

Anthesis-Caleb

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Independent External Assurance Statement

Caleb Management Services Ltd (Anthesis-Caleb), a wholly owned subsidiary of Anthesis Consulting Group, has been commissioned by Kingspan Insulation Ltd. to complete an independent review of its printed ‘**Sustainability & Responsibility Report** - based on data for the **Calendar Year 2017**’ and to provide an external assurance statement for the report.

1. Objectives

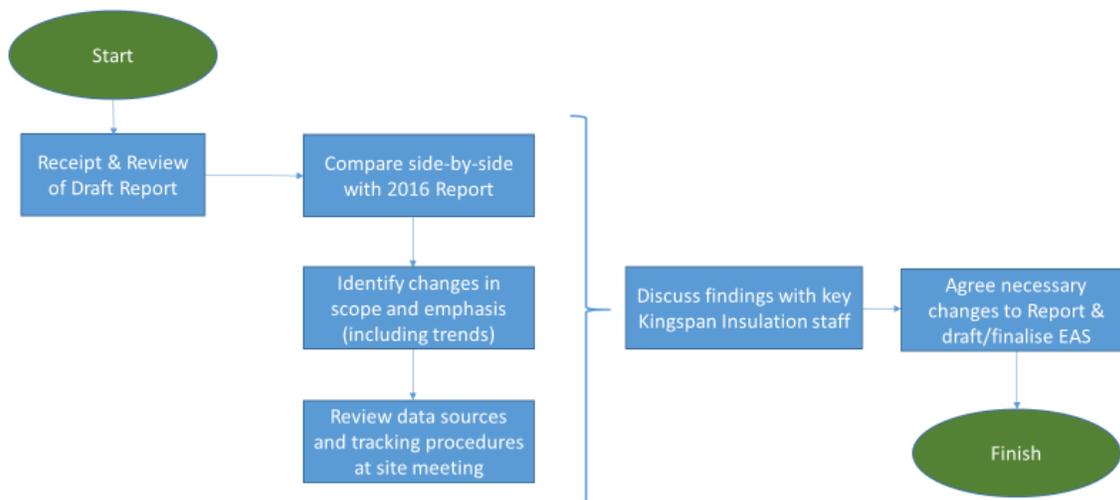
As previously, the objectives of the independent review are to provide an opinion on:

- a) Data accuracy, capture processes and controls
- b) The corporate processes and mechanisms in place for the preparation and delivery of the report;
- c) Adequacy and relevance of information contained in the report; and
- d) Compliance of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (in this case GRI 3)

2. Scope of Work

In preparing this statement, Anthesis-Caleb followed an evidence-based process comprising of the steps below: -

