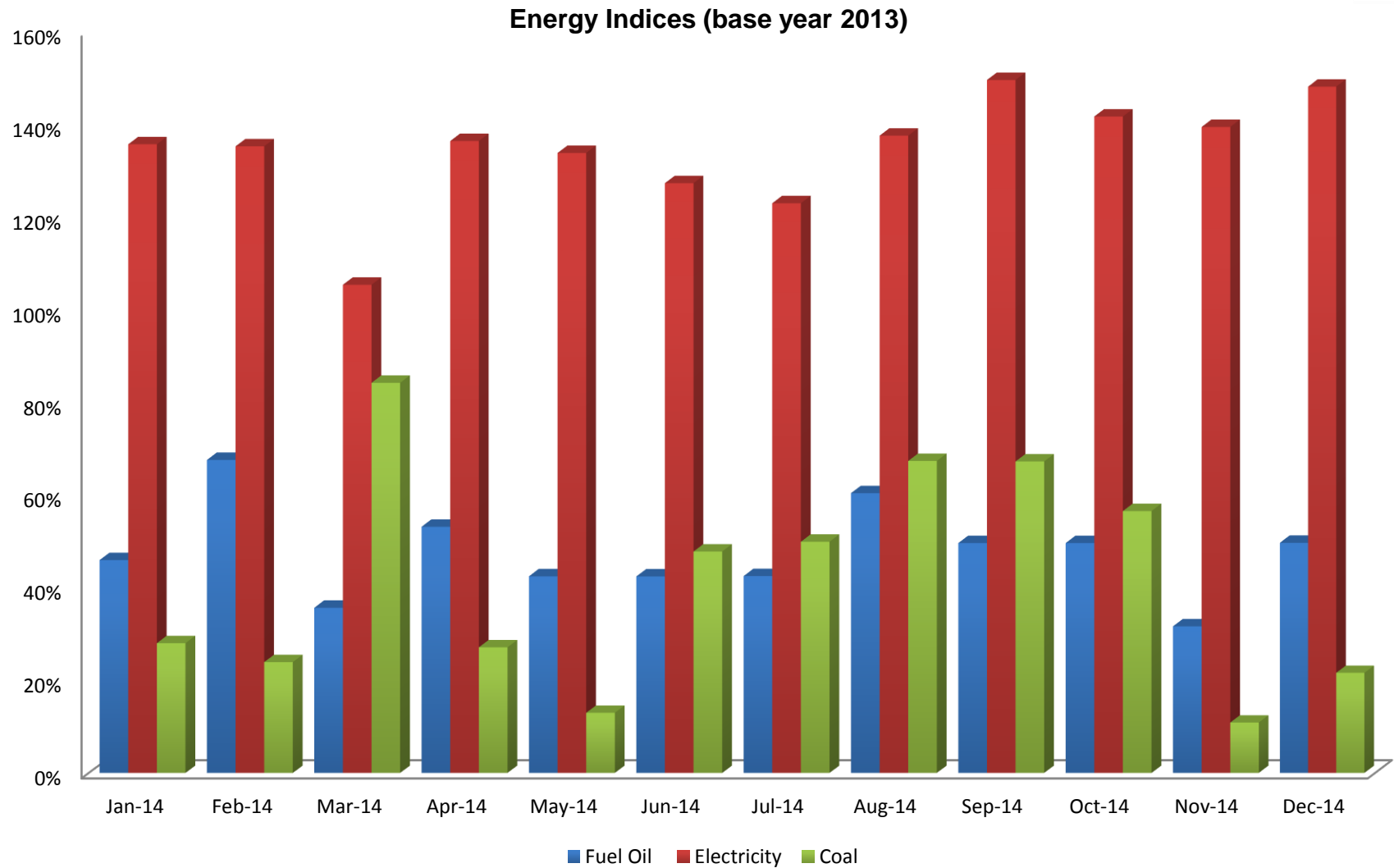


To manage our environment we have considered the raw materials, water and energy flows within our operations. The line managers are tasked with the responsibilities of collecting data and reporting on raw materials, energy and water usage and maintaining records on products, waste and emission in the process. The amount of raw material flow in our production processes provides us with total environmental waste from our plant. To maintain an effective environmental management system we have factored in the cost of training, legal activities, fines, record keeping and management. We consider remediation of environmental impacts, including possible punishment for environmental pollution in managing our environmental activities.

