

United Nations Global Compact Communication on Progress 2016

About this document

Kolb Distribution Ltd. (thereafter Kolb), since 2015, is a participant of the United Nations Global Compact (UNGC) initiative that has developed the Ten Principles of Responsible Business Conduct in the areas of human rights, labour standards, the environment, and anti-corruption. The UN Global Compact's Ten Principles are derived from: The Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

The UNGC is a strategic policy initiative for corporations and non-business organisations that are committed to aligning their operations and strategies with ten universally accepted principles of responsible business conduct. The initiative is set up as a multi-stakeholder platform whose aim is to team up actors from the business environment, civil and labour society, and United Nations agencies. The UNGC seeks to build cooperation and promote partnership between business and actors in order to support corporations to respect and support a set of core values.

The UNGC is organised in Local Networks as intermediaries between its members and the UN Global Compact Office in New York. The Global Compact Network Switzerland (GCNS) serves as official platform for the Global Compact in Switzerland bringing together Swiss signatories of the UN Global Compact Initiative. Kolb participates in the board of GCNS to show its support of the UNGC as a medium-sized enterprise.

One way to communicate its commitment to the UNGC organization and society is the annual submission of a Communication on Progress (COP) Report. In January 2017, Kolb submits its second COP Report, covering general aspects of our commitment and featuring activities throughout 2016, to demonstrate Kolb's ongoing and advancing accountability for the Ten Principles of the UNGC.

Letter from the CEO

2016 was Kolb's first entire year as signatory member to the United Nations Global Compact

In 2015, Kolb signed the United Nations Global Compact (UNGC) and joined the Swiss local network of the UNGC. By doing so, we became an active part of a strong network dedicated to jointly advance societal goals in the areas of human and labour rights, the environment and anti-corruption. Goals that in the long-term create benefits for society, nature and our markets. As a medium-sized enterprise, whose current success is based on our expertise in developing and producing high-quality non-ionic surfactants, we understand that our future success depends on an inclusive, sustainable business model. Such a business model aims for the most sustainable product solutions, which deliver lasting benefits to our markets and society.

As Kolb, we want our product solutions to be part of a sustainable, global economy that benefits all people and the environment. We recognize that the UNGC initiative provides the framework and support for achieving this goal. Kolb has a long-standing tradition in aligning its strategies and operations with quality, health, safety, and environmental standards. To do this, we constantly strive for an excellent performance in these fields. In 2016, our first full year as signatory member to the UNGC has inspired us to improve ourselves further and to implement substantial guidelines, monitor key aspects of our business diligently and integrate the goals of the UNGC in our business operations. We are pleased about our accomplishments to date, but know that we must stay focused and constantly reinvent our business and ourselves for our success. Our commitment to the UNGC supports us on this way forward.

As Kolb, we fully support the UNGC's Ten Principles and are committed to align our operations, accordingly. The Swiss based Kolb Group is a subsidiary of Kuala Lumpur Kepong Berhad, a company incorporated in Malaysia, which is listed on the main market of Bursa Malaysia Securities Berhad.

Uwe Halder, Managing Director Kolb

Human Rights

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

Principle 2: Businesses should make sure they are not complicit in human rights abuses.

Our contribution to the implementation of the UNGC Principles on human rights

As Kolb, we support the UNGC's principles on human rights through legal compliance and our own internal guidelines and policies, which lay down our established values and high ethical standards as a responsible company. Kolb operates two production sites, one in Switzerland (Headquarters: Hedingen) and one in The Netherlands (Moerdijk). At both sites, we strive to strictly comply with all applicable national and supranational laws and regulations, which implement international regulations on the protection of human rights. According to our "Sustainability Policy Statement for Kolb Group", if national law and international human rights standards differ, Kolb, in principle, will follow the higher standard. Where they are in conflict, Kolb will adhere to national law, and simultaneously pursue ways to respect the international human rights to the greatest extent possible.

