

## **I. Leading with Integrity:**

A.

### **How Kimray Senior Leaders actions demonstrate their commitment to ethical behavior that goes beyond simple legal compliance**

*Our Board of Directors Leads by Example* - Kimray's board of directors, leaders responsible for overseeing Kimray operations on behalf of Kimray's stockholders, demonstrate their commitment to ethical behavior by going above and beyond the signing of conflict of interest and code of ethics policies as other companies do [Conflict of Interest and Code of Ethics] Members are asked to sign their board governance manual [Board Governance Manual], which is distinctive from simple legal compliance- in that it commits them to governing principles of good ethics, morality, stewardship, and accountability. By adhering to the manual, they agree to policies that include commitment to prayer and to Kimray's ethical legacy [Board Governance Manual, p. 3-4]. In the manual's criteria for board member recommendations, members must refer board members who "are of the highest integrity and seek to adhere to biblical principles in their business and professional lives" [Board Governance Manual, p. 5].

### ***Kimray's Philosophy of Good Character***

*Character program* - Kimray Chief Executive Officer and Chairman of the Board Tom Hill founded Character First in 1992. Since its inception, more than 2,000 businesses, 1,800 school districts and several communities in the U.S. and abroad have used the concept of building culture with good character as a standard for developing the character of doing what is right regardless of the cost [Onboard Training, p. 17].

*Character in Action Forms* - Last year, leaders began encouraging all employees to openly or anonymously fill out Character in Action forms [Character in Action forms] praising the good character of their coworkers. Employees place the forms in boxes located around Kimray's campus. Employees have submitted more than 70 forms and supervisors have submitted hundreds. The forms are also placed into employees' files.

### ***Open Communication***

*Team Lunch* - Another way senior leaders' actions demonstrate their commitment to ethical behavior that goes beyond simple legal compliance is through team lunches provided by Kimray leadership [Team Lunch flier]. Executive Vice President and Chief Financial Officer Bob Cole and other vice presidents join production workers for a team lunch, giving employees the chance to ask questions and share concerns.

*Q&A Sessions* - Kimray also embeds question and answer sessions into our monthly employee meetings. The Q&A sessions are a platform for employees to ask questions directly to executives and for executives to address the questions openly to employees.

*Review of Financials* - We believe open-book management is important. Our Vice President of Finance, Michael Dudleson, reviews Kimray's income statements with employees. His review of financials during our monthly employee meetings is a way for our leaders to share profit information and to discuss how that money is spent [Income Statement].

*Open-Door policy* - Kimray encourages our employees to openly discuss problems with their supervisors. We also encourage employees to take advantage of our open-door policy with any member of leadership or our Human Resources department [Employee Guidebook, p. 37]

*Whistleblower policy* - Kimray's Whistleblower policy encourages employees and board members who observe unethical and/or illegal behavior to report the behavior to Kimray's outside counsel [Whistleblower Policy; Employee Guidebook, pg. 90]. Reporting employees have the option of identifying themselves or submitting the information anonymously without fear of retaliation.

*Kaizen Action Sheets* – Two years ago, our continuous improvement team began providing Kaizen Action Sheets [Kaizen Action Sheet] for all employees to use in order to improve Kimray processes in several areas including product defects and rework, and employee morale – both of which have ethical implications. Supervisors respond to Kaizen Action Sheets submitted by employees that identify processes that need improvement, such as workflow safety hazards or product return disposition [Kaizen Action Sheet Tracker Snapshot]. From the beginning of 2015 to date, 12 Kaizen Action Sheets have been submitted. Supervisors are actively reviewing eight of the 12 submissions. Two have been completed while the other two have been rejected. Leaders have reviewed 171 Kaizen Action Sheets since the initiative began in 2013. Finally, Kaizen training has saved Kimray \$10 million.

#### ***Surveys - Best Places to Work and Kimray Employee Satisfaction***

*Best Places to Work* - Leaders support gauging employee perceptions of their ethical behavior through our participation in surveys like OKC.Biz's "Best Places to Work", and the Employee Satisfaction Survey conducted by our HR department. Results for Kimray's 2014 Best Places to Work survey question, "What does this organization do that makes it a place where people would want to work" commonly to refer to the organization's core values, fairness, character and honesty [Best Places to Work 2014, Employee Comments Report].

