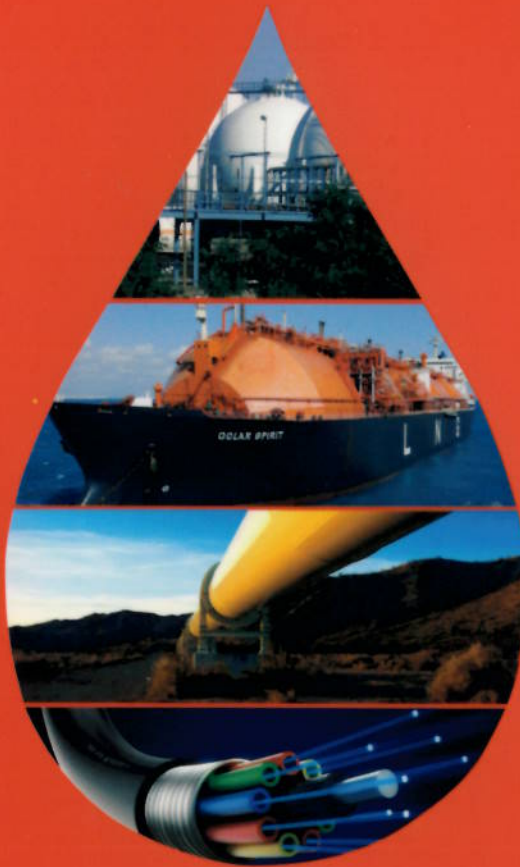




KPC VISION 2025

ABRIDGED VERSION



Crafting the Future

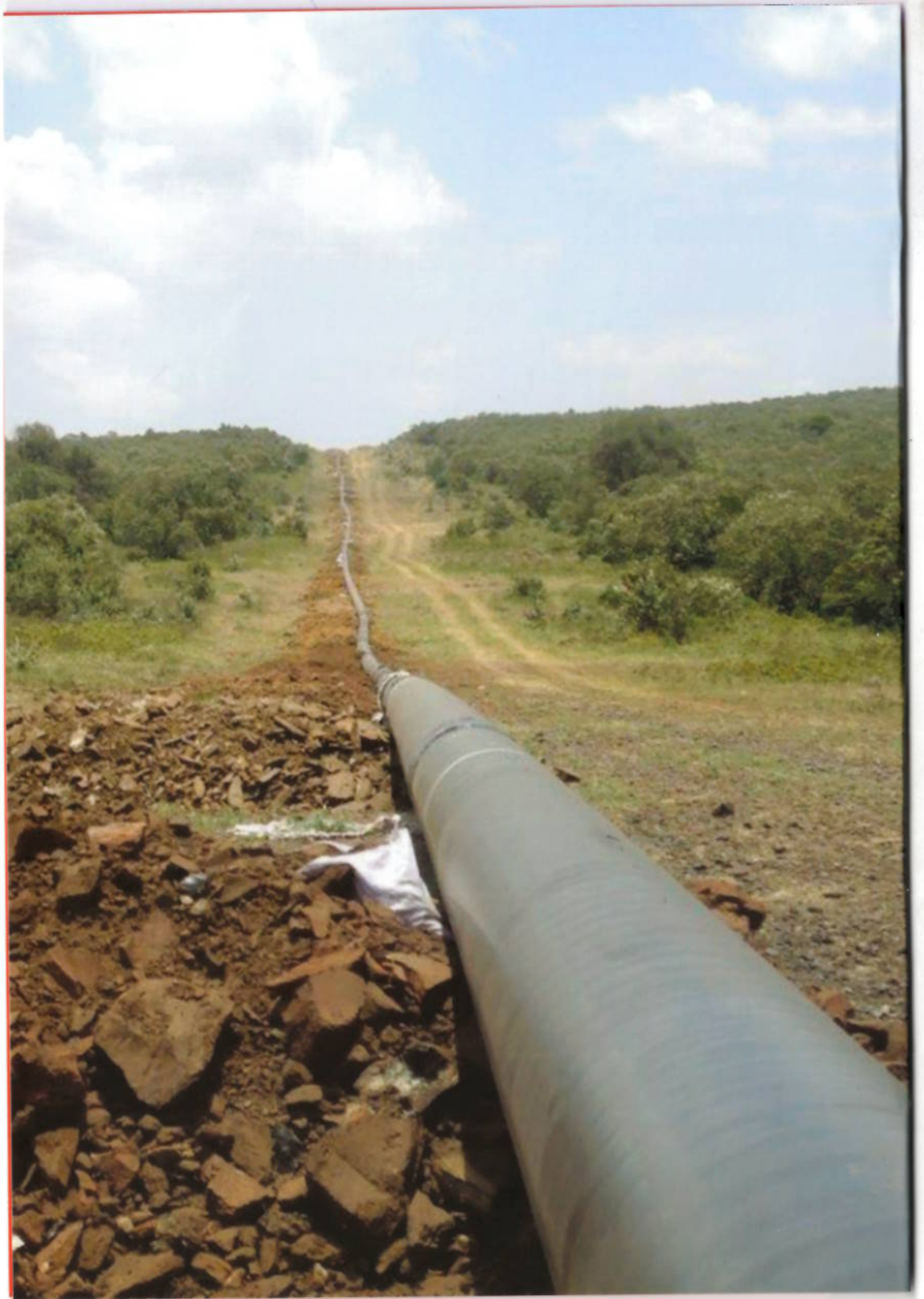


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LIST OF ACRONYMS

BOT	Built, Own, Transfer
CSP	Corporate Strategic Plan
DRC	Democratic Republic of Congo
HRD	Human Resource Department
IPO	Initial Public Offer
KPC	Kenya Pipeline Company
KOSF	Kipevu Oil Storage Facility
KPI	Key Performance Indicators
KSHS	Kenya Shilling
LPG	Liquefied Petroleum Gas
LNG	Liquefied Natural Gas
NSE	Nairobi Stock Exchange
OMC	Oil Marketing Companies
PBT	Profit Before Tax
ROI	Return on Investment
ROCE	Return on Capital Employed



STATEMENT FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



It is with great pleasure that I unveil KPC Strategic Plan 2015/16-2024/25, dubbed 'KPC Vision 2025'. The Board of Directors and I are excited to be part of this new beginning for KPC which is set to transform the Company to be Africa's Premier Oil and Gas Company and make Kenya the oil and gas hub in the Region.

As the only 'white oil' pipeline operator in East and Central Africa, the Region relies on us for a cost effective and safe means of transporting petroleum products. KPC is therefore most strategically positioned to deliver on this mandate and, in line with its new vision, be a leader in safe and efficient delivery of quality oil and gas from source to the customer.

The future is within our grasp and we must take the lead in partnering with the Regional Governments, industry and other key players to move the Company to the desired future. The oil and gas sector is changing very fast and presents great opportunities for growth for KPC. I am glad that the proposed 10-year Corporate Strategic Plan has been crafted taking into consideration the developments in Kenya and in the Region and its achievement will create value for the Company and the country.

