GRI Report 2017

Think Asia. Think DKSH.

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1 GRI 102: General disclosures 2016
1.1 Organizational profile
GRI 102-1: Name of the company

DKSH Holding Ltd.

GRI 102-2: Activities, brands, products and services
DKSH is the leading provider of Market Expansion Services with a focus on Asia. We help companies grow their business in new or existing markets.
DKSH Annual Report 2017, inside cover "DKSH at a glance".
DKSH Corporate Brochure 2018, page 13-16.

GRI 102-3: Location of headquarters
Zurich, Switzerland
DKSH Annual Report 2017, page 7

GRI 102-4: Location of operations
We maintain business activities in 37 markets, of which we consider the following operations to be significant* (in alphabetical order).

- Cambodia
- Hong Kong SAR
- Malaysia
- Myanmar
- People's Republic of China

- Singapore
- Taiwan
- Thailand
- Vietnam

*Significant operations are defined as local country organizations with more than 500 employees.

Our operations in Indonesia surpassed this threshold via an acquisition in the latter part of 2017 and will be classed as "significant" in our GRI Report 2018.
DKSH Corporate Brochure 2018, page 36-37.

GRI 102-5: Ownership and legal form
DKSH Annual Report 2017, page 7-8.

GRI 102-6: Markets served
Our Market Expansion Services business operates in 37 markets, serving customers from 800 business locations in Asia Pacific and 25 business locations in Europe and the Americas.

In our own brands business (watches, healthcare products), apart from distribution through our own infrastructure, we indirectly serve many markets globally via specialized resellers.

We address the following business segments and industry sectors:

Business segment	Sectors served
Consumer Goods (Fast Moving Consumer Goods, Luxury and Lifestyle)	Distributive trade (wholesale, retail trade resale), healthcare providers (hospitals, clinics), hospitality, consumer markets http://dksh.com/global-en/home/industries/consumer-goods
Healthcare	Healthcare providers (hospitals, clinics, practitioners), distributive trade (wholesale, retail) http://dksh.com/global-en/home/industries/healthcare
Performance Materials	Manufacturing industries (chemical, pharmaceutical, food & beverage, personal care) http://dksh.com/global-en/home/industries/performance-materials
Technology	Manufacturing industries, education (universities), research, distributive trade http://dksh.com/global-en/home/industries/technology

As a services provider, we differentiate between two major categories of counterparties, i.e. our **clients** to whom we provide Market Expansion Services, and our **customers** who buy our products and services. We operate in a B2B environment, with a comparatively small, yet fast-growing B2C online business, as part of our omni-channel strategy.

Our clients typically are manufacturers of fast-moving consumer goods, luxury and lifestyle products, pharmaceuticals, consumer health/OTC products and medical devices, producers of specialty chemicals and food ingredients, and advanced machinery or technical equipment. Our downstream customer base can be classified into the following main categories:
- Manufacturers
- Distributive trade (wholesale, retail)
- Professional users (healthcare professionals, hospitality, other services)
- Consumers (via retail outlets operated by us or via online platforms)

Whilst we predominantly serve the private sector, a sizeable part of our business can be attributed to the public sector.

GRI 102-7: Scale of the organization

The scale of DKSH's operation is comprehensively described in the DKSH Annual Report 2017 and the Company Brochure 2018. For example:

- Total number of employees: DKSH Annual Report 2017, page 61
- Total number of operations: DKSH Annual Report 2017, page 6, 92-93, Company Brochure 2018 page 36-37
- Net sales: DKSH Annual Report 2017, page 63
- Market capitalization: DKSH Annual Report 2017, page 4, 60
- Number of clients and customers we serve: Company Brochure 2018, "Key figures 2017"

GRI 102-8: Information on employees and other workers

All disclosures in this Statement relating to employee numbers are based on headcount, rather than full-time equivalents. This contrasts with the data reported in our Annual Reports, but we believe it is more appropriate for Sustainability reporting purposes.

a. Total number of employees by employment contract (permanent and temporary), by gender

Gender	Permanent	Temporary	Total
Female	15,916	722	16,638
Male	15,604	216	15,820
Total	**31,520**	**938**	**32,458**

b. Total number of employees by employment contract (permanent and temporary), by region

Region	Permanent	Temporary	Total
Thailand	10,534	664	11,198
Greater China*	3,350	159	3,509
Malaysia and Singapore	5,024	7	5,031
Rest of Asia Pacific	12,137	93	12,230
Rest of the World	475	15	490
Total	**31,520**	**938**	**32,458**

* China, Hong Kong, Macau and Taiwan

c. Total number of employees by employment type (full-time and part-time), by gender

Gender	Full Time	Part-time	Total
Female	16,220	418	16,638
Male	15,728	92	15,820
Total	**31,948**	**510**	**32,458**

The above sets of data were extracted from DKSH's IT system (SAP HRIS), as of December 31, 2017.

The majority of DKSH's activities are performed by our own employees. For some of our services, however, we rely on external, third-party service providers. This is particularly relevant in the case of outbound transport logistics, product customization (adapting products to local market requirements), merchandizing and in-store promotions at customer outlets. The number of workers performing these services can vary considerably during a year.

GRI 102-9: Supply chain

In Market Expansion Services, our activities strongly focus on marketing, sales and order fulfilment, as shown in the table below. We distribute goods procured locally or internationally from supply sources of our clients and delivered to our warehouses. For certain product categories that require special storage conditions, storage and handling is outsourced to specialized service providers. In some instances (mostly relating to machinery and equipment that are manufactured to customer specification), goods may be delivered directly from manufacturing sites to customers.

Sales are largely generated from our own sales force. Sales orders are prepared for delivery by our specialized logistics personnel and delivered to customers by our own transport fleet or by specialized third-party logistics contractors. Some of our product categories, predominantly in the Business Unit Technology, require installation and maintenance or after-sales services. Our supply chain also includes reverse logistics, i.e. the handling of damaged or expired goods or the execution of product recalls.

For most of our business, our products are passed through specialized warehouses and distribution centers, where goods are stored and handled in accordance with product specifications. Where required, products are adapted to meet local regulatory or promotional requirements, involving activities such as repacking, co-packing (a form of promotional packaging) and labeling.

On the supply side, we buy from clients in larger quantities to meet market demand on an ongoing basis. On the sales side, we deliver according to customer needs, which generally is an assortment of products

by various clients in smaller quantities. Our ability to reach out to many delivery points is what we refer to as our capillary distribution system.

In our own brand watch business, we are sourcing materials and components to manufacture Maurice Lacroix watches in Switzerland. These watches are exported from our factory to our own distribution network in Asia Pacific and to many other markets worldwide via third-party distributors. Other own brand activities rely on contract manufacturing, with products largely distributed via our own distribution network in Asia Pacific.

Function	Employees
Sales and Marketing	20,228
Operations (Sales Administration, Call Centers, Logistics, After-Sales Service)	8,658
Business Support (Finance, HR, IT)	2,296
Management and Administration	1,276
Total	**32,458**

Further information on DKSH's supply chain is available from DKSH's Corporate Brochure 2018 (page 12, 14-16).