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 is now complete. This has reduced the amount of electricity demand. The Company has further developed a comprehensive energy policy that will address the issues that affect our energy efficiency.

Sponsored by Kapa CEO, the ETP is the best plant in the region. We take responsibility to ensure effective pre-treatment of our effluent discharge, which would otherwise damage the sewerage infrastructure if not well treated. The ETP handles to full capacity, our entire factory effluent discharge and runs to a waste water disposal point which is located 14Kms from the factory. The waste water meets all specific standards and regulations for waste water treatment prior to discharge into the sewer system as prescribed in the water quality regulation, 2006. It is important to note that, some water is recycled back for cleaning in the factory. The effective management of the plant has seen elimination of the foul smell that was a nuisance to the surrounding communities. The plant promotes waste reduction technologies, solid and fluid waste segregation and also promotes the recycling of water to effective water waste management technologies.

Energy Use



Anti- Bribery and Corruption



Kapa Oil Refineries Limited has experienced corruption both internally and externally in varying degrees and at different levels in the course of doing business. The internal cases are handled through the Company's set policies and procedures as outlined in the Code of Business Conduct. In dealing with the corruption cases outside Kapa, the Company has joined hands together with other stakeholders such as the Kenya Association of Manufacturers (KAM) under the Edible Oil Sub-Sector (EOSS) umbrella. Below are some of the cases highlights;

We have taken collective Action to Combat Corruption and engaged the Government to stop illegal imports that are flooding the market as a result of corrupt custom officials allowing in counterfeit goods, the members carried out several media campaigns to put on a spotlight these malpractices. So far there has been a positive response from various Government Agencies.

As sector, we have joined hands to fight on dollop scooping from bulk package to small quantities repackaging, done at the back streets by unscrupulous traders, the traders purchase the edible oils in bulk, re-pack it into smaller containers and then resell cheaply to low income earners avoiding regulatory levies while compromising on quality and food safety standards requirements. The Kenya Bureau of Standards (KEBS) surveillance team joined hands with the EOSS in identifying these unscrupulous traders. KEBS made a commitment to carry out more public sensitization campaigns on the unhygienic nature of re-packing and also identify the places the re-packing was being done, and also to ensure that goods that were not complying with the standards requirements did not get to the market

Anti- Bribery and Corruption



Kenya Revenue Authority (KRA), joined hands to ensure all edible oil importers were subjected to appropriate taxation process, the tax avoidance by importers affected the local manufacturers' price competitiveness in the market. The Authority, took the responsibility to ensure that the importers complied with imports clearance procedures and payment of relevant duties through the approved system. KRA further prohibited clearance under direct system of products to ensure that all the edible oil importers pay taxes thus ensuring a level playing field by all.

The Kenya Private Sector Alliance (KEPSA) and KAM engaged with the Parliamentary Committee on finance, planning and trade on the looming closure of edible oil manufacturing companies in Kenya, threatened by counterfeits and poor protection of intellectual property rights that have subjected manufactures to unfair competition threatening closure of local companies. KEPSA accused key regulators (KRA, KEBS, The Anti-Counterfeit Authority and the Competition Authority of Kenya) over the poor enforcement on standards and failure to protect the intellectual property rights of various companies. So far, these collective actions have benefited our Company as Government agencies have improved on fight against counterfeits, tax evasion by importers and ensured a level playing field as collective action to fight against corruption.