To substantiate our support and respect towards human rights in our global business activities, and relationships along our supply chain, Kolb in 2015 has implemented an updated version of its "Sustainability Policy Statement for Kolb Group" and, in that same year, issued a package of specific policy documents designed to deepen and complement the "Sustainability Policy Statement". These documents include our "Human Rights Policy Statement for Kolb Group", our "Code of Business Conduct for Kolb Employees" and our "Code of Business Conduct for Kolb Suppliers" and were implemented in 2016. They all will be available in the main languages (German, Dutch, French, English) spoken at our two production sites in Switzerland and the Netherlands, to make their content accessible and easily understandable to our entire workforce. Trainings will be conducted based on an elaborated concept, so that our employees at different categories can be effectively educated to adopt the included rules in their daily work. These trainings continue to take place in 2017.

The development of our "Human Rights Policy Statement for Kolb Group" is a first step to better understand, and prioritize Kolb's human rights risks – on this basis we develop our approach to human rights further. As we take our responsibility seriously, also beyond our own operations, we refrain from cooperating with any business partners who violate our high ethical business standards. Our "Code of Business Conduct for Kolb Suppliers" covers environmental protection as well as compliance with human and labour rights in particular (incl. land tenure rights and rights of indigenous and local communities), and antidiscrimination and anticorruption policies. Kolb seeks to establish relationships with suppliers that share the same principles and values.

In particular, we are aware of our responsibility to human rights aspects along the palm oil supply chain and therefore engage in the Roundtable on Sustainable Palm Oil (RSPO), an international multi-stakeholder organisation and certification scheme for sustainable palm oil. Kolb's production sites in Hedingen (CH) and Moerdijk (NL) are RSPO certified, which means we are able to verify sustainable palm oil, according to RSPO, at every step of the supply chain (using the segregation and mass balance supply chain model). Our suppliers of palm and kernel oil are asked to fully comply with the RSPO "Principles & Criteria for Sustainable Palm Oil Production" and abide to the "Code of Business Conduct for Kolb Suppliers". Land tenure rights and the rights of indigenous and local communities shall be

respected, and smallholder farmers shall be integrated into the supply chain and provided access to education. Grievance and remedy mechanisms shall also be provided for.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Businesses should uphold the effective abolition of child labour.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Our contribution to the implementation of the UNGC Principles on labour

Kolb strictly complies with all applicable laws and regulations on labour standards at our two production sites in Switzerland and The Netherlands. Swiss and EU laws and regulations guarantee the freedom of association and the right to collective bargaining, and prohibit forced and compulsory labour, child labour and discrimination in respect of employment and occupation. Our internal system to deal with all compliance issues is currently being made concrete.

As a small organisation with a lived speak-up culture and short ways and flat organizational structure, we are dedicated to provide a safe and respectful working environment for all our employees. We offer equal employment opportunities and foster the diversity of our workforce. To stipulate our habitual values with regard to labour standards, we have laid down employment regulations which specifically address issues such as prohibition of discrimination on grounds of gender, religion, nationality or other criteria, as well as harassment or abuse of power. Our documented employment regulations also define the framework of working hours and shift work, wages, absences, and continued payment in case of illness.

Our “Sustainability Policy Statement for Kolb Group” determines our company values in terms of employment and is complemented by several topic-specific policies, such as the “Code of Business Conduct for Kolb Employees” and the “Code of Business Conduct for Kolb Suppliers” both dealing with aspects of labour standards. (The two documents were developed in 2015 and implemented in 2016). These codes specify that Kolb prohibits harassment and discrimination in the workplace, does not tolerate forced, compulsory, and child labour, and is committed to providing safe and healthy working conditions. Kolb respects the right to freedom of association and collective bargaining and effective information and consultation procedures. We pay adequate, fair remuneration and respect all legal laws and regulations regarding minimum wages and working hours.