GRI 102-10: Significant changes to the organization and its supply chain
Significant changes that occurred during the reporting period are summarized in DKSH's Annual Report 2017, in the "Management's discussion & analysis" section, pages 38-40.

GRI 102-11: Precautionary principle or approach
DKSH takes a risk-based approach to managing its operations and supply chain. Although most of the products we distribute have been developed by our clients, we run a product stewardship program covering activities such as storage, labeling, packaging and arranging transportation, and our tracking systems ensure that any issues can be quickly traced back to the source. Regular auditing is in place to ensure product safety and that operations are being run in accordance with our environmental policies.

GRI 102-12: External initiatives
DKSH currently does not openly subscribe to or endorse any external initiatives, but through our clients' expectations, we are indirectly exposed to such initiatives and strive to meet their requirements. An example for this is the Pharmaceutical Supply Chain Initiative (PSCI), which is endorsed by many of our multinational clients in our healthcare business and passed down to us as a partner in their supply chain.

Going forward, we will be evaluating the most suitable initiatives to endorse, given the vast diversity of our enterprise.

GRI 102-13: Membership of associations

DKSH companies are members of several associations in the countries we operate in, with a strong focus on industry associations for the chemical, pharmaceutical and food industries, as well as membership of chambers of commerce. Membership is generally considered from a strategic perspective, and in some instances, DKSH managers hold positions in governance bodies, participate in projects or committees.

DKSH does not provide funding to associations beyond routine membership dues, apart from our membership of the Swiss Chamber of Commerce and Industry in Japan, for historic reasons (this is where DKSH was originally founded in the 19th century; we are the Swiss company with the longest uninterrupted presence in Japan).

1.2 Strategy
GRI 102-14: Statement from senior decision-maker

"As a Swiss company deeply rooted in Asia for more than 150 years, being a responsible corporate citizen has always been part of the DKSH mindset. Our business as a Market Expansion Services provider is built on integrity, trust and reliability. These virtues are deeply engrained into our culture and are part of our unique selling proposition.

Our vision for Sustainability is to leverage our extensive network to support economic and social progress in the communities we operate in. This includes fulfilling our fundamental purpose of bringing key products, such as healthcare, to new markets whilst operating with:

- Integrity
  - Treating our suppliers fairly
  - Protecting our environment
  - Offering opportunities to local communities
- Trust
  - Preventing bribery and corruption
  - Maintaining high information security
  - Disseminating better business practices to our supply chain
- Reliability
  - Supporting strong product stewardship
  - Employing the best people
  - Maintaining our financial security

There is an increasing focus amongst leading companies on the sustainability of their wider supply chains, particularly with respect to fair practices and human rights. As a preferred outsourcing partner for renowned international clients, we need to maintain transparency and engage with our business partners to meet growing expectations.

We conducted a major materiality exercise in 2017, identified key areas of focus, and we report on these issues to meet demands for transparency. As a first-time reporter in 2018, we realize that sustainability reporting is a process, with some areas of data collection more challenging than others, and we will be working to enhance our reporting over the next few years. We are also inspired by the United Nation's Sustainable Development Goals and will be seeking a deeper understanding of how we can support these targets.

As a company with a long-term focus, we are committed to continue this path. I would like to thank all employees for their efforts to support the sustainability of our business."

Stefan P. Butz, CEO

1.3 Ethics and integrity

GRI 102-16: Values, principles, standards and norms of behavior

a. Description of the organization's values, principles, standards, and norms of behavior

DKSH's Code of Conduct enshrines the standards of behavior we expect from all employees and third-party service providers. The Code was developed by DKSH's governance and compliance function, in collaboration with the legal and human resources functions. It was approved by the Executive Board and the Board of Directors in February 2015 and thereafter released to all DKSH entities and joint venture parties worldwide.

The Code of Conduct was developed in the English language but has been translated into local languages in countries where English is not widely understood by local DKSH employees. The launch of the 2015 edition of the Code of Conduct was accompanied by a training to all employees including certification, and a periodic refresher training is conducted. All new employees upon joining need to undergo a training and acknowledge as part of their employment contract that they are aware of the Code and will always follow it during their employment.

Intermediaries appointed by DKSH are required to sign contracts that include compliance clauses, including observance of our Code of Conduct, which serves as a contractual document. Some older contracts may not have the full set of clauses in place; these will be addressed during contract review.

1.4 Governance

GRI 102-18: Governance structure

a. Governance structure of the organization, including committees of the highest governance body

Information on DKSH's governance structure, including committees of the highest governance body, is accessible via our DKSH Annual Report 2017, "Corporate governance" section, page 7-27.

b. Committees responsible for decision-making on economic, environmental, and social topics

The main body responsible for decision-making on economic, environmental and social topics is the Senior Executive Team, comprised of the Executive Board and the operational Group Management. Certain decision authority is delegated to operating countries, where a Country Management Team acts as the local governance body. The Head of the Country Management Team is appointed by the Group's Chief Executive Officer, while the Head of Corporate Affairs as a member of the Executive Board supervises the composition of the Country Management Team.

1.5 Stakeholder engagement

GRI 102-40: List of stakeholder groups

Identified stakeholders of the DKSH Group are:

- Clients
- Suppliers, Vendors
- Customers
- Consumers
- Employees
- Local communities
- Governments, local authorities
- Shareholders, Investors
- Competitors

GRI 102-41: Collective bargaining agreements

At the end of 2017, 45 percent of DKSH's employees were covered by collective bargaining agreements.

GRI 102-42: Identifying and selecting stakeholders

Identification of relevant stakeholder groups resulted from an assessment carried out by senior management. Groups were selected based on their ability to influence or impact (directly or indirectly) DKSH's approach to business, or the potential for DKSH to have an impact on them.

From the stakeholder groups disclosed under GRI 102-40, DKSH actively engages with the following stakeholders:
- Clients
- Suppliers, Vendors
- Customers
- Employees
- Local communities
- Authorities
- Shareholders, Investors

GRI 102-43: Approach to stakeholder engagement

DKSH periodically engages with the following stakeholder groups:

Stakeholder Group	Engagement
Clients	Annual client satisfaction surveys and regular business reviews; discussions on expectations as part of due diligence, business negotiations and sustainability audits
Suppliers	DKSH engages with suppliers of goods and services for our own products on an ongoing basis
Vendors	DKSH engages with vendors on an ongoing basis. Contractual agreements ultimately will express DKSH's expectations on business conduct to vendors
Customers	Direct interaction with customers on expectations or areas of concern
Employees	Employee survey conducted in 2016
Local communities	Via community engagement undertaken by local management in the countries we operate in
Authorities	We engage directly with authorities as part of the licensing process and other regulated activities, to ensure legal requirements are met
Shareholders, Investors	Direct engagement via investor meetings; indirectly through interaction with sustainability rating agencies engaged by investors

For the preparation of this report, the interactions as per the table above were considered, specifically with certain employee groups as part of our initial materiality assessment in 2017.