KPC's Vision 2025 is bold, inspiring, challenging and achievable. I commend the collaborative efforts of my fellow Board Members and the Management Team in reviewing the emerging strategic issues and developing the initiatives and strategies contained in this Plan. The involvement of all staff is critical for the realization of the Plan. They must therefore be brought on board to understand, appreciate, internalize and own the Plan in order to ensure their effective and diligent participation in its implementation.

The success of the Plan requires strong leadership, self-belief and team spirit. The Management team and staff will have to build distinctive capability in market leadership in all matters oil and gas to win the customers' and stakeholders' trust. Execution of the planned expansion will require boldness, impetus, effective use of business intelligence, awareness of competitors and sensitivity to the customers' needs and the market dynamics.

The Board of Directors and I assure the Management Team and all staff of our unwavering support and commitment to the implementation of this Strategic Plan and look forward to the realization of KPC's Vision 2025 and growth of the Company.



JOHN NGUMI

CHAIRMAN, BOARD OF DIRECTORS



FOREWORD BY THE AG. MANAGING DIRECTOR



KPC Vision 2025 is the result of hard work and various consultative meetings by the Management team and the Board of Directors. Development of the Corporate Strategic Plan involved driving change among the Management team and taking a comprehensive look at KPC's business model.

A comprehensive review of the Company's achievement to date showed that since its inception, KPC has never diversified its business and grown beyond the national borders. It was thus evident that there was need to focus on investments in new business areas in and beyond Kenya. Hence the deliberate focus on strategic investments in East and Central Africa over the next 10 years.

This new Corporate Strategic Plan dubbed 'KPC Vision 2025' is a transformational plan geared towards creating a premier organization while transforming KPC to a diversified oil and gas business from the petroleum products transport company it has been, hence our Vision "**Africa's Premier Oil and Gas Company**".