Community Engagement

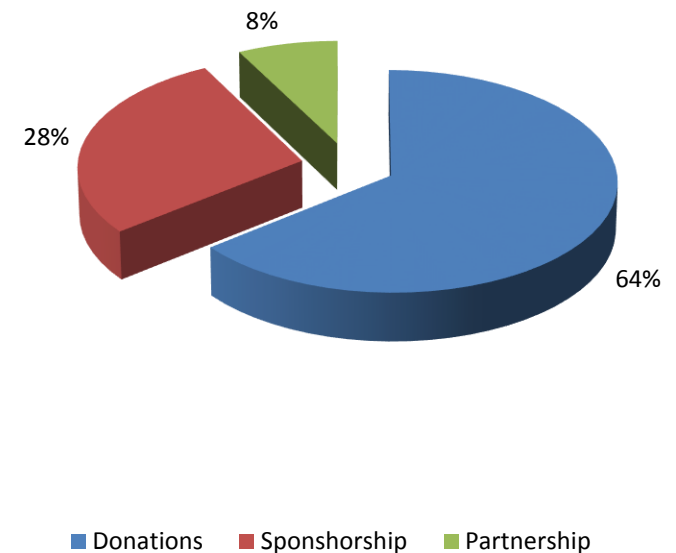


We recognize that our social responsibility to the communities around us is integral to our business success. Giving back to the society remains our agenda in our corporate objectives in line with our policies and practices. Our key goal being to influence the society positively.

We are proud of providing employment to about 1,924 workforce that support our manufacturing processes that include business partners the administration staff. We view this as a significant economic contribution to the communities around us and to our country as a whole. We have economically empowered individuals and families to a great success.

We care and contribute to the health and education of the communities we work and live in. In monetary values, our level of community engagement is into the proportions of; donations (64%), sponsorship (28%), and partnership (8%). In 2014, we supported over 30 community caring organizations on our monthly support programme and seasonal donation mainly for the children homes and less privileged in our society.

Community Support in %



Community Engagement



Our commitment towards the community engagement focuses on the following activities;

- Ensuring good health of our consumers through production of healthy and safe products
- Donating of goods in kind to the needy in our society
- Supporting basic education for the young children in the community
- Financially supporting a local health clinic that serves both our employees and the community.
- We provide opportunity for young people to learn and gain workplace skills they need in their career development through educational visits and industrial attachments.

In the year 2014 we supported 19 children homes and 2 homes for the aged in our monthly donation program and supported 11 more on our seasonal donations as requested. By close of the year, five more organization had made request for our support.

We have mapped out resource needs to improve on the health facility in Kapa to cater for all our employees and accommodate more of the community around.

We support community initiated activities that are geared towards improving and protecting the environment such as municipal clean up campaigns, tree planting and water supply. Last year, we joined hands with Mavoko Sub county to clean up Athi River town and sensitizing residents on handling and disposal of waste materials from their homes.



Kapa Staff at a local clean up campaign

Community Support



A Patient receiving treatment at the Kapa Clinic which is open to the community



Kapa donated to Construction of a classroom to the neighbouring community



Karania Foundation, Home for the Aged



The Chairman at the opening of Old Peoples Home

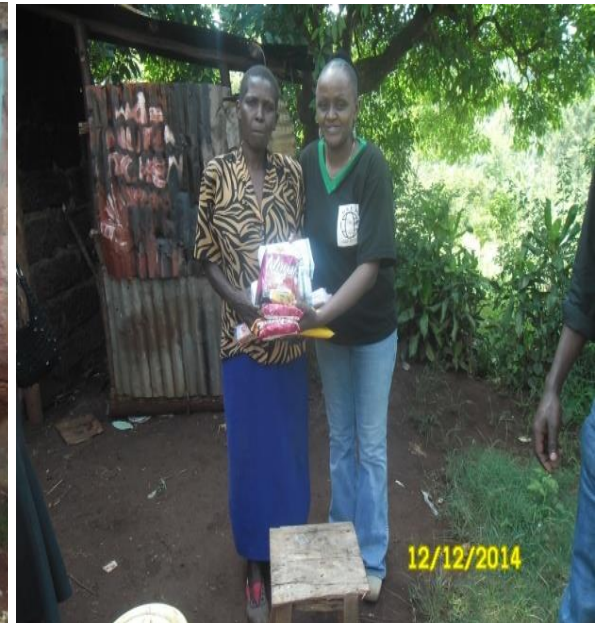
Donations to the Community



Donations from Kapa Oil Refineries to GEEP, an organization that supports children and the aged in Murang'a, Central Kenya



GEEP staff pose for a photo with one of the grannies that is physically challenged



GEEP Founder poses for a photo with one of the beneficiaries

Our Metrics



Our Metrics



Our business metrics are the indicators of our sustainability performance monitoring strategy. The metrics are used to track and assess the status of sustainable approach to our business processes. Each department is monitored on these key metrics:

- Risk Assessment
- Training
- Performance Management
- Quality & Food Safety Management
- Occupational Health & Safety
- Customer Satisfaction

The metrics are compared against the set objectives specific to that department, standard practices and benchmarked with sustainability partners.