GRI 102-44: Key topics and concerns raised
Through interaction with stakeholders, the following concerns were identified:

Pages	Stakeholders / Topics	Clients	Sup-pliers	Ven-dors	Custom-ers	Employ-ees	Local commu-nities	Share-holders/ Inves-tors
18 / 20	Economic performance, Market presence					X		X
22	Procurement practices	X			X		X	X
25	Anti-corruption	X		X	X	X	X	X
29	Environmental responsibility	X	X	X	X	X	X	X
37	Recruitment, retention & development	X				X		X
40	Occupational health & safety	X		X		X		X
43	Labor standards	X	X	X	X	X		X
47	Local communities					X		
49 / 52	Customer health & safety, Marketing & Labeling	X	X	X	X		X	
54	Information security	X						X

How DKSH responds to key topics and concerns is disclosed under GRI 103.

1.6 Reporting practice
GRI 102-45: Entities included in the consolidated financial statements
The list of companies included in DKSH's consolidated accounts can be found from page 102 onwards of DKSH's Annual Report 2017.

In some sections of this report, due to data availability, the reporting scope may be limited to fewer entities, and this will be clearly stated in each case.

**GRI 102-46: Defining report content and topic Boundaries**
When defining report content, we have considered all significant aspects of our business along the value chain. Due care was taken for the preparation of this report through application of the reporting principles to the best of our ability.

Materiality

For establishing our initial materiality matrix, a long list of topics was assembled from several sources, including various industry frameworks, sustainability reports by peers, clients and customers, as well as important factors identified by DKSH's risk profile. Subsequent steps included an elimination of topics with limited relevance for our business, followed by an impact assessment conducted by survey, involving personnel located in various parts of the business and geographies. Separately, expectations expressed by other important stakeholder groups, such as employees (via employee surveys), clients and customers, were taken up via direct feedback. In fact, many of our top clients and customers have adopted sustainability principles and reporting standards, and they expect DKSH to play its part in their upstream or downstream supply chains. These expectations also relate to stakeholder groups that DKSH does not directly engage with – largely consumers of healthcare products and fast-moving, branded consumer goods.

GRI 102-47: List of material topics

The following topics were identified in the process of defining content for this report:
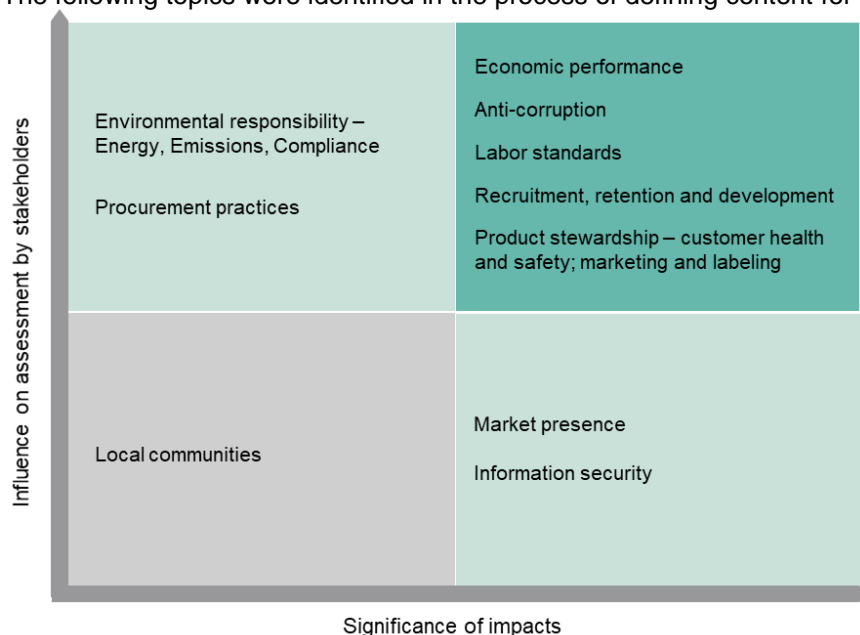
GRI 102-48: Restatements of information

Not applicable (This is the first published report).

GRI 102-49: Changes in reporting

Not applicable (This is the first published report).

GRI 102-50: Reporting period

Calendar year 2017

GRI 102-51: Date of most recent report

Not applicable (This is the first published report).

GRI 102-52: Reporting cycle

We intend to update the report on a yearly basis.

GRI 102-53: Contact point for questions regarding the report
sustainability@dksh.com

GRI 102-54: Claims of reporting in accordance with the GRI Standards
This report has been prepared in accordance with the GRI Standards: Core option.

GRI 102-55: GRI content index
This is DKSH's first GRI Report and it is presented as a Content Index. It will be updated and published annually, following publication of our Annual Report. For each disclosure, we provide information and references to our Annual Report and other published documents, where appropriate.

GRI 102-56: External assurance
DKSH's GRI Report for calendar year 2017 has not been externally assured.

2 Material topics
2.1 Economic performance

GRI 103: Management approach 2016
GRI 103-1 Explanation of the material topic and its boundaries
DKSH drives a clear strategy for sustainable, profitable growth that continuously increases our market share and helps our clients expand their business. The economic value that we generate benefits all our stakeholders, such as providing returns and dividends for our shareholders, salaries for our employees and tax payments to local governments.

Our stakeholders are keenly interested that DKSH continues to generate steady returns and offers financial stability. This positions us as a long-term investment opportunity, an attractive employer, a reliable business partner, a responsible taxpayer and a good corporate citizen. Therefore, the generation and distribution of economic value is key for us to meet our stakeholders' needs.

GRI 103-2 The management approach and its components
DKSH's strategy for economic value generation is based on our three strategic pillars:
- We focus on our existing Business Units and markets to leverage our leadership position
- We continuously strengthen and extend our service offerings to ensure long-term success for our customers and clients
- We progressively drive improvement in the efficiency and effectiveness of our processes

Responsibility for our financial performance lies with the CEO, CFO and Board of Directors. DKSH is organized into four Business Units. Each has a head who is a member of the Senior Executive Team and bears overall responsibility for the Business Unit. The local management teams have full accountability both a) operationally to their respective Business Unit heads and b) collectively for providing an efficient and effective support platform for the business to operate successfully, in compliance with applicable laws and regulations.

GRI 103-3 Evaluation of the management approach
DKSH monitors its financial performance through a process steered by the CEO, the CFO and Board of Directors. The Group publishes its results twice a year. In line with our financial guidance for the year, net sales and profit grew in 2017. For 2018, we expect further growth in net sales and an operating result around last year's level.