We are dedicated to ensure the safety of our employees in the workplace by applying a range of advanced safety regulations and measures, also included in our company targets. This includes personal safety, safe driving, site safety and control of work. We strive for the full reporting and documentation of all accidents and near misses at our sites to continuously improve the safety conditions in our facilities and to prevent accidents or injuries of our employees. In 2016, no lost time accidents occurred at our site in Hedingen (CH) and one accident occurred at our site in Moerdijk (NL). Our staff is regularly trained in regard to occupational health and safety issues and instructed in appropriate measures and behaviour to prevent accidents (e.g., our “12 Life Saving Rules”). In 2016, trainings took place for all employees about near misses, unsafe conditions and the reporting of these. A health management workshop was held with the management team and further actions for improvement were defined, e.g.

return interviews. Employees from all departments received instructions on Basic Life Support and automatic external defibrillator handling. Our "Health Safety and Environment Circle", consisting of relevant individuals from different departments, is concerned with topics of health, safety and the environment and coordinates measures aimed at avoiding damage to persons, the environment, facilities, machinery and material. Basic principles including risk reduction, management of incidents and information exchange with stakeholders are laid down in our documented Health Safety and Environment Policy, which was updated in 2016.

To emphasise our commitment, we interchange with other responsible organisations and actively shape the development of sustainable business. Kolb is a member of the board of the Swiss regional network (oebu) of the World Business Council for Sustainable Development (WBCSD) and the Global Compact Network Switzerland (GCNS, the local network of the UN Global compact). In 2016, the Head of Regulatory Affairs, Sustainability, Safety, Health, Environment and Quality, Kolb Group was appointed as the new president of the GCNS.

We closely work together with our different stakeholders to continuously improve our performance on health and safety. In reward of our longstanding efforts to improve the sustainability performance in business relations along our supply chain, Kolb has received the Silver Medal from Ecovadis, a rating organisation for global supply chains, in 2015. Our new rating score, covering also our commitments in 2016, is currently being assessed. In 2016, we successfully passed several audits in our facilities executed by customers, also focussing on HSE (health, safety and environment) and sustainability standards and measures.

Environment

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

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

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

Our contribution to the implementation of the UNGC Principles on the environment

As a chemical company with a wide range of products at the output side and numerous production substances at the input side, we as Kolb recognize our considerable responsibility for the environment both during our operations, along our supply chain and in the context of our products. With this in mind, we are dedicated to continuously improving the environmental performance of our production sites, the ecological value proposition of our products and actively engage in maintaining high ecological standards for the procurement of our resources. This includes compliance with all applicable laws and regulations with regard to the environment at our two production sites in Switzerland and The Netherlands and to our own guidelines addressing the environment, a safe handling of chemicals in particular.

In our "Sustainability Policy Statement" we declare to continuously improve the environmental, health and safety knowledge about, and performance of, applied technologies, and our own processes and solutions during their life cycles to mitigate any significant adverse negative environmental, safety or health risks and impacts to people and the environment. This includes the safe handling, storage, recycling, reuse and disposal of hazardous materials, chemicals and substances along our supply chains. Besides health and safety of our employees, neighbours, visitors, suppliers, customers and consumers, our HSE policy specifies protection of the environment as our priority concern. We strive to develop responsible, innovative products and solutions through ecologically optimised production methods with reduced resource use and emission outputs.

In this context, we ensure that palm oil used by us is produced in a manner that is environmentally sustainable, in line with the RSPO guidelines and beyond. We promote the RSPO "Principles & Criteria for Sustainable Palm Oil Production" throughout our supply chain and expect from our suppliers to abide to the "Code of Business Conduct for Kolb Suppliers" (implemented in 2016). In particular, suppliers shall protect and conserve High Carbon Stock (HCS) and High Conservation Value Areas (CVA) and peat areas. A broad portfolio of our products can be bought as RSPO certified.