Risk Assessment



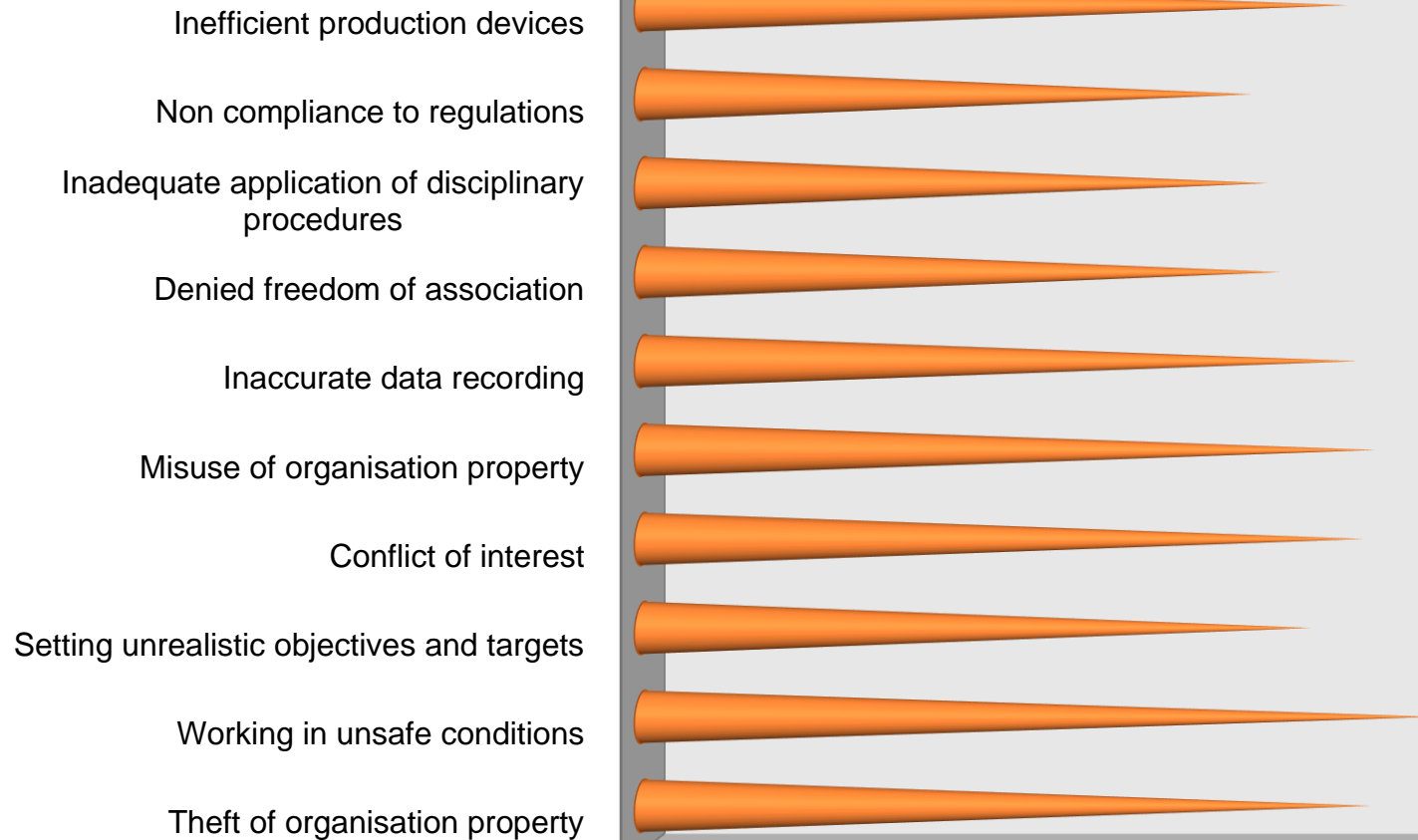
Risk assessment provides information on possible risks and threats to our business. A risk assessment conducted in 2013 revealed a number of risks and threats to the business. The assessment informed the management on the various risks that the business was exposed to and hence subsequent measures to be employed to eliminate the threats and improve on the business opportunities. The management and the board took responsibility to address the raised issues, among them, the restructuring human resource management, developing an ERP System to manage data and information, and focusing on areas identified with high risk occurrence.