GRI 201: Economic performance 2016
201-1 Direct economic value generated and distributed

		DKSH 2016 Annual Report	DKSH 2017 Annual Report
Direct economic value generated	Revenues	10,541	11,058
Economic value distributed	Operating costs	(9,641)	(10,113)
	Employee wages and benefits	(594)	(639)
	Payments to providers of capital	(98)	(311)
	Payments to governments (taxation)	(80)	(77)
Economic value retained *	(Direct economic value generated - economic value distributed)	127**	(82)

* Positive value = value added/retained to company;
  Negative value = economic value distributed higher than value generated due to special dividend paid in 2017

** Figures do not add up because of rounding

DKSH contributes to various community projects at the local level. By supporting a diverse range of smaller charities, we respond directly to the local need.

2.2 Market presence

GRI 103: Management approach 2016

GRI 103-1 Explanation of the material topic and its boundaries

DKSH promotes and distributes our clients' products in local markets, particularly in Asia. Our intimate knowledge of the markets we do business in is a key part of the value we bring to our clients, who often do not have a local presence. An important part of our service offering is our market coverage via a capillary distribution network, which means that we can serve our customers wherever they are located.

Our market presence is also integral to our corporate culture. As a Swiss company deeply rooted in Asia, DKSH successfully combines Swiss reliability and Asian "can-do" attitude. This is a key part of our company's success. We also believe sharing business practices from other cultures contributes to local skills and economic development.

GRI 103-2 The management approach and its components

We pursue growth strategies and continue to invest in strengthening our position in local markets. For example, in July 2017 our acquisition of PT Wicaksana enabled our Business Units Consumer Goods and Healthcare to enter the large Indonesian market, joining the Business Units Performance Materials and Technology which were already present.

We believe in mixed management teams that represent various cultures and backgrounds. This aligns well with requirements of the business and with DKSH serving as a bridge between international clients and local markets and customers. We strive for a balance between local and foreign talent in the composition of our local management teams.

As an equal opportunity employer, we do not have a policy of positive discrimination towards nationals, although an ability to demonstrate an understanding of the local culture or to speak the local language may be relevant for some roles. Legal requirements relating to minimum wages are always respected, but alongside these, we also consider what is competitive in the local market when setting salaries.

GRI 103-3 Evaluation of the management approach
Human Resources carefully monitors the composition of nationalities in our senior management teams. Nationality composition data is shared with the Country Management Team and Senior Executive Team during market updates and a "live" update is also available on the Global People Dashboard (an IT management system for HR). On a local level, the nationality mix is reported as a statutory requirement for some countries in Asia.

A significant portion of local management teams are local nationals. At the end of 2017, our roughly 32,000 DKSH employees covered 70 nationalities, meaning that we speak the language and understand the culture of our business partners in the 37 markets we operate in.

GRI 202: Market presence 2016
202-2 Proportion of senior management hired from the local community
At the end of the reporting period (December 31, 2017), 57.4 percent of senior management personnel was hired from the local community, whereby "senior" refers to managers in corporate, regional or local management roles. Local management roles include first and second line managers.

Data relates to significant operations, which are defined as local organizations with more than 500 employees (GRI 102-4 disclosure).

2.3 Procurement practices

GRI 103: Management approach 2016
GRI 103-1 Explanation of the material topic and its boundaries
The bulk of our procurement activities refers to goods we source and distribute under marketing and distribution services agreements with our clients. For the operation of our business, we procure goods and services (non-trade procurement, NTP), such as delivery drivers and contractor labor, utilities for our sites and office supplies. Much of our non-trade procurement is at the local level, such as local labor. For crucial services, such as delivery providers, we operate from a few main providers in each market.

A comparatively small part of our business relates to sourcing of materials and components for the own brand items we manufacture or distribute (OEM), such as watches or healthcare products, as well as our food manufacturing business.

GRI 103-2 The management approach and its components
Our non-trade procurement activities are governed by our corporate NTP policy. All DKSH markets are required to centralize NTP wherever and whenever meaningful and economically viable, to support professional conduct, optimization and independence of decision-making. The head of the NTP function reports to the Country Finance Manager (CFM), to ensure proper independence and control, with accountability to the respective Country Management Team (CMT), as led by the Head of Country Management (HCM). The CFMs and the heads of NTP for their respective market must ensure that all employees involved in procurement are trained in the NTP policy.

Transportation services (logistics), redressing (repacking, labeling) and promotional services are our highest expenditure items in NTP and our technical requirements typically will limit the number of qualifying suppliers. In the Business Unit Healthcare, for example, redressing suppliers need to be able to operate under the requirements of Good Manufacturing Practices (GMP). Supplier assessment is based mainly on factors such as the company's financial robustness, capabilities, capacities and standing in the market. The NTP policy requires suppliers to be dealt with fairly and transparently, and for the results of tender or bidding processes to be communicated openly. DKSH is also bound to investigate any complaints raised by suppliers of unfair or unethical practices conducted by any of our employees or by their competitors.

Although we do not have a specific policy of procuring locally, most of our procurement is from local companies as it is mainly service delivery. Part of our unique selling proposition (USP) is how quickly and flexibly we can respond to clients, and this is reflected in the lead time we can offer our suppliers. Our delivery services providers are expected to meet certain key performance indicators, such as delivery accuracy and timeliness, which are monitored over time and may lead to performance improvement discussions (applicable mostly in our Fast Moving Consumer Goods and Healthcare businesses). Since our clients value our reliability, we seek long-term stable relationships with critical suppliers.

In our comparatively small own brands healthcare business, supplier selection is primarily driven by quality and capability considerations. In a significant part of this business, we are the licensee, and the supply source is either the licensor or determined/approved by the licensor. All supply sources must meet GMP and WHO standards and be compliant with the Pharmaceutical Inspection Co-operation Scheme (PICS). Suppliers are audited accordingly, by health authorities as well as by our own audit procedures.

In our watch business, to avoid the sourcing of materials from conflict zones, we choose local suppliers who respect standards of responsible procurement (OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Kimberley Process Certification Scheme and Responsible Jewellery Council).

GRI 103-3 Evaluation of the management approach
Our NTP policy operates under the supervision of the Country Management Team as the local governing body. As an operational policy, it also falls under the purview of our Internal Audit Function.

Furthermore, corporate Supply Chain Management (SCM) sets the standards for logistics suppliers and oversees that these standards are being followed in local operations.

In outsourced redressing activities, it is the respective Business Unit's Quality Assurance (QA) team that will monitor service delivery and the need to retain or replace service providers. This activity is often also under scrutiny by our clients' own Quality Assurance (QA) management.

GRI 204: Procurement practices 2016
204-1 Proportion of spending on local suppliers

a. **Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally)**
b. **The organization's geographical definition of 'local'**
c. **The definition used for 'significant locations of operation'**

We do not currently have this information aggregated at the Group level, but we plan to work towards reporting local market-level information for our significant markets (i.e. local organizations with more than 500 employees, including: Cambodia, Hong Kong, Malaysia, Myanmar, China, Singapore, Taiwan, Thailand and Vietnam).