Process adopted for completing the External Assurance Statement (EAS) for 2017



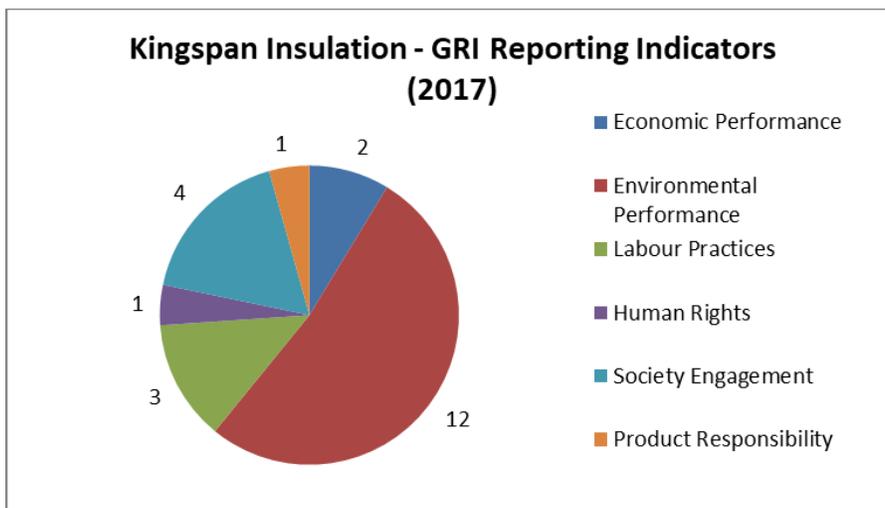
3. Findings

3.1 Overall

The ‘Sustainability & Responsibility Report – based on data for the Calendar Year 2017’ (hereinafter called the ‘2017 Report’) builds on a series of reports delivered by Kingspan Insulation Ltd. since 2004, and which, until 2008, applied a SPeAR® appraisal framework.¹ Since then, Kingspan has adopted the GRI Reporting Framework, and specifically GRI G3.

Consideration has once again been given to the option of adopting GRI G4 criteria, and even the recently launched GRI Sustainability Reporting Standards, for the 2017 Report. However, Kingspan Insulation has opted to stay with the GRI G3 reporting framework again this year. This owes partly to the fact that the Kingspan Group continues to review its strategy for sustainability reporting at both Divisional and Group levels and partly to maintain consistency of the time series during this period of uncertainty about the course ahead. With the closer alignment of sustainability reporting to financial reporting now seen as best practice, the re-structuring of the sustainability reporting approaches used at divisional level within the Kingspan Group will inevitably need to occur in the foreseeable future. Therefore, the idea of change at such a stage was viewed as counter-productive and potentially detrimental to the reader.

In line with GRI G3 practice, content is reviewed for materiality, stakeholder inclusiveness, sustainability context and completeness, while quality is assessed in terms of balance, clarity, accuracy, timeliness, comparability and reliability. In preparing this external assurance statement, Anthesis-Caleb has, once again, taken account of these Reporting Principles and the associated criteria. As with the 2016 Report, Kingspan Insulation Limited has targeted a B+ Application Level for the 2017 data which requires reporting on a minimum of 20 Performance Indicators, with at least one covering each of the specified areas. As before, 23 Indicators were selected based on the following distribution:



¹ SPeAR® (Sustainable Project Appraisal Routine) has been developed by Arup as a framework that assists in the appraisal of sustainability issues relating to an organisation, project or product

Although it is often difficult to get substantive feedback from stakeholders for which these Reports are produced, those that have periodically commented appear to be happy with the layout and coverage in its current format, so this has remained unchanged in the 2017 version.

3.2 Content

3.2.1 Materiality

The GRI reporting indicators selected by Kingspan Insulation Ltd. continue to be appropriate for a manufacturing business of this type and scale. They are consistent with those adopted by peers and competitors, thereby allowing comparison and even benchmarking. They also focus on areas where there is scope for influence and, hopefully, improvement. While the main focus of any company in this sector is to help their customer base maximize energy savings, this does not excuse Kingspan Insulation Ltd. from monitoring and managing their own sustainability metrics. The discipline of sustainability reporting is therefore particularly helpful in ensuring that this takes place and that the company is publicly accountable for its efforts. There is also a strong alignment with other reporting obligations, such as the group-wide submission to the Carbon Disclosure Project which similarly focuses on critical performance indicators, thereby minimising business risk. Kingspan Group has succeeded in retaining its position on the CDP Climate A List in 2017. As a group, Kingspan continues to act as a thought-leader amongst its peers and has continued to engage in initiatives which demonstrate its commitment to sustainability goals – a good example being the 2020 Net Zero Energy target for its global operations, where progress in 2017 reached 72.4% of the total goal with further contributions from investment within Kingspan Insulation Ltd, as documented under the Energy & Greenhouse Gas emissions section of the 2017 Report, where the impact of the biomass investment at Pembridge can be clearly seen in the time series.

3.2.2 Stakeholder Inclusiveness

While the next Staff, Community and Customer Survey is not scheduled to take place until 2018, Kingspan Insulation Ltd. has been maintaining informal contact with all of its major stakeholders. From the anecdotal evidence collected and the supporting metrics (e.g. in staff turnover rates), the stakeholder relationships appear to be in good shape. Meanwhile, TV screens continue to be used at Pembridge to convey current information to staff and visitors.