KPC targets to widen its business focus and enter into upstream, midstream and downstream activities. To achieve this goal, a number of investments have been identified as strategic for business and market entry. These planned investments will be subjected to detailed feasibility studies before firm investment decisions are made.

Vision 2025 is anchored on the following five key strategic pillars:-

- i. **Business leadership** - aimed at winning/leading the market in Kenya.
- ii. **Geographic expansion** - with focus on leadership in greater Eastern Africa Region.
- iii. **People** - aimed at ensuring amazing performance by all KPC employees.
- iv. **Systems and processes** - reliable and best in the world technology and systems.
- v. **Image and reputation** - creating amazing relationships with all our stakeholders.

KPC's Mission '**Transforming lives through safe and efficient delivery of quality oil and gas from source to customer**' is aligned to the Government's development agenda of transforming Kenya to a middle income country. Achievement of the Plan will boost the transformation of our country through positioning Kenya as the leading oil and gas hub in the region, creating new jobs and generating income for the Government.

To ensure KPC Vision 2025 is delivered, we have set clear milestones within the Plan and shall keep the Plan visible by integrating it into regular annual and daily activities and track the implementation progress.

With the support of all stakeholders, we remain optimistic that this transformational Plan will deliver the desired results.



FLORA OKOTH (MRS.)
AG. MANAGING DIRECTOR



CHAPTER 1: KPC HISTORY AND ROLE

1.1. Introduction

The development of the oil pipeline in Kenya began when the Government established the Kenya Pipeline Company (KPC) in 1973. The Company was charged with the task of constructing a refined oil pipeline system and transporting the petroleum products from Mombasa to the hinterland.

The pipeline system consists of a network of 1,221 km of pipeline running from Mombasa through Nairobi to the Western Kenya towns of Nakuru, Eldoret and Kisumu. KPC has petroleum products storage facilities at its depots located in Nairobi and the major towns of Mombasa, Nakuru, Eldoret and Kisumu with a total capacity of 286,000m³. The Company manages and operates the 326,233m³ imports storage facility at Kipevu (KOSF). The first 450km, 14-inch diameter pipeline was completed in 1978 from Mombasa to Nairobi and an additional 446km, 8/6-inch diameter pipeline from Nairobi to Western Kenya was constructed and completed in 1994. In 2011, another 325km, 14-inch diameter parallel pipeline from Nairobi to Eldoret was commissioned.

To date, KPC has cost effectively, efficiently and

safely transported petroleum products through the pipeline, for consumption in Kenya and the neighboring countries which include Uganda, Rwanda, Burundi, Eastern Democratic Republic of Congo (DRC), South Sudan and Northern Tanzania. The pipeline throughput has increased from 800m³ in 1978 to 5.3millionm³ in 2013/14.



1.2. The Mandates

KPC's mandates are detailed in the Company's Memorandum and Articles of Association. The key mandates are:

- i. To build a pipeline for the conveyance of petroleum or petroleum products from Mombasa to Nairobi, for the account of the Company or for the account of others and any other pipelines in East Africa as the Company may determine.
- ii. To own, manage or operate such pipelines and any other pipelines (whether or not built by the Company) and all ancillary pumping, storage and other facilities and such other plant, equipment and installations, movable and immovable, as the Company may consider desirable and to manufacture, construct, maintain or modify any of the same.
- iii. To market, process, treat and deal in petroleum products and other products and goods that may conveniently be dealt in by the Company and to provide transport and other distributive facilities, outlets and services in connection therewith.



CHAPTER 2: KPC VISION 2025

2.1. General Overview

The pipeline is a strategic infrastructure and plays a key role in facilitating economic growth and development in the Region. KPC targets to widen its business focus and enter into upstream, midstream and downstream activities of the Oil and Gas industry within the East and Central African Region.

KPC has thus developed a ten (10) year Transformational Corporate Strategic Plan, dubbed KPC Vision 2025, aimed at ensuring the Company continues to play its role in the oil and gas sector. The Plan will enable the Company build on gains made since inception, focus and position itself to take up emerging opportunities in the oil and gas sector and play a role in making Kenya a middle-income country by the year 2030. This Plan is expected to increase the Company's annual turnover to over Kshs150 billion by year 2025.