2.4 Anti-Corruption

GRI 103: Management approach 2016

GRI 103-1 Explanation of the material topic and its boundaries

Trust and integrity are of paramount importance in our business. We advocate compliant and ethical behavior in all our business activities and we do not tolerate corruption. Most of our business is conducted in Asia where we operate in several markets and industries with perceived higher integrity risks. It is therefore imperative that our employees understand our values and expected standards of business conduct and live up to and respect them in all their activities. We place great emphasis on hiring and retaining people who share our values and who, through their integrity, protect our business and that of our clients and customers.

As a Market Expansion Services provider, we operate as an intermediary between our clients and customers. For parts of our service delivery, we also rely on third parties, such as agents, consultants and sub-distributors, who assist us in the execution of our business. DKSH does not maintain relationships with third parties that do not share our values and meet our standards of doing business.

GRI 103-2 The management approach and its components

We model our anti-corruption program on the requirements of the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act (2010) and we adhere to the same high standards irrespective of where we are operating.

DKSH expects lawful and ethical behavior from all employees and business partners as laid down in our Code of Conduct, which also prohibits any form of bribery and corruption, including facilitation payments.

Non-compliance risks are addressed in a comprehensive compliance program that includes policies, risk assessment, processes and procedures, training and education, monitoring and auditing, as well as confidential reporting and investigations. Accountable to the General Counsel, the Group's Governance Risk Compliance (GRC) Function is responsible for operating an effective compliance program based on our compliance policy framework.

For the execution of the compliance program, GRC works directly with DKSH's operating markets. The management team for each market overseas compliance at a national level, led by a Head of Country Management who is appointed by the Chief Executive Officer (CEO). In markets with perceived higher compliance risks, the Head of Country Management is supported by dedicated local compliance managers who operate under the guidance and control of GRC. For compliance initiatives relating to specific Business Units or Functions, GRC engages directly with the global Business Unit or Function Heads.

As stated in the Code of Conduct, employees and intermediaries are required to immediately report any incidents of non-compliance – including demands for bribes or facilitation payments – to their supervisors or to GRC (an email address is provided in the published Code of Conduct, for use by internal and external stakeholders in confidence). Substantiated cases are investigated, ensuring confidentiality and protection of the reporters. The internal reporting and investigation process was enhanced in 2017 through the adoption of a new Compliance Incident Reporting and Investigations policy.

Policies
Building on our Code of Conduct, we maintain the following anti-corruption policies as part of our compliance program. All policies apply group-wide to all entities and all DKSH employees. This also includes joint ventures and other entities controlled or managed by DKSH.
- **Anti-Bribery and Anti-Corruption (ABAC)**
  The ABAC policy was developed to meet expected standards under the U.S. Foreign Corrupt Practices Act (FCPA) as well as the UK Bribery Act (2010). The policy prohibits any form of bribery or corruption, and addresses specific principles and rules to be followed, applicable to employees and appointed third parties alike.
- **Gifts, Hospitality and Entertainment (GHE)**
  The GHE policy builds on the same standards as the ABAC policy and provides more detailed guidance to employees on permissible and non-permissible practices when offering or accepting gifts, hospitality or entertainment. It sets acceptable limits for each market of operation and determines approval and reporting routines for exceptional circumstances.
- **Non-Trade Procurement (NTP)**
  The current version of the NTP policy builds on the dual objective of cost benefits through centralized, professional procurement processes on the one hand, and proper checks and balances (e.g. conflict of interest, fraud and bribery prevention) on the other. The policy determines standards and procedures for vendor selection and appointment and equally addresses requirements for concluding service agreements.

GRI 103-3 Evaluation of the management approach
The assessment of the effectiveness of DKSH's compliance program is primarily performed by the Group Internal Audit (GIA) Function, through audit assignments derived from GIA's risk assessment. Audit plans are approved by the Audit Committee of the Board of Directors of DKSH Holding Ltd. Audit results and recommendations are shared by GIA with GRC. GIA is consulted at the policy-making stage to ensure maximum alignment and practicality of approach in support of the Group's compliance objectives.

Internally, GRC additionally drives periodic compliance reviews to ensure the effectiveness of existing controls. Externally, DKSH's compliance program is frequently assessed by prospective or active clients and/or external audit firms appointed by them. The assessment includes thorough due diligence procedures and pre- or post-contract compliance audits and reviews. Any relevant findings and recommendations will be taken up by GRC.

GRI 205: Anti-Corruption 2016
205-2 Communication and training about anti-corruption policies and procedures
a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.
In June 2016, enhanced anti-corruption policies were adopted and communicated to all governance body members. These policies are also communicated to all new governance body members as part of their onboarding. Thus, 100 percent of governance body members at the end of 2017 were aware of our anti-corruption policies.

For the purposes of this disclosure, governance body members include:
• Boards of Directors in the main public listed entity (DKSH Holding Ltd.) and in subsidiary listed entities (DKSH Malaysia Berhad, PT. Wicaksana Overseas International Tbk.)
• Executive management at Group level as disclosed in DKSH's 2017 Annual Report (page 22-24)
• All local-level top management teams in charge of governing DKSH's local organizations

As of December 31, 2017, the regional split of governance body members was as follows:

Region	Governance body members
Thailand	14
Greater China*	24
Malaysia & Singapore	22
Rest of Asia Pacific	74
Rest of the world	37
Total	**171**

* China, Hong Kong, Macau and Taiwan

b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.
Anti-corruption policies are communicated to all employees through various means, which include information via email link, reference in employment contracts or as a contract attachment, during onboarding, or through periodic training.

c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations.
In communicating our anti-corruption policies, we focus on business partners assisting us with the execution of our business directly. These business partners include sales intermediaries, such as

sub-distributors, tender agents and resellers, or vendors, such as commission agents, consultants, forwarders, importers, customs brokers, fulfilment agents and event organizers.

Business partners are always engaged based on contracts that contain anti-corruption compliance clauses, with reference to our Code of Conduct and Anti-Bribery and Anti-Corruption (ABAC) policy, both serving as contractual documents. We currently do not maintain a database that would allow us to provide information by business partner type and region, hence data is currently unavailable for this indicator.

In 2018 and beyond we will work on further enhancing our procedures for managing third-party compliance risks, with a strong focus on anti-bribery. We will report on the progress of this initiative next year.

d. **Total number and percentage of governance body members that have received training on anti-corruption, broken down by region.**
DKSH currently practices a two-year cycle for its training activities except for new employees who are trained within a maximum of three months after joining. At the end of December 2017, all governance body members who are employees had received an anti-corruption training within the preceding 24 months.

e. **Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.**
We are unable to report on this indicator for 2017 since our information systems presently do not allow us to capture this information.

DKSH currently practices a two-year cycle for its anti-corruption training. In the fourth quarter of 2016, the corporate GRC Function began an anti-corruption online training and certification initiative for 5,684 employees with higher exposure to corruption risks based on the nature of their role, or for those in risk control functions, across all market operations. Selection criteria included exposure to market risk, industry risk and functional risk (e.g. sales, marketing, supplier management). The initiative was completed in the first quarter of 2017.