3.2.3 Sustainability Context

The 2017 Report continues to present the company's performance in the wider context of sustainability in all its facets – economic, social and environmental. From the economic perspective, Kingspan Insulation continued to show robust growth in 2017 driven by the favouring of Kooltherm in the market-place, partly through raw material shortages affecting competitive products. The launch of an encapsulated product (OPTIM-R® E) and more

products in the K-100 range, also contributed to the strong growth. Staff numbers continued to grow in 2017, partly driven by preparations for new investments at Selby during 2018. Meanwhile, staff turnover rates have remained largely unchanged, remaining below 15% for the year.

3.2.4 Completeness

In its reporting approach, Kingspan has continued to adopt the coverage of 14 key themes spanning all aspects of the economic, social and environmental agendas. This approach continues to be underpinned by the tracking of the 23 GRI reporting indicators. The current GRI indicators are viewed as appropriately distributed across economic, environmental and social areas of the business, albeit that the environmental agenda continues to attract the most focus. Reporting data are drawn from a comprehensive internal management system normalised for comparability over time.

The Pembridge and Selby reporting streams remain fully integrated, which is important as further consideration is given to wider inclusion within a Division-wide or Group-wide approach. Nonetheless, the current reporting scope remains limited to the Pembridge and Selby sites which is frustrating to the reader bearing in mind that there is at least one other site in the UK which could be included. One reason given for not including the third site is that it does not manufacture Kingspan-branded products. However, since the management responsibility for that site continues to rest with Kingspan Insulation Limited and it has been in Kingspan's ownership for some years, the exclusion must remain a matter of on-going scrutiny. Despite this, there is no doubt that the Kingspan Group is making every effort to raise the sustainability performance of all its sites within the Group, even if the ability to measure and document this is lacking in some situations. The challenge of integrating new acquisitions makes it that reporting is never likely to be fully comprehensive, but this should always be acknowledged and justified when reporting performance.

3.3 Quality

3.3.1 Balance

The layout of earlier reports has been maintained in the 2017 Report following stakeholder feedback that the current layout meets the objectives. Although the Report focuses primarily on 'highlights', it is systematic in its coverage of the 14 key themes and remains balanced and transparent in equally identifying areas where progress has been less than expected. Consistent with previous Reports, there is a significant level of realism in the narrative, recognizing that the company has to balance its on-going commitment to social and environmental aspects with its economic sustainability. Nonetheless, there are clear indicators of significant investment being made to meet key sustainability goals. As in previous years, we continue to feel that the Reports tend to focus too much on the annualized achievements and challenges without putting them in the context of longer-term Action Plans. The proposal in last year's External Assessment Statement to introduce a Gantt Charts at the thematic level has not yet been taken up and we believe that this

continues to be a weakness in the reporting structure. The inclusion of target values in some of the graphs is helpful, although the process of target-setting and the timescale for achievement is rarely described.

3.3.2 Clarity

The presentation of the time-series information through a series of graphs continues to provide the reader with an 'at a glance' assessment of trends. However, the size of some of those graphs still makes it difficult to read the axes in certain cases. From the face-to-face review meeting, we understand that Kingspan Insulation Limited may be considering moving to an A4 format in future and Anthesis-Caleb would certainly encourage that development.

Other factual information in the Report is well-written and presented, with the layout being logical and consistent. The cross referencing of individual thematic sections to the relevant GRI indicators is particularly helpful for those seeking to benchmark performance.

3.3.3 Accuracy

Kingspan Insulation continues to operate a comprehensive and thorough data collection process which is designed to allow the derivation and monitoring of the GRI reporting indices. This process was once again interrogated during the development of this External Assessment Statement. Although there were one of two minor corrections to previous year data, these were not viewed as significant. Indeed, Kingspan is usually very diligent in pointing out any corrections that have taken place. In our opinion, Kingspan's approach continues to be close to an exemplar of such processes. We have noted in previous Reports that this can create a barrier to the inclusion of new sites, but hopefully this best practice will be transferred into any Division-wide or Group-wide approach adopted in future.

