

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 2015**’ and to provide an external assurance statement for the report.

1. Objectives

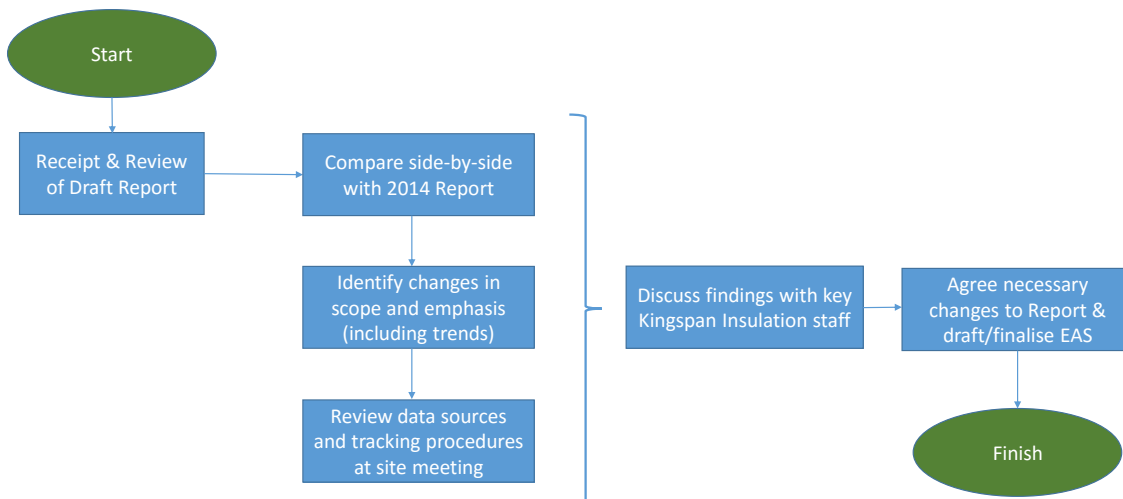
As previously, the objectives of the independent review were to provide an opinion on:

- 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 (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 2015



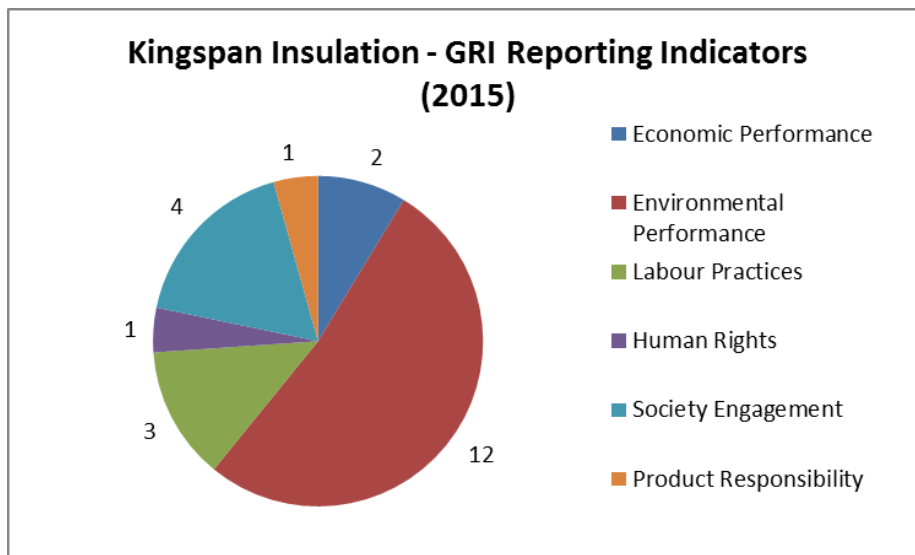
3. Findings

3.1 Overall

The ‘Sustainability & Responsibility Report – based on data for the Calendar Year 2015’ (hereinafter called the ‘2015 Report’) builds on a series of reports delivered by Kingspan Insulation Ltd. since 2004, and which, until 2008, applied a SPeAR® appraisal framework.¹ However, this has now been superseded by the GRI Reporting Framework.