In 2017, more than 8,000 employees (or roughly 25 percent of our entire workforce) received an anti-corruption training.

2.5 Environmental responsibility

GRI 103: Management approach 2016
The subsequent management approach reporting addresses the topics of GRI 302 (Emissions), GRI 305 (Energy) and GRI 307 (Environmental compliance) in a combined manner.

GRI 103-1 Explanation of the material topic and its boundaries
DKSH is committed to conducting our business in an environmentally sustainable manner. As an international Market Expansion Services provider with a strong focus on sales, marketing and distribution of products, a significant part of our environmental impact results from:
- Warehousing
- Transportation logistics
- Personnel travel
- Office and IT infrastructure

Regarding warehousing logistics, the main environmental impacts are energy consumption for the operation of our distribution centers, such as for lighting, cooling and powering delivery handling equipment (e.g. forklifts), and the use of refrigerants in cooling equipment. Furthermore, packaging material is used when preparing goods for delivery to customers (mostly cardboard cartons and plastic for pallet wrapping) and some packaging waste is generated from incoming shipments.

For transportation logistics, we operate a capillary distribution network that serves several hundred thousand customers daily. We have a small fleet of our own, but delivery is mostly outsourced to specialized service providers, whereas we retain overall responsibility for delivery performance.

Environmental impacts relate to fuel consumption within these vehicles. Additionally, temperature-sensitive products may require transportation in air-conditioned vehicles or in special transportation boxes, increasing energy consumption and fugitive emissions of refrigerant gases.

A further consideration, in relation to both warehousing and transportation, is the risk of environmental spills resulting from the mishandling of dangerous goods including hazardous materials. All such materials are handled in compliance with applicable Safety Data Sheets (SDS).

Despite the availability of communication technologies, traveling remains an important factor in our service delivery (sourcing, marketing, sales, after-sales services) and for managing the company. Again, such travel is mainly in vehicles not controlled by the company, such as business flights, travel by sales and service teams in their own vehicles and public transport.

We also engage in a small amount of manufacturing, which entails a different set of environmental impacts, albeit very minor in scale compared to the rest of our business. Examples include:
- A mixing and blending plant for food products in the Philippines
- Regional franchise in South East Asia for apparel products (Levi Strauss), which includes manufacturing (sewing and washing)
- Manufacturing of watches (Maurice Lacroix)
- Licensing activities for own brands, mostly in Business Unit Healthcare, with products being sourced from OEM markets (negligible in-house manufacturing)

GRI 103-2 The management approach and its components
Effective January 1, 2017, we adopted a Health, Safety and Environment (HSE) policy at Group level, to move away from a market-based to a more standardized global management approach. Compliance to national environmental laws and regulations is still mainly managed at the local level. HSE managers in the markets are responsible and accountable to ensure that all our operations are compliant. For this purpose, they maintain a legal register of applicable laws and regulations.

In **warehousing logistics**, all our handling equipment (e.g. forklifts) is battery-operated. Temperature-controlled facilities are adequately insulated to preserve energy required for cooling. Energy-efficient lighting is used to reduce energy consumption; this also includes the installation of smart LED systems. Our distribution centers and warehouses are typically leased, with a few of them built-to-suit. For any investment into new facilities, environmental criteria will be considered in the planning phase.

Transportation emissions from our distribution network are likely to be material. Most of our service providers are still using diesel-powered vehicles, although some are natural gas-powered. In our high-volume, high-frequency business (e.g. FMCG, Healthcare) with many delivery drop points to be serviced, delivery route optimization is key for operating efficiently. Fuel savings lead to cost savings, representing a win-win situation. To tackle emissions for our small company-owned fleet and our haulage suppliers, we will begin implementing specialized software targeting transport network optimization in 2018. This enables us to plan the most efficient usage of trucks and the best route to take. The driver is then given the route to follow, and we track the actual progress of the trip. We can analyze the data to see if we should change the truck type, loading or the number of vehicles, to increase efficiency. We are rolling this technology out to Singapore, Malaysia, Thailand and Hong Kong over the next years, with other markets to be added.

Environmental risks relating to **dangerous goods** and **hazardous materials** are addressed either via clear standard operating procedures for in-house handling or via outsourcing to specialized service providers. All handling is always compliant with applicable SD. The HSE function in operating markets is

responsible for maintaining a register of all environmental laws and regulations applicable to our business and for reporting on non-compliance risks to the Group's GRC Function.

In **personnel travel**, internal approval systems are in place to prevent unnecessary travel. In recent years, we have upgraded IT communication capabilities and promoted conference calls to reduce the need for business travel.

Regarding **office and IT infrastructure**, we largely operate from leased facilities where usage of air-conditioning is often centrally controlled by the building management. The installation of energy efficient lighting and equipment is an area we need to focus on going forward. We will also be working to understand our management of office wastes, such as IT equipment.

Environmental management approaches relating to our manufacturing, franchising and OEM activities include:

1. **Mixing and blending plant in the Philippines**
   In 2017, output from this factory was 33,000 metric tons of food products (premixes and finished consumer products), produced according to DKSH customized formulations. Sales and deliveries of products are mostly to domestic customers, with roughly two percent of production being exported.

   Direct environmental impacts occur in production, through consumption of energy and water, and in the form of solid waste materials (production waste, packaging materials). Other impacts are external to the company through deliveries by third-party service providers (transportation of raw materials and intermediates to the factory, deliveries to customers). About 60 percent of purchased materials are sourced from local suppliers, with the rest procured internationally from China, USA, ASEAN, Korea and Europe.

   The bulk of the operation is dry blending, which has a lower energy and water intensity, with a water footprint of 2.77 L/kg, even though our customized manufacturing requires more frequent wet cleaning of production lines. Waste water is directly treated on-site by our own waste water treatment facility, with monitoring of water quality as required by law.

   The factory has an environmental management system in place that ensures proper governance through risk and impact assessment, awareness and training, controls and reporting. A continuous improvement cycle strives to reduce energy consumption, reduce waste and increase the rate of waste recycling. Between 2014 and 2016, the entire facility converted to energy efficient LED lighting.

2. **Apparel franchising (Levi Strauss)**
   Our core activity is the operation of apparel retail stores in Thailand and neighboring markets and in part includes some subcontracting for cutting and sewing, as well as washing. Materials procurement and all manufacturing steps, including subcontracting, follow the stringent sustainability requirements of the franchisor (http://www.levistrauss.com/sustainability/#introduction).

   Our activities are aligned with the franchisor's 2020 global targets of 100 percent better cotton in all manufacturing (organic and recycled), 25 percent reduction in CO_2 and 80 percent waterless products in all manufacturing.

   The franchisor conducts annual sustainability audits, which include subcontractors, to ensure compliance with expected standards.

3. **Watch manufacturing (Maurice Lacroix)**
   Details on the Maurice Lacroix brand can be found on the company's website at
   https://www.mauricelacroix.com/About/Brand.sls.