The findings of this assessment informed the development of Kapa Code of Business Conduct policies. On gift and entertainment we have developed a policy that limits the value of any gift and entertainment offered. No employee is allowed to accept gifts, meals or entertainment that exceed a nominal value of 5% of the employees gross salary and/or gifts above Ksh 5,000 in a year. A gift and entertainment register was introduced during the year. Any employees who received gifts and entertainment offers from our business partners declared and registered them with the Ethics Officer. A total of 31 gifts were registered during the period under report.

A speak up policy on communication mechanism has been established to ensure effective communication mainly from our internal stakeholders through a help desk at the ethics office and anonymous email address (speakitup101@gmail.com). So far, 35 cases have been raised through this channels and substantiated to conclusion.



Percentage of some of the ethical risks Kapa is exposed to



Risk Assessment



At Kapa, due diligence procedures are performed on customers, agents, suppliers and employees. Since majority of Kapa's customers are regional distributors, any new customers, agents and service providers undergo a comprehensive due diligence process.

The third party due diligence is performed on an ongoing basis and where any negative reports or suspicion of fraudulent activities are discovered the relationship with the third party can be terminated or the party can be blacklisted depending on the severity of the offense.

Kapa's suppliers go through a vetting process before being selected. The process includes background checks with the 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 agent signs an agreement which contains Kapa's Code of Business Conduct requirements. 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.

The Anti- Bribery and Corruption (AB&C) report by KPMG on assessing fight against corruption, carried in 2013 was released to the public in 2014, through Kenya Association of Manufacturers (KAM). The report highlighted on our efforts to fight corruption in all its forms including extortion and fraud. The strategies and the approach were recommended to other business as good practices. In our reporting period, we had two external assessments carried out by German International Corporation (GIZ) and Transparency International on our ethical practices and our perception on corruption in Kenya respectively. The reports will be released in 2015.



Training needs assessment and performance evaluation provide information on areas of improvement towards competencies required for a particular job. All employees within the organization are undertaken through various trainings prepared by the Human Resource Department. The effectiveness of these training programs is a measure of how well the Company is doing, to improve on the employees competencies and skills on their jobs.

New employees also undergoes induction training in areas identified as critical for orientation into the organization that include;

- Work place guidelines
- Business ethics
- Quality management and food safety systems
- Occupational health and safety

During the induction training, the employees are made aware on ethical values and the ethical risks the Company exposed to, as well as on the expected behaviours of employees. It is emphasised that violation of ethical conducts as outlined in the policies and vices including bribery and corruption will not be tolerated. All employees are aware of where to report any incidences that go against the Company's Code of Business Conduct.

In 2014, all Kapa employees underwent a SAP training to enhance skills in data and information management. All our records are now processed online modules resulting to improved efficiency and accuracy in data and information.

Trainings done in 2014



Trainings Done	No. of Personnel Trained
First Aid	1316
Health & Safety	1256
ISO	1256
HACCP	835
Fire Fighting	1328
Kaizen	1256
Induction	30
SAP	211
Introduction to Ethics	38
On job Training	30

Performance Management



Our performance management framework objective is not only to harness performance but also nurture and enhance employee satisfaction and participation in key decision making areas. We give room to professional growth, freedom of work and fluidity, reward accordingly, manage expectations and model behaviour.

Every day , the senior management staff meet with the executive led by the CEO to report and review the performance of all the departments. Monthly reports are also prepared to provide data and information on departmental performance for factual decision making. In compliance with Quality Management System, management review meetings are held at least twice a year that provide details on;

- System performance
- Process performance
- Expected changes that might affect the system
- Status of internal audits, corrective and preventive actions undertaken

Ethics performance is measured by the number of cases reported. About thirty (30) cases were reported in 2014 , a significant increase from five (5) cases that were reported violations in 2013 after the launch of the communication mechanism. All the 30 cases were substantiated and resulted in actions being taken ranging from warning to dismissals

Performance Management



Evaluation on the effectiveness of the training done is carried out by assessing the improvement on the trained staff and to provide opportunities for improvement and to ensure that the objectives of the training are met. We believe in and offer training that helps each employee grow their skills and knowledge to in on their current job performance as expected. The 360° performance appraisal and self assessment evaluates the individual competencies in ;

- Problem Solving
- Strategy& Leadership
- Creativity & Innovation
- Stakeholder Engagement
- Learning & Development
- Integrity
- Communication skills
- Business Acumen
- Customer Focus
- Team Work

Quality & Food Safety Management Systems



Quality and Food safety management system is measured through, system audits , customer complaints, and the status of corrective and preventive actions .