*Kimray's Employee Satisfaction Survey* – Kimray's HR and Organizational Development department measures ethical implications such as employee trust of the company and openness of communication when it conducts its annual employee satisfaction survey [Employee Satisfaction Survey].

B.

#### **Kimray's systematic measures/indicators used to determine the effectiveness of our management team's efforts to promote ethical behavior**

##### *Surveys – Best Places to Work and Kimray Employee Satisfaction*

Leaders use the results from the Best Places to Work and Kimray's Employee Satisfaction surveys, reviewing the result content for key words that support evidence of the effectiveness of Kimray's promotion of ethical behavior [Best Places to Work 2014, Employee Comments Report; Employee Satisfaction Survey].

*Open Communication in Q&A sessions and Team Lunches*- Leaders have received and responded to employee questions and feedback in the form of anonymously completed index cards and face-to-face communication during the aforementioned team lunches and monthly employee meeting Q&A sessions.

*Kaizen Action Sheets* - Leaders have reviewed Kaizen Action Sheets and responded to product defect and safety issues [Kaizen Action Sheet].

*HR Reports* - Our executives receive census summaries with key metrics that report every voluntary and involuntary termination. The reports facilitate their assessments of whether the causes of terminations are singular incidents, systematic problems or ethical issues [HR Report].

## **II. Cultivating an Ethical Culture:**

A.

### **Kimray's definition of ethical behavior**

Ethical behavior is ethical decision-making and actions that stem from having good character, open and honest communication and a mutual commitment of integrity between our company and employees. We arrived at our definition by applying the founding principles from which Kimray operates, and by acknowledging the common thread between what we believe to be good character and what many people believe to be a characteristic of ethical behavior: "Doing the right thing, even when no one is looking."

B.

### **Kimray's ethical principles and values**

*Kimray's Motto* – "A good name is more precious than silver or gold", is a biblical principle that guides our ethical worldview. *Proverbs 22:1*. [Onboard Training, p. 9; Our Mission Vision Values, "Maintaining a Good Name"; Employee Guidebook, p. 9, 11-12;]

*Our Core Values are:*

- Honoring the Lord in all we do
- Responsible stewardship
- Maintaining a good name
- Strengthening the family

*Kimray's Mission Statement is:* [Our Mission Vision Values, "Kimray Mission"; Onboard Training, p. 12-16]

1. Honoring the Lord in all we do by operating the company in a manner consistent with biblical principles.
2. Serving our employees and their families by establishing a work environment and company policies, which build character, strengthen individuals and nurture families.
3. Producing a high quality, marketable product at a fair price in order to provide a return on the stockholder's investment, share the Lord's blessing with our employees and invest in our community.

We believe that it is by God's grace and provision that Kimray, Inc. has endured. He has been faithful in the past and we trust Him for our future.

C.

### **Kimray's employee selection process**

Kimray believes that hiring for character is the most important criteria when considering new applicants. We believe that hiring for good character is conducive to building a more cohesive work environment by adding people who have similar values. We also hire for competence, which varies with each position type. We ensure our organization recruits individuals whose values meet high ethical standards in several ways: we list desired applicant character qualities in our job descriptions [Job description with desired character qualities], and on our applications [Employment Application Interview Questions]. We discuss character qualities during our multi-

phase interview process, and train employees involved in the hiring process on how to hire for character and competency.

D.

**Kimray’s process for ensuring new employees embrace our values**

*Employee Guidebook and Training* - Our training department includes our mission statement, core values and character emphasis as part of the new hire training. The mission statement, core values and character program are also clearly described in our onboarding training manual [Onboard Training, pg. 10-11] and our employee guidebook [Employee Guidebook, p. 13, 33]. We measure how well employees embrace these values when our training team conducts surveys during employee engagement groups three to four months after new hires begin working at Kimray. Our training team also holds the employee engagement groups one year after employment. During these employee engagement groups, the training department measures how comfortable employees feel asking questions to those they report to and whether they see character in the workplace from leaders and supervisors. [Employee Engagement Note Taking Sheets]. An important feature of our employee engagement groups is that attendees can anonymously complete surveys measuring their experiences [Employee Engagement Note Taking Sheets; Employee Engagement Survey].