   The main activity of Maurice Lacroix is the manufacturing, marketing and distribution of watches under the Maurice Lacroix brand. Watches are assembled at the manufacturing site, with materials and components procured from external suppliers and from an affiliated company. The latter's manufacturing process involves machining operations of metal parts for watch cases. Environmental impacts result from metal waste in the production process and the use of cooling fluids for the metal-working machines. All metal waste is recycled and waste water is treated in line with applicable local regulations.

   Other environmental impacts occur from packaging material, mainly boxes made of medium-density fiberboard (MDF) and associated watch manuals and warranty cards, as well as cardboard boxes for shipment. For the promotion and sale of the watches, printed materials are used for consumer and trade catalogues. Over the last two years, we have undertaken initiatives to reduce materials usage. For example, warranty certificates and manuals have been consolidated into one document, which is now printed in one language only (compared to eight languages previously), with a reference to a website link where other languages can be accessed.

   Other external impacts occur through delivery processes (for procured materials and shipment of finished products) undertaken by third parties, which consume vehicle fuel.

4. **OEM brands**
   DKSH does not manufacture our own brand healthcare products but procures these from OEM sources for distribution in the healthcare markets we serve. Environmental impacts are identical to those incurred in the services we provide to client brands (mostly logistics and business travel).

GRI 103-3 Evaluation of the management approach
DKSH carefully monitors its energy usage costs in each market. Additionally, all efforts relating to energy savings are tracked and encouraged. 2017 is the first year we have brought all available data on our energy and carbon impacts together on a Group level; this will serve as a benchmark and a basis for evaluating our environmental management going forward. We intend to broaden our assessment of environmental impacts to consider issues such as water management at specific sites and waste production.

GRI 302: Emissions 2016
302-1 Energy consumption within the organization
a. **Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used**
   DKSH consumed 9,572 MWh of fuel in 2017. This included CNG, LPG, diesel and gasoline for our internal fleet of delivery vehicles. We are aware that some of the diesel consumption may in fact relate to stationary generators used to provide power in the event of a power cut; we will be working over the next year to clarify this. DKSH collected this data from our major markets in Thailand, Malaysia, Hong Kong, Taiwan, Singapore and Vietnam.

b. **Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used.**
   Zero

c. **In joules, watt-hours or multiples, the total:**
   i. **electricity consumption** 82,420 MWh
   ii. **heating consumption**   0
   iii. **cooling consumption**   0
   iv. **steam consumption**   0

d. **In joules, watt-hours or multiples, the total:**
   i. **electricity sold**
   ii. **heating sold**
   iii. **cooling sold**
   iv. **steam sold**
   Not applicable - DKSH does not generate any energy.

e. **Total energy consumption within the organization, in joules or multiples.**
   Total energy consumption for DKSH amounts to 91,992 MWh in 2017.

f. **Standards, methodologies, assumptions, and/or calculation tools used.**
   We collect data on electricity consumption from bills received from utility suppliers for 15 of our markets. Where only cost data is available, we convert to kilowatt hours based on standard commercial energy prices in the region. We are aware this may not give the full picture of consumption; for example, in leased offices, there are shared areas and shared services where consumption is reflected in the landlord fee. However, we believe bill data gives us the most reliable and replicable indicator of consumption. Fleet data is obtained from bill data in kilograms or liters of fuel consumed. In 2018, we will strive to collect this data for more of our markets. For consistency, fuel property factors applied to calculate kilowatt hours from kilograms or liters of fuel consumed data were sourced from UK Government GHG Conversion Factors for Company Reporting (2018 edition); the gross calorific value was applied in all cases.

g. **Source of the conversion factors used**
   For consistency, fuel property factors applied to calculate kilowatt hours from kilograms or liters of fuel consumed data were sourced from UK Government GHG Conversion Factors for Company Reporting (2018 edition); the gross calorific value was applied in all cases.

GRI 305: Emissions 2016
305-1 Direct (Scope 1) GHG emissions
a. **Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent**
   Scope 1 emissions amount to 10,161 metric tons CO_2e. This is the first year we have collected data on our F-gas usage and fleet data, and we have concentrated on markets with the highest usage of refrigerated storage, including Thailand, Malaysia, Hong Kong, Taiwan, Singapore and Vietnam.

b. **Gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all**
   CO2, CH4, N2O, HFCs (R134a, R404a, R22, R410a, R507, R32).

c. **Biogenic CO2 emissions in metric tons of CO2 equivalent**
   Although DKSH is likely to have biogenic emissions associated with the use of forecourt diesel and petrol in our small fleet of vehicles, the degree is likely to vary considerably among countries, and we have not calculated this in our first year of reporting.

d. **Base year for the calculation, if applicable, including:**
    i.   **the rationale for choosing it**
    ii. **emissions in the base year**
    iii. **the context for any significant changes in emissions that triggered recalculations of base year emissions**

    Not applicable - this is DKSH's first year of reporting this type of data.

e. **Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source**

    For consistency, all emissions factors applied to fuels were sourced from UK Government GHG Conversion Factors for Company Reporting (2018 edition).

    For GWP, we select the rates from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.

f. **Consolidation approach for emissions; whether equity share, financial control, or operational control**

    Operational control.

g. **Standards, methodologies, assumptions, and/or calculation tools used**

    We align our methodology to the Greenhouse Gas Protocol's "A Corporate Accounting and Reporting Standard- revised edition".

    All Scope 1 data covers our operations in Thailand, Malaysia, Hong Kong, Taiwan, Singapore and Vietnam. These markets were chosen due to the high degree of refrigerated storage and distribution by road vehicle. We intend to broaden the range of markets included in future reporting.

    Fleet data relates to use of CNG, LPG, diesel and petrol by our own distribution fleet. Diesel data may include some diesel for stationary back-up generators; we will be working to refine this in future reporting and may restate previous data if material.

    We use F-gases in refrigeration, air conditioning and fire suppressant equipment. Our data is based on maintenance logs for stationary equipment.

305-2 Energy indirect (Scope 2) emissions

a. **Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent**

    47,683 metric tons CO2e

b. **If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent**

    47,894 metric tons CO2e

c. **If available, the gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all**

    CO2, CH4, N2O,

d. Base year for the calculation, if applicable, including:
   i. the rationale for choosing it
   ii. emissions in the base year
   iii. the context for any significant changes in emissions that triggered recalculations of base year emissions

Not applicable - this is DKSH's first year of reporting this type of data.

e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source

We have applied Location-Based Factors according to the following hierarchy: (i) government source (as recent as possible, by state if available), (ii) IEA 2012, (iii) nearest neighboring country.
For Market-Based Factors, we applied the following hierarchy: (i) electricity supplier factor, (ii) most recent credible residual factor source (e.g. RE-DISS for European countries) and (iii) same as Location Based Factor.

UK ratios of CO2:CH4:N2O, sourced from UK Government GHG Conversion Factors for Company Reporting (2018 edition), have been used to calculate CO2e if only CO2 is given, or to calculate the breakdown by gases if only CO2e given.