As reported in last year’s external assessment statement, it was intended that the 2015 Report would be prepared to the GRI G4 guidelines for the first time. However, Kingspan Insulation has become increasingly aware during 2015 of the need for further clarity regarding the metrics required for reporting to the GRI G4 framework which will in turn influence the resources necessary to make the transition. Accordingly, the 2015 Report was once again prepared in accordance with the GRI G3 reporting principles for defining content, assessing its quality and reviewing the approach to boundary setting. 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. Despite the above concerns, Kingspan Insulation remains committed to transferring to the GRI G4 framework at the earliest opportunity.

As with the 2014 Report, Kingspan Insulation Limited has targeted a B+ Application Level for the 2015 data which requires reporting on a minimum of 20 Performance Indicators, with at least one covering each of the specified areas. As for previous years, 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

3.2 Content

3.2.1 Materiality

The GRI reporting indicators selected by Kingspan Insulation Ltd. continue to be consistent with a manufacturing business of this type and reflect the areas where sustainability performance is tracked by peers and competitors and where opportunities for improvement are known to exist. In a business where sustainability metrics are a key part of product performance (e.g. energy saving potential), the peer pressure can be particularly high and there is a substantial level of self-policing in the sector. The reporting indicators are also consistent with the interests, topics and indicators raised by other stakeholders. There is 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. As a group, Kingspan consistently acts as a thought-leader amongst its peers and has continued to champion initiatives which demonstrate its commitment to sustainability goals – a good example being the 2020 Net Zero Energy target for its global operations, which have stimulated significant investment in renewables at Selby and elsewhere.

3.2.2 Stakeholder Inclusiveness

The 2015 Report takes full account of issues raised by internal and external stakeholders – ensuring that the company continues to cover the areas that are material to the business impacts. Kingspan Insulation remains keen to ensure that all stakeholders are regularly consulted for their feedback and a repeat of the biennial Staff, Community and Customer Surveys is scheduled for 2016. Meanwhile, it was decided during 2015 that there should be an extension of the use of TV Screen communication to staff rather than the reintroduction of a newsletter at Pembridge.

3.2.3 Sustainability Context

The 2015 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 performance in 2015 driven by the first full year of Optim-R vacuum panel sales, as well as continued market penetration of its phenolic product, Kooltherm. In addition, the company has invested a further £1.8 million in R&D during the year. The economic sustainability of the organization and growth in activities has enabled the company to employ additional staff in 2015, with the number exceeding 500 across the Pembridge and Selby sites for the first time. Staff turnover and absenteeism has also reduced during the year.

As noted already, Kingspan Insulation Limited is well aware of the importance of the environmental agenda in its market place and the particular requirements that are present in the construction product sectors. By performing its reviews of progress against 14 key themes, has been able to determine a 'direction of travel' for its Sustainability Strategy and

indicate progress towards delivering that Strategy. However, there is an increasing need to spell out the company's longer-term plans, especially as they relate to a climate response, and it is expected that Science-based Targets will need to be established during the next 12 months to align with Kingspan Group objectives.

In summary, the 14 themes continue to dovetail fully with the 23 GRI reporting indicators. Kingspan Insulation Ltd. actively applies the Precautionary Principle in both product design and operational planning, although it is still challenged to have a consistent approach across its sites.

3.2.4 Completeness

The 2015 Report continues to provide a good coverage of the material topics and indicators and reflects Kingspan Insulation Ltd.'s responses to its economic, environmental, and social impacts. While the company still considers its transition to GRI G4 metrics, it is perfectly reasonable for Kingspan to maintain its previous 23 GRI reporting indicators rather than expand them further at this stage. The current GRI indicators are appropriately distributed across economic, environmental and social areas of the business. Reporting data are drawn from a comprehensive internal management system normalised for comparability over time.

Alignment of the Pembridge and Selby reporting streams is now virtually seamless, which has assisted in telling an integrated story. However, the current reporting scope remains limited to the Pembridge and Selby sites which, on the face of it, is disappointing bearing in mind that there is at least one other site in the UK which could be included. However, part of Kingspan Insulation Ltd's problem is that they have set themselves a high bar in terms of data collection and reporting which makes the introduction of additional sites to the same reporting structure challenging. Consideration is being given to the possibility of developing parallel reporting structures for other sites within Kingspan Insulation's European operations which can then be aggregated with the outputs from future versions of this Report at a higher organizational level. The value of this approach is that it will offer a better benchmark against which to track trends and improvements while not losing the current consistency in the data time series developed jointly by Pembridge and Selby.