In 2014, system audits were carried out as follows;

Type of Audit	No. of Audits
Quality Management System –Internal External	2 1
Food Management system (HACCP) -Internal External	2 1
Others – Suppliers/ Customer	2

Kapa was recertified on its HACCP system will be undergoing Quality Management System recertification process this year.

Occupational Health and Safety

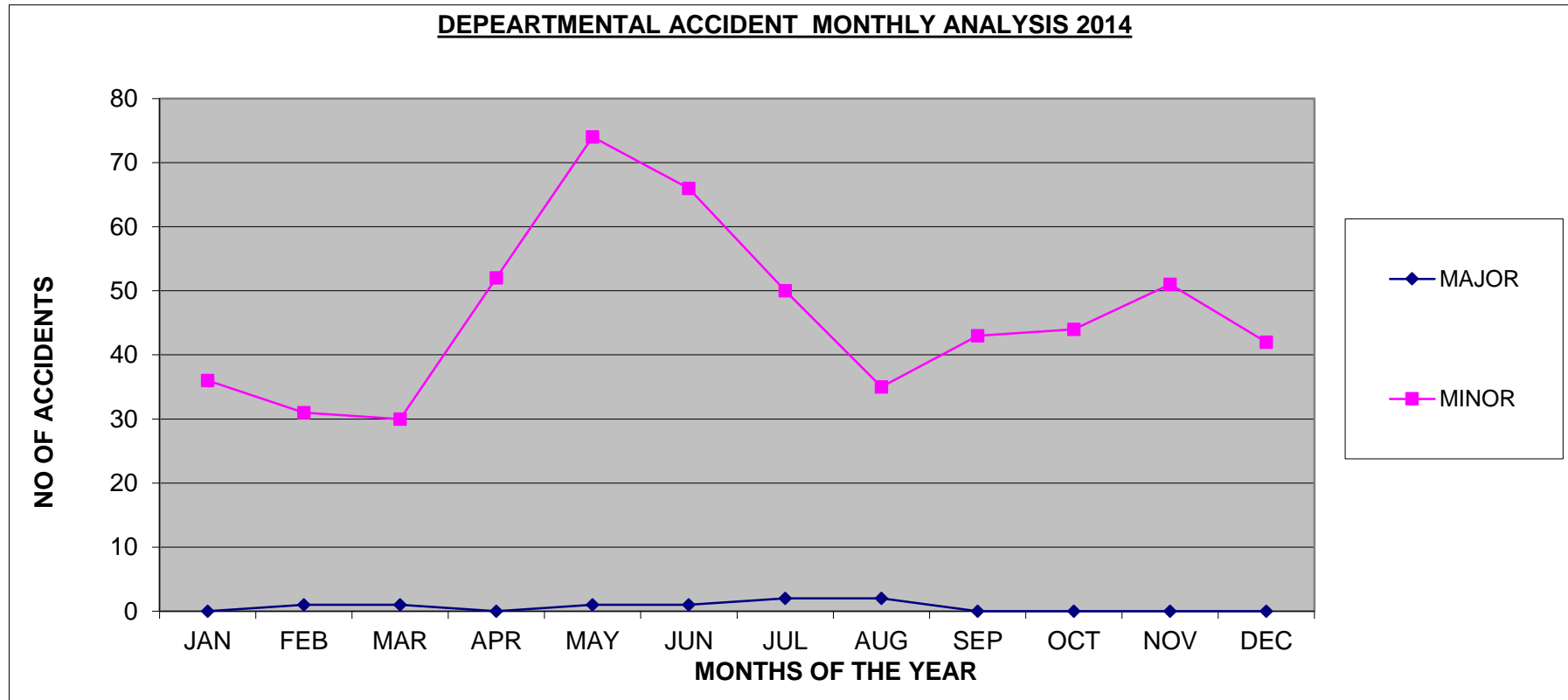


We have established an integrated safety, health and environmental management system ran under the quality management department . The systems put up are in line with the requirements of both National Environmental Management Authority and Directorate of Occupational Safety and Health. The System is audited annually by an independent body to assess;