In principle, we seek to consolidate and foster certification of our product portfolio through different appropriate eco-labels (Ecocert, Ecolabel & Nordic Swan, HOCNF), which independently affirm product sustainability and environmental friendliness. As a manufacturer and importer of chemicals, we register and classify all chemical substances used and produced by us according to international regulations, such as REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals; Regulation (EC) No 1907/2006) and CLP (Classification, Labelling and Packaging; Regulation (EC) No 1272/2008) of the European Union. Kolb is committed to comply with the REACH and CLP regulations of the EU. Measures include the formal appointment of a REACH Coordinator and active participation in the Alcohol Ethoxylates Consortium since its beginning in 2008. Kolb preregistered all relevant substances manufactured in our plants in Switzerland and the Netherlands as well as a large number of substances

purchased from our suppliers. Until 2016, 17 substances were registered under REACH. Also, 80% of the product information documents of the active portfolio of paper process chemicals were updated.

Based on the requirements from the Swiss Seveso authorities, a risk assessment for earthquakes must be established. As a first step, an inventory of critical equipment was made during a one day workshop in 2016, conducted with the support of external experts. Kolb is one of only a few companies in Europe who have considerable experience in regularly handling ethylene oxide, a hazardous substance. As member of a network of ethylene oxide (EO) users, we support disaster management services in case of (transport) accidents with ethylene oxide. An audit about EO handling was performed by one of our suppliers in 2016; no major findings were reported. Ethylene oxide/propylene oxide (EO/PO) emissions from our production facilities are measured continuously and results are reported to the management.

To emphasise the management approach applied to our environmental protection measures and to underline our commitment to the precautionary principle in all our operations, we run a management system which is certified according to ISO 9001 and ISO 14001 and adheres to the standards of OHSAS 18001 and the Responsible Care Program. In 2016 we renewed our commitment to the Responsible Care Program. Our management system, addressing various aspects of quality and product features, health and safety, the environment, corporate social responsibility and risks, constitutes the documented structural framework that Kolb employs when setting group wide and local objectives, and manages its activities and programs. Kolb continually improves and efficiently manages its natural resource consumption, reduces waste and emissions to air, land and water preferably at the source, and treats any waste appropriately before discharge or disposal. In this context, we annually formulate and review our HSE targets and closely work together with our different stakeholders.

Together with the Energy Agency of the Swiss Private Sector (EnAW) we monitor our CO₂ emissions annually and define the most appropriate measures to reduce them. The measures are categorized by pay-back time, such that we can implement the most cost-effective measures to reduce our risks associated with high CO₂ emissions. Between 2015 and 2016, our energy consumption remained almost at the same level (0.2 % higher), while direct emissions (scope 1, according to the GHG protocol) increased by 18.7 %. In the same period of time, we managed to reduce our energy intensity per ton of product by 4.8 %, this by efficient use of production equipment and process improvements.

In 2016, we continued to optimize our waste water management system by improving the monitoring of the internal sewage facility, implementing new analytical methods, and training of our employees. Thus, we increased the performance of aerobic decomposition within the internal sewage facility and reduced the environmental footprint.

Anti-Corruption

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

Our contribution to the implementation of the UNGC Principle on anti-corruption

As Kolb, we are dedicated to a high standard of legal, ethical and moral business principles. This includes a strict condemnation of bribery and corruption in our internal guidelines and compliance with all anti-corruption and anti-bribery laws. Kolb employees are expected to share these ethical values and act accordingly in all business dealings. Our employment regulations prohibit the acceptance of gifts in connection with business relationships. According to our "Code of Business Conduct for Kolb Employees", employees shall not take any actions to violate, or cause its business partners to violate, any applicable anti-bribery laws and regulations. Our "Code of Business Conduct for Kolb Suppliers" specifically states that Kolb suppliers shall comply with all anti-corruption and anti-bribery laws. Their employees shall not engage in any form of active or passive corruption, extortion, fraud, or bribery neither with public (officials) nor private parties.