

SECOND ANNUAL REPORT

COMMUNICATION OF PROGRESS “COP”: IMPLEMENTING THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

FOR THE YEAR 2016

KELKAN FOR GENERAL CONTRACTING & OILFIELD SERVICES
LIMITED



KELKAN

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STATEMENT OF CONTINUED SUPPORT BY MANAGING DIRECTOR

March 10, 2017

Dear Friends,

It is my pleasure to reaffirm our support and commitment to the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-Corruption. The “ten principles” is an important foundation help develop sustainable and socially responsible business and we are fully committed to adhere to these principles.

In the past two years, the industry has suffered from low oil prices and other conflicts in the region, which has had an immense effect on our business. Despite aforementioned conflicts, we continue to remain committed to the development of the region.

In our second annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Hiwa Talabani

Managing Director

HUMAN RIGHTS PRINCIPLES

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses

ASSESSMENT, POLICY AND GOALS

Kelkan retains its full committed to UN's Universal Declaration of Human Rights. Moreover, Kelkan is fully committed to preserving the rights of its employees and stakeholders.

IMPLEMENTATION

Kelkan has put several procedures in place to ensure human rights are uphold in the workplace:

1. The Protection of Our Employees:
 - a. Kelkan's HSE department in coordination with our Human Resources Department works closely to promote the health and safety of our workers. Kelkan's HSE procedures are implemented throughout its operations and workplace, to ensure it provides a safe, sanitary and secure working environments.
 - b. Kelkan's HR department works closely with employees and department managers to ensure our workplace is free from harassment of all types, abuse, or threats. Kelkan's work environment has a zero tolerance for harassment, abuse, or threats.
2. Safety of Others:
 - a. In order to produce quality products, Kelkan has several systems and procedures in place to ensure our products are produced in accordance to highest quality, and also to ensure our products are free from defects that may harm the end user. To do this, our Quality Management System (QMS) has Quality Control procedures in place to monitor our services and products.
 - b. Kelkan is continued its commitment to the rights of the child. Over the past four years, Kelkan has provided continued assistance to a local orphanage in Sulaymaniyah. Kelkan's assistance includes:
 - i. A grant to pay for salaries of orphanage staff
 - ii. Donation of a mini-bus to transport school girls between the orphanage and schools.

MEASUREMENT OF OUTCOMES

1. Protection of Employees:
 - a. For this reporting year, there has been no Lost Time Injuries (LTI) reported by the HSE Department. This is due to the continued commitment to our HSE culture by our management, employees, and HSE teams.

- b. Our HR department reports no incidents related to harassments, threats, or abuse of any types. The HR department remains an open door policy for all of our staff to ensure their comments is welcome and protected.
2. Safety of Others:
 - a. Kelkan Quality Management System (QMS), ISO 9001:2008, is certified by TUV Austria. We successfully passed our yearly audit for 2016 and are in the process of implementing the new QMS system, ISO 9001:2015 which will further enhance our internal procedures to ensure we deliver suitable quality of products and services.
 - b. The Sulaymaniyah Orphanage has been able to provide additional staff based on our grants. Additionally, we donated a mini-bus to the center in order to provide a secure and safe form of transportation for the kids.

LABOUR PRINCIPLES

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.

ASSESSMENT, POLICY AND GOALS

Kelkan is fully committed be in compliance to Iraq Labor Law No. 71 of 1987 to ensure all of our employees are protected under applicable laws. Furthermore, Kelkan is committed to:

- Stay in compliance to all local labor laws and adopt international laws
- Continue to treat all employees fairly with equal opportunities for all
- Respect our workers and demand the same from our clients and suppliers.
- Stand against harassment, discrimination, child labor, forced labor or any exploitation
- Provide an environment where employees from all backgrounds are welcome and are not discriminated against based on their gender, race, religion, or political affiliations.
- Provide a safe working environment throughout our operations.

IMPLEMENTATION

Our HR Department works closely with department managers to ensure that all departments are fully engaged in protecting the rights of our employees. To do this, we have established the following:

1. All employments are mutually agreed upon: Kelkan ensures that all employment contracts are entered into by the will of the employee. No employee shall be employed forcefully.
2. All employees are compensated fairly: We fully comply with local minimum wage standards
3. Employment Related Decisions are based on objective and relative criteria: We do not make employment related decisions based on sex, race, religion, and sexual orientation.

MEASUREMENT OF OUTCOMES

1. All employee contracts are in accordance Iraqi Labor Laws, Labor Law No. 71 of 1987. In event of giving fair advantage to local labor, all local hiring is performed in coordination with local authorities and committees to provide a fair opportunity for all villages and towns in the areas of operations.
2. Kelkan's salary, on average, has been 250% more than the Minimum Wage in Iraq.
3. Kelkan has not hired or released any staff based on sex, race, religion, and sexual orientation. We have established hiring / firing procedures that are based on skills, performance, and experience.