- Fulfillment of Occupational Safety and Health Act of Kenya
- Work environment and systems for prevention of accidents, occupational diseases and general health at work place.
- Established baseline safety and health performance

The audit usually covers three major areas as recommended by the law, these includes work place information, management of Occupational Safety and Health policies and work place safety, health and welfare conditions. Performance in occupation safety and health systems is determined by actions taken on previous recommendations on identified risks exposed to and accidents occurrences in all departments. A monthly accident data analysis is carried out throughout the year and action are taken up immediately where risks are noted to be high. The external audit informs on areas of improvement to ensure maximum safety and health within Kapa. For the report period, the audit was carried out in November, 2014.

Occupational Health & Safety Trends



Customer Satisfaction



All our processes employ a customer focus principle of quality management system for our business sustainability. We therefore measure regularly the degree of our customer satisfaction mainly;

- To establish the level of consumer satisfaction with Kapa products and services.
- To identify customer/ consumer needs.
- To determine customer perception of Kapa products.
- To monitor the market trends and their impacts on consumers / customers.

Customer satisfaction, as a metric, not only improves our business performance, but also our relationship with our consumers creating a mutually beneficial relationship. Our key unit of measurement includes ;

- Annual sales volumes
- Customer feedback survey ratings
- Number of customer complaints received

In the year 2014, the annual sales volume increased by 7 % against a two year growth plan of 10 %. For the period August- September 2013, the sales growth rate was at 11.09%. This indicate an increase in consumption of our products and the expansion of our products market .

During the period only 23 complaints were received. Overall customer satisfaction was rated as good.

Our Future



Our Future Strategies



To achieve our business sustainability mission we aim to promote fair business practices in our supply chain. We intend to sensitise our business partners on our ethics policies, standards and procedures. We have set out our strategies for 2015 as:

- To create awareness on our Code of Business Conduct to our business partners;
- To engage on environment conservation activities in collaboration with the community around us; and
- To increase our level of community engagement in donations, sponsorship and partnerships

As a Company we have a plan to support the adoption of climate change adaptation mitigations projects in the community we operate in, by providing precautionary approach to environmental challenges, through tree planting and water catchment conservation. We shall work in collaboration with water resources users associations that manages water resources to achieve our goal of sustainable water resource catchment management.

To reduce environmental impact from our production processes for greener and cleaner environment we have strategies to;

- Improve on machine maintenance programme for effective and efficient operations; and
- Increase in energy monitoring and performance reporting

Our Future with the Community



We recognize that collaboration with others is fundamental to our business, both in achieving our goals and that of the society as a whole. We have therefore come up with a program that continuous engagement and partnership with our local communities. The program is a collaboration strategy that ensure we understand views and expectations of the community that we can respond to as well us transforming lives.

Type	CSR Activity	Current Request/ Involvement	Proposed activities, 2015
Donation	Education Donating to schools (Classroom Construction, Desks, Books) Health Monthly donation to children homes and homes for the aged Seasonal Festive Seasons Community events	Mlolongo Primary School Supporting 20 children homes and homes for the aged. Request by individual organizations	To donate 100 desks to the school. Monthly donation As requested
Sponsorship	Water Supply to community Group in need Sponsor a school building maintenance programmed (Painting buildings in the school)	None	Sponsor a water borehole and water Kiosk to a community around our factory To finance a school building maintenance (painting the building in the school)
Partnership	Environmental Conservation Community Health	None	Community tree planting Support on the Local Clinic <i>(Clinic Awareness Campaign</i>
Karania Foundation	Education Social	Needy Students Home for the Aged	Needy Students (fees, scholarship) and a home for the aged

Availability of the Report to the Public



In line with our values of integrity and accountability, this Sustainability Report will be communicated to all our key stakeholders through our common channels of communication. The channels are;

- ✓ This report will be available on the internet and sent on emails to all Kapa employees;
- ✓ Ethics Communication mechanism.