E.

**Kimray’s key process measures or indicators for enabling and monitoring ethical behavior throughout our organization**

*Board of Directors Audit and Executive Compensation Committees* - Two board of directors committees enable and monitor ethical behavior within Kimray’s operations: The audit and executive compensation committees. The impact of the committees’ efforts in financial auditing and responsibility in overseeing compensation is measurable in the Journal Record news organization’s selection of CEO Tom Hill and CFO Bob Cole February 12, 2015 for their leadership, integrity, values, vision, commitment to excellence, financial performance and commitment to community and diversity [Journal Record Article]. Hill was one of 31 CEOs to be honored at the Oklahoma’s Most Admired CEOs event, and Cole was one of three Financial Stewardship CFO honorees.

*Supplier Symposiums* - Our purchasing department presents Kimray’s mission and vision statements, core values and culture of character to our suppliers. We give new suppliers a copy of Kimray CEO Tom Hill’s book, “Making Character First” which describes the origins of our character program. The measurable impact of the symposium presentations and giving our character book to new suppliers is that our suppliers understand and follow through with our expectation of ethical behavior.

*Customer Satisfaction Surveys* – Kimray measures the enabling and monitoring of ethical behavior through customer satisfaction surveys [Customer Satisfaction Survey]. Our inside sales team sends these surveys to our customers. Customers respond to survey questions that measure their perceptions of whether products were shipped when promised, adequate technical support was provided, and service or quality concerns are resolved satisfactorily. The measurable impact of these processes is Kimray’s responses to the customer satisfaction survey results.

*Character recognitions* – Kimray ensures its culture of good character is upheld when managers submit employee service anniversaries. Attaching the recognition of good character to employee work anniversaries ensures the systematic enabling and monitoring of ethical behavior and good character at Kimray, which is measurable once a year for every employee.

F.

**How Kimray monitors and responds to breaches of ethical behavior**

*Whistleblower Policy* - The provision of our previously cited Whistleblower Policy [Whistleblower Policy; Employee Guidebook, pg. 90] is one way we monitor and respond to breaches of ethical behavior. Employees can submit their concern to our outside counsel.

*Open-Door Policy* – Kimray’s open-door policy [Employee Guidebook, p. 37] makes leaders, managers and the human resources department available for consultation and guidance for instances when employees want to speak freely and for when breaches of ethical behavior occur.

*Corrective Action Management software* – Kimray’s Quality Department uses Kimray-designed and programmed Corrective Action Management software that performs root cause analyses on customer or product concerns, and returns advisement for corrective action that considers ethical implications such as the communication of product defects and recalls [Corrective Action Procedure].

G.

**How Kimray recognizes and/or rewards employees, customers, vendors, partners who have gone above and beyond in their demonstration of highly ethical principals**

*Character recognitions* – We recognize good character when we celebrate employee service anniversaries at our monthly employee meetings. Leaders insist on emphasizing, publicly recognizing and requiring good character qualities and do so by praising the observed good character of employees every month. The measurable impact of these recognition is evident in the frequency of related open-ended comments for question 10 “What does this organization do that makes it a place where people would want to work?” in the Best Places to Work” survey results [Best Places to Work 2014, Employee Comments Report].

*Character in Action Forms* – Managers recognize the employees identified by coworker submissions of Character in Action forms [Character in Action forms]. Managers recognize employees for their good character during “start-up” meetings or by giving them special rewards. Kimray’s HR Department also keeps record of the forms in employee files.

### **III. Forthright Communications**

A.

#### **How Kimray demonstrates open/transparent communication throughout the organization**

*“Start up Meetings”* – During the first fifteen minutes of every shift, employees gather at Lean Daily Management Systems (LDMS) boards located in several areas of Kimray’s campus to foster open communication among managers and employees and to motivate problem solving discussions. Managers also use daily communications forms to post department and Kimray-wide news on the LDMS boards or for face-to-face start up meeting announcements [MS Communication Form].