Through the Plan, KPC seeks to:

- i. Transform itself into a world class organisation.
- ii. Diversify from a petroleum fuels transport company to other Oil and Gas businesses.
- iii. Entrench Kenya as the gateway to East and Central Africa through infrastructure investments in oil and gas.
- iv. Create the number one (1) organisation in East & Central Africa by revenues and profits.



2.2. Vision and Mission

KPC's transformative journey is anchored on the following Vision and Mission.

OUR VISION

'Africa's Premier Oil and Gas Company'

OUR MISSION

'Transforming lives through safe and efficient delivery of quality oil and gas from source to customer'

OUR CORE VALUES

Our core values will be the cornerstone of the corporate culture aimed at creating a high performance organisation. These values are as shown in Figure 2-1 below.

Figure 2.1: KPC's Core Values



OUR MOTTO

Our rallying call 'to do the best always' will inspire us to outstanding individual and collective performance thus enabling delivery of Vision 2025

2.3. KPC Vision 2025 - Strategy

The Plan is anchored on five (5) key Strategic Pillars which will propel KPC to Vision 2025, and support delivery of Kenya's Vision 2030.

The five (5) Strategic Pillars are:

- i. **Business Leadership:** Winning the market in Kenya
- ii. **Geographic Expansion:** Leadership in greater Eastern Africa
- iii. **People:** Amazing performance by all our People
- iv. **Systems and Processes:** Best in the world
- v. **Image and Reputation:** Amazing relationships with all stakeholders

The transformed KPC will thus be built on a high transformational culture that supports delivery of the Vision.

Figure 2.2: KPC Vision Tower



CHAPTER 3: KEY ACHIEVEMENT OF THE CORPORATE STRATEGIC PLAN 2011- 2015

The Corporate Strategic Plan (CSP) for the period 2010/11 to 2014/15 was pegged on the following seven (7) strategic themes: -

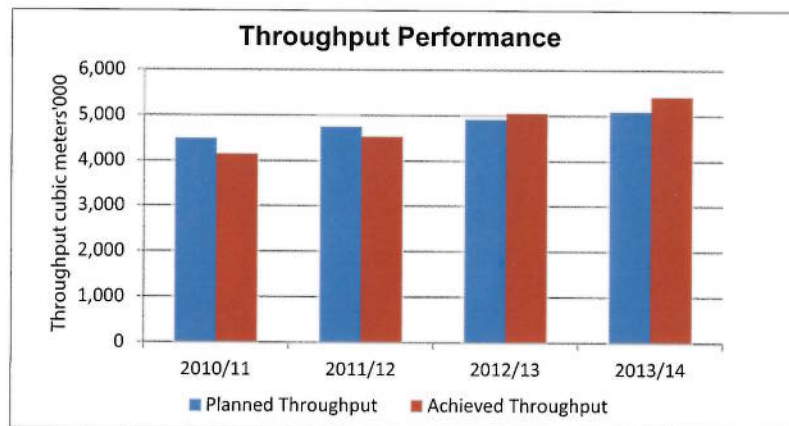
- i. Risk management;
- ii. Corporate image and re-branding;
- iii. Financial management;
- iv. Human resource development;
- v. Optimization of system and process/technological advances;
- vi. Pipeline infrastructure integrity and development; and
- vii. Business development.

3.1. Throughput and Financial Performance

3.1.1. Throughput Performance

KPC's throughput increased to 5,393,724m³ in 2013/14 up from 4,149,757m³ realized at the start of the plan period (2010/2011). The throughput growth is attributed to increased economic growth within the region and commissioning of the Nairobi-Eldoret parallel pipeline (Line - IV) which increased flow rate by 311m³/hr. The planned throughput target and the realized volumes are depicted in Graph 3-1 below:

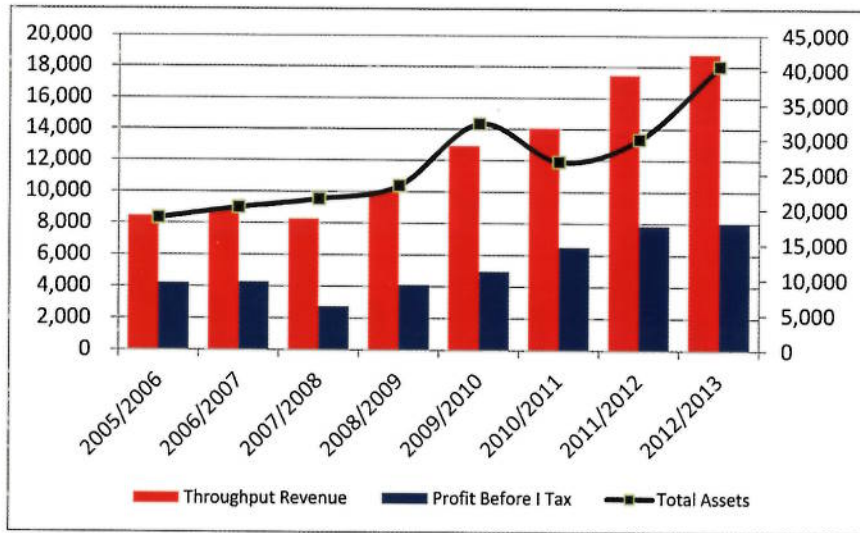
Graph 3.1: Plan Throughput vs. Realized Throughput Performance



3.1.2. Financial Performance

An analysis of KPC's previous financial performance shows that before the CSP of 2011-2015, the Company revenue growth was low and the Profits Before Tax dipped. During the plan period, revenue grew and the financial strength improved as shown in Graph 3-2.

Graph 3.2: Past Financial Performance

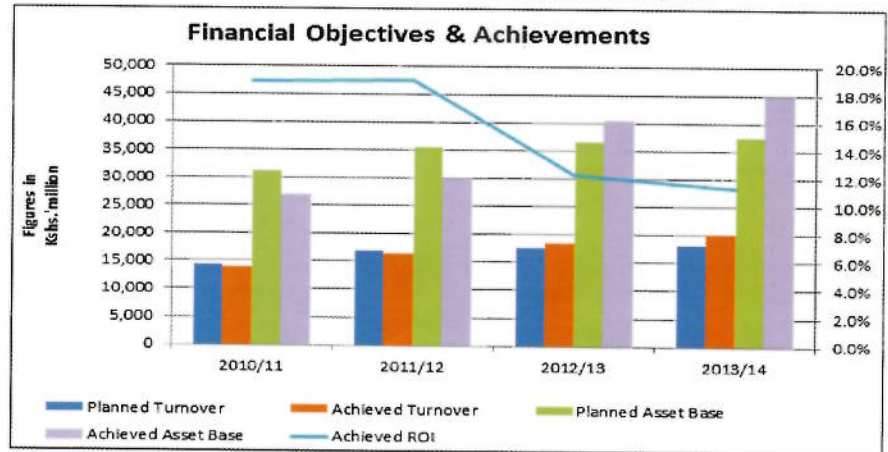


The financial objectives of the CSP 2011–2015 were:

- i. Increase net asset base from Kshs. 25 billion to Kshs. 40 billion,
- ii. Achieve Return on Investment of at least 15%; and
- iii. Achieve Turnover of over Kshs. 19 billion.

The performance on the above plan targets was as follows:

Graph 3.3: Achievement of Financial Targets



CHAPTER 4: KPC'S CONTRIBUTION TO VISION 2030

4.1. 1st Medium Term Plan (MTP)

KPC played a key role in the implementation of Kenya's Vision 2030 - first MTP 2008-2012. The following key projects outlined in the MTP were pursued.

- a) **Mombasa –Nairobi Pipeline (Line 1) Capacity Enhancement Project:** An upgrade was done to increase the suction pressure at KOSF to 830m³/hr.
- b) **Nairobi-Eldoret Parallel Pipeline (Line 4):** The parallel pipeline was completed in November 2011 and increased the flow capacity to the Western Kenya depots by an additional 311m³/hr.
- c) **LPG Storage & Bottling Facility:** A feasibility study for the Inland Bulk LPG Storage and Bottling Facilities was undertaken in 2013.