3.3.4 Timeliness

The timing of publication of the 2017 Report has again slipped again this year, but has still been achieved within the calendar year following the year to which the Report relates. As noted last year, coordination with other reporting deadlines such as CDP and BES 6001 would be useful, although it is understood that this would place particular pressures on the reporting staff.

3.3.5 Comparability

The time-series of information now contained in the 2017 Report continues to allow a full comparison of annualized data and is more than sufficient for the reader to identify key trends and to raise questions resulting from those trends. The tension between maintaining stability in the Reporting scope to maximise year-on-year comparability and being willing to extend the scope of the Report to be more inclusive is palpable. At present, Anthesis-

Caleb believes that the balance is a little too much towards comparability at the expense of completeness, but this is clearly understood by Kingspan already. Assessing how to address the issue is an on-going exercise.

3.3.6 Reliability

The dataset on which the 2017 Report is based continues to be viewed as robust. The site reporting has been fully integrated now for two years and this shows in the accuracy and reliability of the Reports. This level of reliability should be maintained in future provided that best practice from the Kingspan insulation team can be incorporated into future reporting structures developed at Divisional or Group levels.

3.4 Boundary Setting

As noted previously in the External Assessment Statement, the 2017 Report continues to be based on data from only the Pembridge and Selby sites. While the quality of reporting from both sites in the 2017 Report is self-evident and commendable, the appropriateness of the current boundary-setting approach needs to be continually reviewed. This may be solved to some extent as and when the scope of this Report is subsumed into a Divisional or Group Sustainability Report. However, in order to protect the comparability created by the extended time series, outputs based on the current boundaries may still need to be maintained in parallel.

4. Caleb Management Services Limited (Caleb) Opinion

The trading conditions for Kingspan Insulation have remained strong in 2017, maintaining an adequate basis for investment. While the outcome of BREXIT remains an on-going concern, the nature of the thermal insulation supply-chain means that exposure arising through international trade should be limited. The company continues to demonstrate its commitment to its sustainability goals by its levels of investment in measures to meet its Net Zero Energy Buildings target in 2020, with the Group passing the 70% mark during 2016. This is also reflected in the achievement of a CDP Climate A rating.

Kingspan's relationship with its stakeholders continues to be shown to be in good order, although evidence is more anecdotal in 2017 in the absence of a stakeholder survey. A further survey is planned in 2018 in line with the established biannual schedule. The continuing commitment to BRE BES 6001 (Responsible Sourcing) is an important additional indicator, which may need to be leveraged further as supply-chain communication becomes ever more important in meeting corporate sustainability goals. It will be important that Kingspan Insulation Ltd. remains in a position to report this progress in a comprehensive way through appropriate attention to the completeness of future reporting.

In Anthesis-Caleb's opinion the 'Sustainability & Responsibility Report - based on data for the Calendar Years 2017' (the 2017 Report) provides a reasonable and balanced presentation of performance, taking into account the data provided as well as the overall

selection of content. Based on this review, Kingspan Insulation Ltd. meets the GRI G3 requirements at the B+ application level.

Caleb Management Services Limited (Anthesis-Caleb) - December 2018

www.anthesisgroup.com

Caleb Management Services Ltd - Competence and Impartiality

Caleb Management Services Ltd (Anthesis-Caleb), a wholly-owned subsidiary of the Anthesis Consulting Group is an international sustainability consultancy advising governments, multi-lateral agencies and businesses on sustainable development challenges and opportunities. The company has extensive experience in conducting reviews on environmental, social, ethical and economic aspects of sustainability and supporting clients in the implementation of sustainability based systems and processes in accordance with best practice. It has particular expertise in advising construction sector clients on how to effect organisational transitions that take account of risk, vulnerabilities and that build resilience.

Caleb is an independent provider of advice and has prepared this External Assurance Statement in broad accordance with AA 1000AS (2008) guidance, although the Statement is not explicitly written to the Standard.