*Dedicated Email Addresses* – [idea@kimray.com](mailto:idea@kimray.com) and [continuousimprovement@kimray.com](mailto:continuousimprovement@kimray.com) are dedicated email accounts that encourage employees to submit their ideas for how to make Kimray a better place to work, or for how to improve our work processes [Onboarding, pg. 6].

*Kaizen Action Sheets* - Blank Kaizen Action Sheets [Kaizen Action Sheet] are placed on LDMS boards around campus. Any employee can submit their idea for process improvement by completing the sheet and turning it in to a continuous improvement team member or Kaizen Action Sheet receptacle.

*Open-book Management* – Our review of Kimray’s financials openly in monthly meetings demonstrates our dedication to the open-book management philosophy and thus transparent communication.

*Open-Door Policy* – The previously cited open-door policy where employees are encouraged to speak with managers about employee issues demonstrates open communication throughout the organization [Employee Guidebook, p. 37].

B.

#### **How Kimray measures the effectiveness of open/transparent communication**

*Kaizen Action Sheet Tracker* – We use a tool developed by our Continuous Improvement team called the Kaizen Action Sheet Tracker. The Tracker measures leaders’ review and response of Kaizen Action Sheets employees submit as process improvement ideas. Each request is assigned a unique number and tracked for effectiveness from submission to completion or rejection. Any Kimray employee can access the Kaizen Action Sheet Tracker by finding it in our shared drive [Kaizen Action Sheet Tracker Snapshot].

*Surveys – Best Places to Work, Kimray Employee Satisfaction, Kimray Customer Satisfaction* – Results from these previously cited surveys help us measure how effective our communication is from the perspectives of leaders, employees and customers.

*Feedback resulting from Team Lunches and Q&A sessions* – Employees have openly given feedback at the Team Lunches Kimray leadership provides. Employees have also submitted questions for leaders to answer during Kimray’s monthly employee meeting Q&A session. Employees’ willingness to express ideas and concerns at the lunches and Q&A sessions demonstrates the effectiveness of Kimray’s accommodation and championing of open communication.

#### **IV. Corporate Social Responsibility**

##### **a. Kimray supports community activities that make a difference**

Kimray identifies community activities that make a difference to those in need. Our vision statement “Making a difference in the lives of those we serve”, applies to our interaction with customers, employees, stockholders and also to the community activities we support. Developing an authentic partnership with the organizations holding these activities is key when we assess their character, stewardship and ethics toward salaries, fundraising and general frugality. The community activities we find most important are the arts, community, education, health, ministry and youth programs.

##### **b. Kimray’s direct impact on the community**

Kimray’s owners aim to dedicate 10 percent of net profit to philanthropic purposes. The Kimray logo displayed at different community activities demonstrate our vision of making a difference for a range of organizations: rural baseball teams, local museums, after school programs, mission work, habitat builds, hearing loss organizations and youth summer camps. While intentionally modest about its level of giving and involvement, Kimray is a generous and consistent supporter of nearly 100 organizations.

In addition to supporting the many local causes that make a difference in our local community, we also make a difference by providing more than a donation check. We help community partners with printing, business consulting, fleet repair and property maintenance. Kimray equipment and personnel provide the services at no charge. This frees up critical dollars these organizations can use for their core objectives, and provides Kimray the satisfaction of meeting real and local needs.

##### **c. Kimray employees are engaged in the company’s social responsibility activities in the following ways:**

*Vacation Matching* - One of Kimray’s benefits is vacation matching which gives employees the opportunity to use workdays to volunteer and gives Kimray the opportunity to pay employees back for making a difference [Vacation Match Form]. Over the past three months, four employees have taken advantage of the vacation match benefit and three more employees have scheduled vacation matching for the next few months.

*Community activity participation* - Kimray leaders and employees are active members in area organizations and boards, including the OKC Boathouse Foundation, Kiwanis, Rotary, Leadership OKC, Novo Ministries, Make a Difference Foundation, OK Ethics, Oklahoma City National Memorial, Oklahoma Creativity, Oklahoma Historical Society, Redbud Classic and the State Chamber of Oklahoma.