4.2. 2nd Medium Term Plan (MTP)

Under the 2nd Medium Term Plan, a number of activities have been outlined for implementation by KPC. Implementation of these activities is underway and form part of KPC's Vision 2025. These are as follows:

Table 4.1: Vision 2030 2nd Medium Term Plan Project

Item No	Project Name	Time Frame
1.	Replacement of the Mombasa-Nairobi Pipeline	2013-2016
2.	Construction of Additional Tanks in Nairobi	2013-2016
4.	Eldoret-Kampala-Kigali Refined Petroleum Products Pipeline (Subject to the Governments of Kenya, Uganda and Rwanda)	2014-2016
5.	Construction of Addittional Loading Arms in Eldoret	2013-2015
6.	Construction of a parallel Pipeline from Sinendet to Kisumu	2013-2015
7.	LPG Storage & Bottling Facilities in Nairobi	2012-2016

4.3. Link between KPC Vision 2025 and Kenya's Vision 2030

The successful execution of KPC Vision 2025 will support delivery of Vision 2030. In particular, KPC's Strategy will:

- i. Position Kenya as the leading Oil and Gas hub in East & Central Africa.
- ii. Create new jobs in the market directly and indirectly.
- iii. Ensure oil and gas products supply security for the Region through enhanced capacity and reliability.
- iv. Increase national income through taxes and dividends.
- v. Enhance National pride through environmental protection.



CHAPTER 5: SWOT ANALYSIS

The SWOT analysis below provides a summary canvas of the key internal (Strengths and Weaknesses) and external factors (Opportunities and Threats) that are most critical to the achievement of Vision 2025. It also provides the basis for the strategy formulation, specifically the five strategic pillars, through which to achieve the Vision. The KPC SWOT is summarised in Table 5-1.

Table 5.1 KPC Swot Analysis

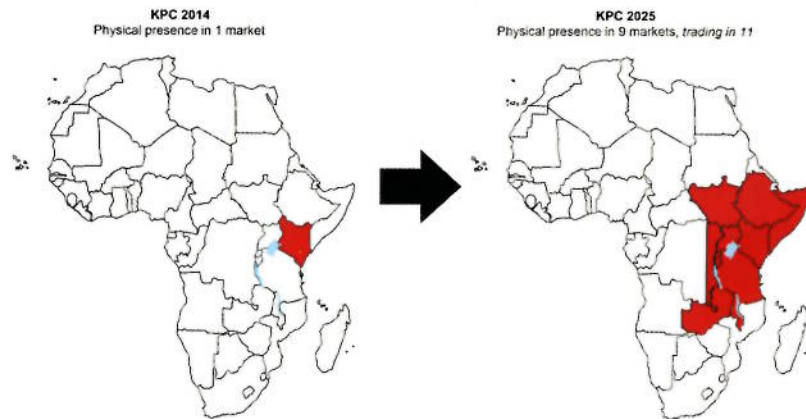
Strengths	Weaknesses
<ul style="list-style-type: none"> • Infrastructure and location (entry into Eastern Africa) • Wide geographical network/reach • Skilled manpower • Strong financial base • Goodwill from stakeholders • International operating standards (systems and processes) • High barriers of entry • Large existing captive market 	<ul style="list-style-type: none"> • Lack of adequate specialized skills/ skill gaps • Poor project planning and implementation • Weak governance systems • Ineffective organisational culture • Tribalism/nepotism • Succession planning • External interference • Legal obstacles • Discontentment amongst staff (people issues)
Opportunities	Threats
<ul style="list-style-type: none"> • Increasing regional affluence • Huge hydrocarbons discoveries in Region • Low incidence and usage of LPG • Improving road/rail/waterways transport across the Region • Growing demand for IT data usage • Oil and gas training and consultancy needs given nascent industry • Emerging petrochemical trading industry 	<ul style="list-style-type: none"> • Regional Geo-Politics • Political instability (especially in South Sudan and Somalia) • Regulatory environment (including Non-tariff barriers) • Competition - especially trucking, Uganda Refinery, Central Corridor, and Standard Geographical Railway • Insecurity • Competition for oil and gas talent • New regulations • Challenges in the Northern Corridor Transit Corridor

CHAPTER 6: KPC VISION 2025 STRATEGIES

6.1 KPC's Transformation Targets

KPC's Vision 2025 strategy seeks to transform KPC from having a footprint in only one country to eleven countries/markets (Kenya, Uganda, Tanzania, Rwanda, Burundi, Democratic Republic of Congo (DRC), Ethiopia, Somalia, South Sudan, Zambia & Malawi).

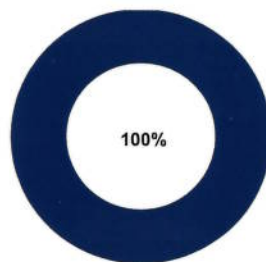
Graph 6.1: Vision 2025 Footprint



The Plan further targets to diversify KPC business to wider oil and gas business. Through this transformation, KPC seeks to increase annual turnover from Kshs. 22 billion to Kshs. 150 billion.