3.3 Quality

3.3.1 Balance

The layout of earlier reports has been maintained in the 2015 Report. Although the Report inevitably focuses on 'highlights', it is systematic in its coverage of the identified themes and remains transparent in highlighting areas where progress has been less than expected. Again, there is a significant level of pragmatism in the narrative which recognizes that the company has to balance its on-going commitment to the agenda with its economic sustainability. Nonetheless, there are clear indicators of significant investment being made to meet key sustainability goals. The only issue that needs further attention is the balance

between short-term and long-term objectives, since the focus in our opinion is too closely linked to year-by-year Action Plans at present rather than being underpinned by longer-term targets.

3.3.2 Clarity

As in previous years, considerable effort has been made to ensure that a complex sustainability journey is reported in a systematic way with Context, Activities, Achievements and Forward Plans addressed for each of 14 themes. As with all reports of this type, there is a tension between providing the level of detail required to allow independent scrutiny, while making the information sufficiently accessible for the reader. The size of some of the graphs and footnotes could continue to be a challenge for some readers, especially where they do not have access to electronic versions that can be magnified easily. That said, the physical size of the published Report is considerably larger than is evident from print-outs of the electronic version making the font size more appropriate, even if the resource use in its production is a little excessive.

3.3.3 Accuracy

Kingspan Insulation operates a comprehensive and thorough data collection process which is designed to allow the derivation and monitoring of the GRI reporting indices. This was once again reviewed and inspected during the development of this External Assessment Statement. In our opinion, it continues to be close to an exemplar of such tools. While we noted in last year's Report that this creates a barrier to the inclusion of new sites, the coverage of this issue in Section 3.2.4 sets out another possible approach.

3.3.4 Timeliness

It is encouraging to note that the 2015 Report has been completed earlier in the following year than has previously been achieved. This was partly driven by the need to align with the auditing cycle for the BES 6001 Responsible Sourcing Standard and indicates that the various reporting obligations undertaken by Kingspan Insulation Limited are becoming mutually reinforcing. It is hoped that the transition to GRI G4 reporting guidelines, whenever it comes, will not de-rail this improvement in report timing.

3.3.5 Comparability

The time-series of information now contained in the 2015 Report allows a full comparison of annualized data and is certainly sufficient to allow the reader to identify key trends and to raise questions resulting from those trends. The decision to address the reporting needs of other sites in parallel, rather than integrating them into future versions of this Report will ensure that comparability is maintained.

3.3.6 Reliability

The dataset on which the 2015 Report is based continues to be viewed as robust. The final integration of the Selby operation makes the Report more reliable than in previous years. This level of reliability should be maintained now that the decision has been reached to prepare parallel reports to allow other sites to commence reporting at intermediate levels.

3.4 *Boundary Setting*

As noted previously, the 2015 Report continues to be based on data from both the Pembridge and Selby sites. The level of reporting from both sites in the 2015 Report is self-evident and commendable. If the approach to the inclusion of other sites in future is going to be one of parallel reporting and subsequent aggregation it will be vital to ensure that the outputs are well defined to ensure that the scope of resulting messages is well understood. This may become of even more relevance as and when the transition to GRI G4 takes place.

4. Caleb Management Services Limited (Caleb) Opinion

The trading conditions for Kingspan Insulation have remained healthy in 2015, setting a strong platform for investment, despite uncertainties over energy policy in the post-2015 election cycle. The company has certainly continued 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.

Kingspan's relationship with its stakeholders has once again been shown to be in good order and the company's commitment to regular surveying and benchmarking indicates in keenness to be sure that it is bringing its customers, suppliers and employees with them. The further integration on the supply-side of BRE BES 6001 (Responsible Sourcing) is an important additional indicator of that commitment, but may need to be extended still further in future to take in real metrics from its suppliers. This will require even greater focus on supply-chain partnerships. In addition, the company is now beginning to make serious strides to include other sites within the Kingspan Insulation business, although this may still take some time to bring to fruition, particularly in view of its intention to move from GRI G3 to GRI G4 in future reporting cycles.

In Anthesis-Caleb's opinion the 'Sustainability & Responsibility Report - based on data for the Calendar Years 2015' (the 2015 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) - July 2016

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.