

# United Nations Global Compact Communication on Progress 2017

## 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 March 2018, Kolb submits its third COP Report, covering general aspects of our commitment and featuring activities throughout 2017, to demonstrate Kolb's ongoing and advancing accountability for the Ten Principles of the UNGC.

## Letter from the CEO

### **New concepts and policies to further improve our sustainability performance**

Kolb has a long-standing tradition in aligning its strategies and operations with quality, health, safety, and environmental standards and in 2015, we 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.

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 a sustainable business model. Therefore, we want our product solutions to be part of a global economy that benefits all people and the environment, and the UNGC initiative provides the framework for achieving this goal.

In 2017, we continued to improve our sustainability performance by implementing new concepts and policies as well as by planning new projects for the coming year. In response to customer requirements, we decided to elaborate a detailed overview of the supply chains for every product. With this, we also support the project of Transition. Furthermore, we are undergoing a SDG analysis of our company principles. In line with this analysis, we aim to implement new indicators in order to closely monitor the success of our sustainability goals. Also the results of the analysis will help to assure the strategic implementation of the SDGs in our company activities. Additionally, we are planning a Human Right Risk Assessment in 2018 to identify social risks in our partner countries. And finally, our new rating score, covering also our commitments in 2017 is currently being assessed. Kolb reached a total score of 98% in the "together for sustainability" audit. The previous year we already successfully passed several audits in our facilities executed by customers, also focussing on HSE (health, safety and environment) and sustainability standards and measures, and we aim for another strong result.

We are pleased with our accomplishments so far, but we are aware that there are still many possibilities for further improvement. As Kolb, we fully support the UNGC's Ten Principles and are committed to align our operations accordingly.

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, 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 2017 has implemented three new documents, the Code of Business Conduct for Kolb Employees, the Human Rights Policy Statement and the Code of Business Conduct for Kolb Suppliers. These documents were designed to deepen and complement the "Sustainability Policy Statement". The two new Code of Conducts (COC) are available in the main languages (German, Dutch, French, and English), spoken at our two production sites in Switzerland and the Netherlands to make their content accessible and easily understandable to our entire workforce. In 2017 trainings were conducted for all Kolb employees with a huge success. All 290 employees have signed the COC, as this is a mandatory part of the employment contract. 260 out of 290 employees have been trained according to the new COC. The rest will be trained until the end of the first quarter of 2018. Every new employee including trainees and temporary workers have to sign the new contract and will have an ongoing training. As for suppliers, the goal is that all suppliers of Kolb have to sign the new COC until the end of 2018. Priority lies on the 10% of the supply companies that were rated with a higher risk.

The development of our "Human Rights Policy Statement for Kolb Group" was 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, and antidiscrimination and anticorruption policies. Kolb seeks to establish relationships with suppliers that share the same principles and values.

Kolb developed a new policy about the modern slavery act. Also the company set up a Compliance Hotline ([compliance@kolb.ch](mailto:compliance@kolb.ch)) answering all questions regarding Kolb's sustainability compliance.

Another goal for the year 2018 is to elaborate a Human Right Risk Assessment for the value chain. With this, Kolb want to identify the risks and challenges in the different countries where the company is active.

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.

The Agenda 2030 is closely related to numerous human rights principles, such as living in dignity, having access to appropriate and sufficient food, having access to water and sanitation, or the right to education. Therefore, there are many ways how the SDGs cover human rights. In the SDG analysis, which was conducted at the beginning of this year, Kolb compared its company goals for 2016/2017 and 2017/2018 with the 17 SDGs and their 169 targets. The analysis showed where we are already working according to the SDGs and for the UNGC Human Rights Principle, the following relevant conclusions were made:

- Kolb's direct influence in the SDGs-Human Rights-nexus is the transparency of its production and supply chain through the COC assuring a fair and socially sustainable development, also in southern countries (SDG 8).
- Other relevant SDGs that directly influence human rights and which are important for Kolb are SDG 3, 6, 12 and 13. Kolb's commitment for these SDGs helps to create a better environment for human life in dignity and safety.

## 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.

In 2017, Kolb passed a pre-audit according to the draft version of the ISO 45001 and received a confirmation letter for the successful result. As soon as the definite version is released, the Kolb site in Switzerland (Hedingen) will be certified according to ISO 45001.

In winter 2017, two employee surveys have been conducted. The first was the general survey which is conducted all three years and covers general topics about employee satisfaction. The evaluation of this report is currently ongoing.

The second one was a non-recurring survey regarding “friendly workspace”. This was conducted in order to evaluate possible improvements and to include suggestions of the employees regarding work environment, ergonomics, and well-being and health of employees. The results of this survey led to an action plan giving the main issues of the EGfM, which is sort of a works council.

Additionally, in 2017 Kolb introduced a new tool to monitor the legal compliance of the human resources processes and procedures according to Swiss law.