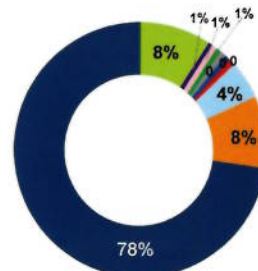
Graph 6.2: Strategy Business Focus

2014 - Single Line Business
Turnover Kes. 22Bn



■ Pipelines

2025 – Diversified Business
Turnover Kes. 150Bn



- Pipelines
- Depots
- Waterway vessels & Logistical services
- Jetties
- LPG
- Exploration Blocks
- Fibre Optics
- Railwagons
- LNG
- Oil & Gas Consultancy

6.2 KPC Vision 2025: Strategic Objectives

The five pillars and the strategic objectives identified under each pillar are detailed here below:

Business Leadership: Winning the market in Kenya

The Strategic Objectives under this Pillar are: -

- 1) Growth of the existing business
- 2) Expansion of the current business
- 3) Diversification of the business
- 4) Cost leadership to shore up margins and profitability
- 5) Achieve customer satisfaction
- 6) Adherence to international standards
- 7) Employer of choice

Geographic Expansion: Leadership in greater Eastern Africa

The Strategic Objectives under this Pillar are: -

- 1) Develop comprehensive Blue Print and build capacity to drive Geographic Expansion
- 2) Establishment and operations of jetties, pipelines and Points of Presence for petroleum products
- 3) Diversify into new business streams in the Region

People: Amazing performance by all our People

The Strategic Objectives under this Pillar are: -

- 1) An organization structure that is aligned to the achievement of our business strategy
- 2) Improve the performance of the organization by recruiting and placing high calibre staff, and providing career opportunities for growth
- 3) Ensure high focus on organizational and individual competence
- 4) Develop and entrench a high performance culture
- 5) Create an organization culture that supports change and high employee engagement
- 6) Strengthen leadership quality and build trust and integrity
- 7) Lead company-wide governance transformation

Systems and Processes: Best in the world

The Strategic Objectives under this Pillar are:

- 1) Improve internal communication infrastructure
- 2) Diversify into data communication sector to create a new revenue stream
- 3) Integration of systems
- 4) Enforcement of systems through policies
- 5) Diversify into data communication sector to create a new revenue stream
- 6) Integration of systems
- 7) Enforcement of systems through policies

Image and Reputation: Amazing relationships with all stakeholders

The Strategic Objectives under this Pillar are:

- 1) An internally owned corporate brand aligned to the business strategy
- 2) Embed a strong culture of good corporate governance
- 3) Image enhancing Corporate Social Responsibility Programs
- 4) Improved stakeholder relationships
- 5) Enhanced internal and external communication

6.3 Critical Success Factors and Risk Analysis

6.3.1 Critical Success Factors

The success of the Strategy is pegged on the following key success factors:

- i. Buy-in from other key stakeholders such as Ministry of Energy and Petroleum, The National Treasury, the Energy Regulatory Commission.
- ii. Regulatory and legislative environment to allow KPC diversify into new businesses.
- iii. Management of the geo political environment to enable KPC penetrate new markets.
- iv. Ability of KPC to secure funding for the planned investments.
- v. Change of the organisational culture (mind-set).
- vi. The human resource capacity and capability.