## **V. Building Trust in Customer Relations**

### **How Kimray Monitors the Effectiveness of Customer Relations**

*Customer Satisfaction Surveys* - Kimray monitors the effectiveness of our customer relations through customer satisfaction surveys [Customer Satisfaction Survey]. Our inside sales team sends these surveys to our customers. Customers respond to survey questions that measure their perceptions of whether products were shipped when promised, adequate technical support was provided, and service or quality concerns are resolved satisfactorily.

*Corrective Action Procedure* – We also handle customer concerns in a forthright and fair manner by using our Corrective Action Procedure [Corrective Action Procedure] to determine action toward customer concerns and product failures. Customer and product concerns are alerted through product returns, or contacting our inside sales, product applications or customer service departments. From there, the Corrective Action Procedure begins, taking the concern through Corrective Action Management software created by Kimray’s IT department. The reported concern then undergoes a root cause analysis, and then a process of determining whether the concern requires an action. Some companies may face the ethical dilemma of choosing to make the sale over choosing to recall a product because of design failure. However, our core values—specifically maintaining a good name—along with our Corrective Action Procedure guides us in the direction of choosing ethical corrective actions to resolve product and customer concerns.

*Distributors Meetings* – We review our mission, vision and core values at our annual Distributor’s meetings. At the most recent distributor’s meeting, Tom Hill led a session titled “Core Values and Character” [Distributors Meeting Run of Show].

## **VI. Looking to the future**

A.

### **Major Ethical Issues Kimray anticipates our employees or organization will likely encounter in the future**

*Guarding Kimray's Ethical Culture through Growth* - Kimray is growing more rapidly than we have before, so we face the inevitable challenges that come with growth. Challenges include communicating our culture and ethical standards to new people at all levels of the organization in a meaningful and manageable way, and ethical issues as they relate to corporate decisions and employees.

As is evident in our mission statement and core values, as well as the other culture-driven processes and tools we use, Kimray has an expectation of doing the right thing, and because we've set it up that way, the people who work at Kimray tend to respond accordingly. Nevertheless, as we look into the future, the concern is ensuring that people who come into Kimray understand and accept our culture. Our concern is in slight, casual drifts away from our organization's principles in the future. For example, in our industry, it is not uncommon for companies to pay invoices using 30-day payment terms. By principle, however, Kimray purposes to pay our invoices in 7 days. This principle is unique to our company, but not commonly practiced industry, or by the people who will join Kimray in the future.

*Protecting our Vision of Making a Difference in the Lives of Those We Serve* - Another challenge for the future is how we deal with the relationship between corporate decision-making during industry changes and valuing employees. A lot has been done in many industries to provide better benefits, more options, and flexibility to attract and keep talented people. We recognize the competition to hire the talent who seek those options. However, we also recognize that when an industry experiences a downturn, suddenly the companies who considered the employees they worked so hard to attract as talent, begin to consider them as commodities. In some cases, those employees are considered no more than inventory or cash flow stream. Kimray feels that an ethical issue arises when the first option is to simply lay people off, and that we have an obligation that goes both ways when we ask people to commit their lives to our business.

B.

### **Proactive Approaches Kimray is taking now so that we are better prepared to effectively handle these types of issues**

We acknowledge that industry ups and downs will be inevitable, but feel proactive approaches to effectively handle those issues are important. Steps we are taking now include consulting the strategic plans we have in place to moderate the impact of future ups and downs. We take the time to emphasize the importance of our mission and vision statements, and character and core values during our onboarding process. Even though Kimray is a privately held company, we perform independent auditing comparable to the auditing processes of publicly reported companies [Journal Record Article; Audit Committee Charter]. A significant step Kimray has taken the move toward an independent board of directors. Our current board members already accept fiduciary and ethical responsibilities to make sure we do the right thing, and to make sure we remain a family-owned company. We keep in mind that being ethical isn't always the least expensive, or the most expeditious. In the long run, being ethical is the best for everyone involved.