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 and implemented in 2017. 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 2017, four lost time accidents occurred at our site in Hedingen (CH) and one accident occurred at our site in Moerdijk (NL) which were thoroughly investigated and corrective actions took place. 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 2017, trainings took place for all employees about near misses, unsafe conditions and the reporting of these. Employees from all departments received instructions on Basic Life Support and automatic external defibrillator handling. In 2017, again all new employees got safety instructions on their first working day. 23 employees from Maintenance and Production were trained in Lockout / Tagout. Additional 7 employees from Production were trained in working at height and in confined spaces. Our “Health Safety and Environment Circle”, meeting monthly and consisting of relevant people 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. EGfM, also meeting monthly and consisting of people from different departments, is focusing on the Corporate Health Management with the goal of the certification from the label “friendly workspace” 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 2017. A detailed stakeholder analysis including their views and requirements towards our organisation was executed in 2017.

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).

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 this year the Gold Medal from Ecovadis, a rating organisation for global supply chains.

In the SDG analysis, which was conducted at the beginning of this year, we compared our company goals for 2016/2017 and 2017/2018 with the 17 SDGs and their 169 targets. The analysis showed we are already working according to the SDGs and for the UNGC Labour Principle, the following relevant conclusions were made:

- Kolb is concerned about the work safety of its employees and takes measures to avoid accidents at the work place (SDG 8.8).

## 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 line with the Major Accidents Ordinance Kolb also implemented strategic goals such as “No Soil and Groundwater Pollution” and “No Wastewater Contamination”.

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 2017). 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 2017, 23 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 9001:2015 and ISO 14001:2015 and adheres to the standards of OHSAS 18001 and 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions. In the reporting period 2016/2017, Kolb's energy consumption increased by 3.6% compared to last year (2015/2016), while direct emissions increased by 2.6% compared to last year. In the same period, our energy intensity per ton product increased by 5.8% compared to the reporting year 2015/2016. Possible reasons for this increase could be a longer process time due to the product mix and an increased cleaning effort due to a higher number of products for pharmaceutical applications.

In 2017, we continued to optimize our waste water management system by improving the monitoring of the internal sewage facility, and training of our employees. Thus, we improved the COD load (chemical oxygen demand) of the sewage and reduced the environmental footprint.

Kolb has established an animal free policy for raw and process materials which is mandatory for all production sites. With this new policy, Kolb could implement a Halal certification too. And an additional goal for 2018 is to implement a vegan label.

In the SDG analysis, which was conducted at the beginning of this year, we compared our company goals for 2017/2018 with the 17 SDGs and their 169 targets. The analysis showed were Kolb is already working according to the SDGs and for the UNGC Environment Principle, the following relevant conclusions were made:

- Kolb already defined environmentally relevant targets in its 2017/2018 company goals, such as CO<sub>2</sub>-reduction, protection of soil and groundwater, wastewater treatment (SDG 6.3, 6.6, 9.4, 13.2, 15.1). For these targets, measurements are currently developed.

## 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. All employees will have an anti-corruption training in line with the COC-training (see chapter “Human Rights”).

A new donation policy (Discretionary Donation Policy) was implemented. Employees that were most affected by this were trained. Additionally, there was an information event for all employees to inform them about the new policy. Also, all employees have the chance to make suggestions for possible donations.

In the SDG analysis, which was conducted at the beginning of this year, we compared our company goals for 2016/2017 and 2017/2018 with the 17 SDGs and their 169 targets. The analysis showed we were already working according to the SDGs and for the UNGC Anti-Corruption Principle, the following relevant conclusions were made:

- With its anti-corruption policy and trainings, Kolb works to reduce corruption and bribery in the company and in all relevant supply and production chains (SDG 16.5).

## Indicators

### Our relevant indicators to measure the progress and the outcomes regarding the 10 Principles.

As part of the SDG analysis of our company principles, we developed several indicators to measure the compliance and the progress of our actions with the SDGs standards. The analysis started end of 2017 and the indicators could therefore not be calculated yet. However, the following measurements will be conducted in future and will also be reported in the COP from 2018 on: The indicators are measured for every business year, which in Kolb's case is from 01.10.yyyy to 30.09.yyyy.

Human Rights	Labour	Environment	Anti-Corruption
Number of suppliers who agreed to and signed the COC	Number of men, women, and young people employed compared to total employees	Annual water usage in relation of product unit (compared to last year)	Number of employees trained in anti-corruption policies compared to total number of employees
	Number of accidents at the work place (compared to last year)	Annual amount of treated waste water in relation of product unit (compared to last year)	
	Number of apprentices and trainees compared to the number of total employees	Amount of resources used (chose some main resources to monitor in detail) in relation of product unit (compared to last year)	
		Reduction of CO2 emissions (compared to projected goal of EnAV)	
		Reduction of energy use in relation to product unit (compared to last year)	
		Number of chemical accidents with soil pollution (should be < 1)	
		Amount of waste reduction in relation with product unit (compared to last year)	