Table 6.1 Potential Risks

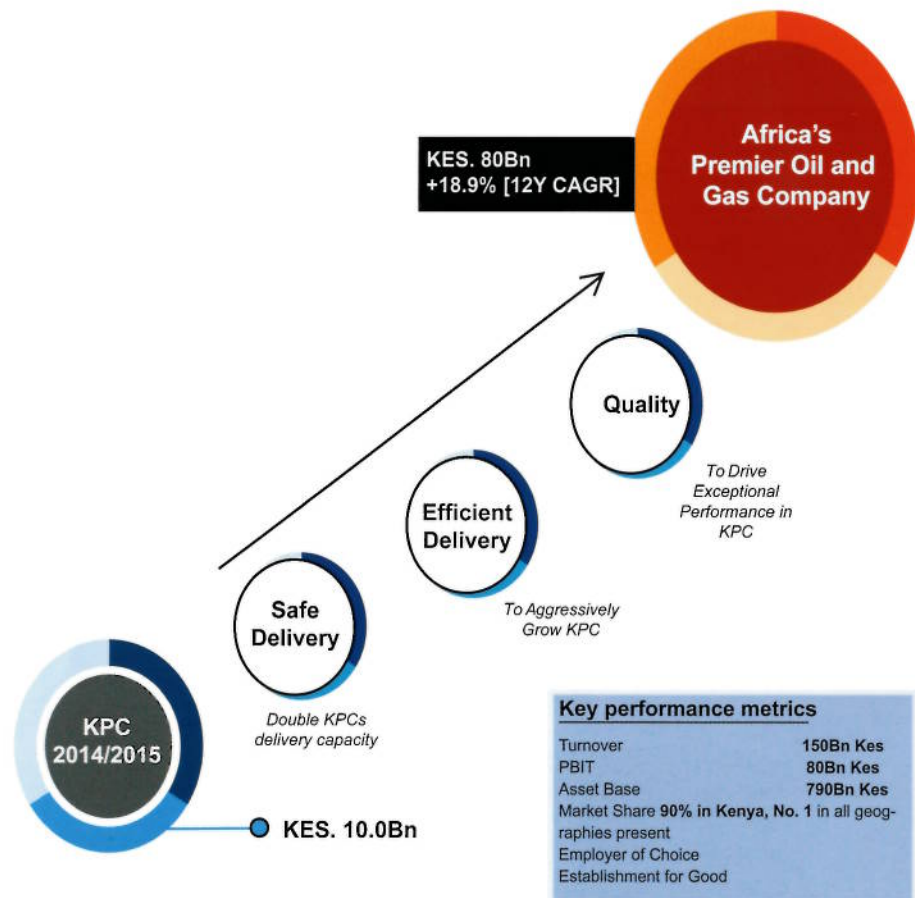
Item	Strategic Pillar	Potential Broad Risks
1	Business Leadership	<ul style="list-style-type: none"> • Poor strategy execution • Changes in petroleum products supply chain • Inadequate funding • Political instability • Change in laws and regulations • Governance
2	Geographic Expansion	<ul style="list-style-type: none"> • Poor strategy execution • Inadequate funding • Geo-politics • Legal and regulatory framework
3	People	<ul style="list-style-type: none"> • Critical skill shortage • Succession planning • Compliance and regulations • Ethics and behaviour • Intellectual property loss or violation
4	Systems and Processes	<ul style="list-style-type: none"> • Inadequate funding • Technological and technical issues • Security
5	Image and Reputation	<ul style="list-style-type: none"> • Corruption/fraud • Litigation • Environmental Hazards



CHAPTER 7: THE FUTURE DELIVERED

KPC Vision 2025 is expected to increase the Company's asset base by over Kshs. 800 billion, increase annual turnover by Kshs. 150 billion and increase annual profitability by Kshs. 80 billion. In addition, the Plan will increase KPC's market share by 90% in Kenya and ensure that the Company is number 1 in the geographies it operates in and becomes an employer of choice.

Figure 7.1: The Future Trajectory – Picture of Success



CHAPTER 8: ORGANISATIONAL STRUCTURE

A new structure has been designed to ensure that all functions within KPC are organized in a manner that positions the Company to capitalize on current and emerging opportunities in the Oil and Gas Sector.

The new structure will:

- i. Support the transformation and provide for functions that are critical for delivery of the strategy.
- ii. Enable increased focus on functional areas and ensure faster and more accurate decision making.
- iii. Enhance efficiencies in current work practices and processes.
- iv. Improve current channels of communication within and across functions.



CHAPTER 9: FINANCING OF THE STRATEGY

The investment proposed in the Strategy will be subjected to feasibility studies to determine viability and prioritization. Such studies shall also determine the financing option for each project. It is expected that the financing options will include:

- i. Free cash flows generated from operations;
- ii. Borrowings - domestically and internationally;
- iii. Public Private Partnerships under BOT and other arrangements; and
- iv. Strategic Alliances Partnerships with key energy sector players.



CHAPTER 10: MONITORING & EVALUATION

The Plan Monitoring, Evaluation and Reporting will be carried out by the Corporate Planning Department, as stipulated in the Corporate Strategic Planning Policy, with input from the operational units.

Vision 2025 will be implemented and monitored through annual work plans and setting clear performance targets for all staff. Selected Key Performance Indicators (KPI's) will be tracked and monitored throughout the Plan period to reflect the degree of success achieved in fulfilling Vision 2025 objectives.