ENVIRONMENTAL PRINCIPLES

Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies

ASSESSMENT, POLICY AND GOALS

We have continued to implement our Environmental Policy and Procedure as part of Kelkan's HSE Manual and HSE Culture. Kelkan's HSE department applies the procedure to all Kelkan operations.

IMPLEMENTATION

1. Protecting the environment: We are fully determined to protect the environment. Thus, we utilized our ENVIRONMENTAL MANAGEMENT PLAN throughout our projects by:
 - a. Applying above mentioned plan
 - b. Applying Client's plans (if it exceeds Kelkan plan)
 - c. Applying local regulatory laws relating to the Environment
 - d. Providing HSE training for local suppliers and contractors
 - e. Providing HSE training for local workforce

2. Implementing emergency procedures to prevent and address accidents affecting the environment and human health: We understand each operation is different in terms of scope, location, and environment. Therefore, we produce emergency response plans for each operation which is used as a tool to respond to incidents as it happens. The plans focus on:
 - a. Emergency response for injuries
 - b. Emergency response for environmental incidents
 - c. Emergency response for security incidents
3. Minimize the use and ensure safe handling and storage of chemical and other dangerous substances: Kelkan has procedures in place to ensure chemical and other dangerous goods are stored safely without harm to humans and the environment.

MEASUREMENT OF OUTCOMES

1. For the reporting year 2015 – 2016, Kelkan's HSE department has provided over 1000 training hours for our employees and local labor. The trainings focused on protection of the environment and working safely.
2. We were able to provide Emergency Response Plans (ERP) to 100% of our projects for the reporting year 2015 – 2016.
3. To protect the environment, our fabrication team has fabricated one of a kind "self-containing" fuel tanks. The tanks provide a "drop and go" solution for short-term projects, which helps the environment from spillages and also minimizes footprint on the environment.

ANTI-CORRUPTION PRINCIPLES

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

ASSESSMENT, POLICY AND GOALS

We continue to comply and improve our Compliance, Ethics, and Procedures in order to enhance the company's policies on Ethics, Anti-Corruption, Confidentiality, Duty of Care, Conflict of Interest and others. We continue to comply with below international policies:

- UK Bribery Act
- Foreign Corrupt Practices Act (FCPA)
- Organization for Economic Cooperation and Development Convention on Combating Bribery of Foreign Officials in International Business Transactions (OECD Convention).

IMPLEMENTATION

1. Assess risk of corruption when doing business: As contractors, we assess all contracts to ensure our clients are abiding by applicable anti-corruption laws.
2. We require all of our contractors and vendors to abide by applicable anti-corruption laws.
3. Kelkan's Anti-Corruption Policy is implemented throughout the organization by:
 - a. Utilizing Kelkan's procedures for purchasing and contracting (Supplier Evaluation Procedure, Procurement Procedure, and others.)
 - b. Working with district, sub-district, and village committees for local hiring of equipment and labor, rather than individuals. All local work are provided in coordination with local officials

MEASUREMENT OF OUTCOMES

To date, Kelkan has not been involved in any legal cases, investigations or proceedings relating to bribery or corruption. Kelkan stands firm with all local and international anti-corruption in all its forms.

COMMUNITY CONTRIBUTIONS

We take pride in serving our community for the past thirteen years. With low oil prices and other regional conflicts, the Oil and Gas industry in Kurdistan has faced many challenges. The challenges has affected our business immensely, however we stand firm in serving our community. In the past year, we have contributed to local refugee crisis, sponsored sports events, contributed to orphanage centers, and sponsored art shows. The following is a list of contributions:

1. **The Second Annual Sarqala Football Tournament:** For this year's tournament, we teamed up with Energy Logistics as sponsors of the annual tournament. The tournament consisted of 10 teams. All tournament costs were covered by sponsored parties.
2. **Continued support to the Sulaymaniyah Orphanage Center:** We have continued our support for the center. This year we continued our grant to pay for the salaries for additional staff. Additionally, we donated a mini bus to transport the students between the center and school.
3. **Sponsoring "Shakespeare Lives Iraq – Kurdistan":** Kelkan was the platinum sponsor for Shakespeare Lives Iraq – Kurdistan. The sponsorship helped produce an array of programs, which was managed by Gatherton Arts in association with the British Council.
4. **Donations to Shwan District:** we provided assistance to the Shwan district in a variety of ways. Due to fuel shortages, we donated fuel to the district mayor's office in order to assist

them in running their day to day operations. Additionally, we contributed to the construction of roads and culverts to the Ali Musa village in the Shwan District.

5. **Contribution to the Deputy Prime Minister's Internship Program:** Despite a downturn in business environment, we continue to contribute to the Deputy Prime Minister's Internship program.

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