For GWP, we select the rates from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.

f. Consolidation approach for emissions; whether equity share, financial control, or operational control

Operational control

g. Standards, methodologies, assumptions, and/or calculation tools used

We align our methodology to the Greenhouse Gas Protocol's "A Corporate Accounting and Reporting Standard- revised edition".

We collect data on electricity consumption from bills received from utility suppliers for 15 of our markets (Australia, Cambodia, France, Guam, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Philippines, Portugal, Singapore, Spain, Switzerland and Vietnam). For the other markets where only cost data is available, we convert to kilowatt hours based on standard commercial energy prices in the region. We are aware this may not give the full picture of consumption; for example, in leased offices, there are shared areas and shared services where consumption is reflected in the landlord fee. However, we believe bill data gives us the most reliable and replicable indicator of consumption. We expect to refine our methodology in future reporting to reduce extrapolation and may restate previous years if material.

305-3 Other indirect (Scope 3) emissions

a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent

60,213 metric tons of CO2e

b. If available, the gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all

CO2, CH4, N2O

c. Biogenic CO2 emissions in metric tons of CO2 equivalent

Although DKSH is likely to have Scope 3 biogenic emissions associated with the use of forecourt diesel in our outsourced fleet, the degree is likely to vary considerably among countries, and we have not calculated this in our first year of reporting.

d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation

Business flights: 29,408 metric tons CO_2e

Downstream transportation and distribution: 30,805 metric tons CO_2e. This relates to diesel usage by distribution trucks.

e. Base year for the calculation, if applicable, including:
   i.   the rationale for choosing it;
   ii. emissions in the base year;
   iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.

Not applicable - this is DKSH's first year of reporting this type of data.

f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source

UK Government GHG Conversion Factors for Company Reporting (2018 edition) were applied to convert kilometers flown to CO_2e (including Radiative Forcing). For domestic flights, we applied the domestic factor, irrespective of country, to err on the side of overestimation. For all international flights, we used the international not to/from UK factor, with "average" seat class.

For consistency, all emissions factors applied to diesel usage by the outsourced fleet were sourced from UK Government GHG Conversion Factors for Company Reporting (2018 edition).

GWP rates are sourced from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.

g. Standards, methodologies, assumptions, and/or calculation tools used

Kilometers flown data was supplied by our travel providers for markets with major travel including Hong Kong, Switzerland and Thailand. This data was extrapolated for the remaining countries based on the available flight spend data. We expect to refine our methodology in future reports to reduce extrapolation and may restate previous years if material.

Diesel consumption by our suppliers' fleet was sourced from markets with major distribution networks, including Thailand, Malaysia, Taiwan, Singapore and Vietnam. Major suppliers provided diesel consumption data in liters from bill data.

GRI 307: Environmental compliance
307-1 Non-compliance with environmental laws and regulations
a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of (i) total monetary value of significant fines; (ii) total number of non-monetary sanctions; (iii) cases brought through dispute resolution mechanisms

None

b. Identification of non-compliance with environmental laws and/or regulations

We have not identified any case of non-compliance with environmental laws and/or regulations in 2017.

2.6 Recruitment, retention and development

GRI 103: Management approach 2016
The subsequent management approach reporting addresses the topics of GRI 401 (Recruitment and retention) and GRI 404 (Training & education) in a combined manner.

GRI 103-1 Explanation of the material topic and its boundaries
As a services provider, our success largely depends on the availability of skilled employees who share our values. As our reputation is built on trust and reliability, we seek to retain talent to maintain stable relationships with our business partners.

Our company is widely diversified and complex, yet highly specialized in the industries we serve. Many of our client and customer-facing specialists need to possess a science degree and demonstrate professional know-how and experience, commercial acumen and interpersonal skills. Employees in business support functions must manage the complexities and challenges that come with such a large and diverse company. Often in less developed markets, the availability of qualified candidates is limited, and special efforts are required for recruitment and training.

GRI 103-2 The management approach and its components
In addition to offering competitive remuneration and a wide variety of other benefits, we provide a compelling Employer Value Proposition (EVP). The EVP is our promise to employees – what we offer them in exchange for their skills, capabilities and experiences.

The DKSH Employer Value Proposition

1. Enjoy a world of learning and development. Thanks to DKSH's great diversity of services, industries, clients, products, regions and employees, you'll enjoy a world of on-the-job learning and development that will drive your personal and professional growth

2. Own your career and take business responsibility. DKSH offers you a dynamic growth environment and unique culture where you can "write your own career ticket" by taking business responsibility and career ownership early on, seizing development opportunities whenever they arise

3. Have a positive impact that touches people's lives. By helping DKSH and other companies grow and bring their products, solutions and progress to markets, you'll experience your own personal growth and the satisfaction of seeing the positive impact you have on the lives of others

At DKSH, we encourage employees to own their professional development through proactive engagement. An important feature is the six-monthly performance review where they can discuss and agree on their personal development plan with their line manager. This is carried out through the DKSH Talent Portal, an online performance and talent management solution. Regular dialogues between managers and employees on development objectives, including constructive and focused feedback, are also a part of the development journey at DKSH.

In learning and development, we subscribe to the 70-20-10 learning approach. This approach recognizes that the greatest impact of learning comes from job-related, hands-on experience and occupational training (70 percent). The remaining impact comes from learning through others (20 percent) and through formal courses (10 percent). The DKSH Fantree Academy, our in-house learning and development center, offers more than 39 programs to develop capabilities across all levels of the organization.

The diversity of our business provides our employees with opportunities to gain new experiences by promoting internal mobility across markets and organizational units. We regularly advertise job openings internally to foster career progression and only recruit externally if no suitable applications are received from within the organization. Our Mobility Guidelines, part of our Group Compensation and Benefits, provide guidance on supporting employees as they move through the company, such as subsidizing costs and providing cultural training to expatriate workers and their families when entering a new market.

Recognition is a key part of our approach to retaining talent. Each year, we celebrate the employees who have most embodied our corporate values through the DKSH Fantree Awards.

GRI 103-3 Evaluation of the management approach
As part of our continuous efforts to engage our specialists and create a dynamic and high-performance work environment, we regularly conduct employee surveys. These surveys focus on the work environment, leadership, organizational transformation, company culture and other matters affecting workplace effectiveness. Resulting action plans are drawn up, implemented and monitored. Targeted focus groups are used to address any key areas within the respective countries. Exit interviews are another important source for identifying and addressing any critical retention issues. Given our many different markets, our employee hiring and turnover data is complex, and we will be working to refine this.

Internal reports on attendance and ratings of Fantree Academy learning programs are collated on a quarterly basis. Results are presented to the Senior Executive Team and to the global Business Unit Heads with management approaches adapted accordingly.

GRI 401: Employment 2016

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant location of operations

DKSH provides a variety of benefits to its employees, including life insurance, healthcare, disability and invalidity coverage, statutory retirement provision and parental leave. These benefits, however, are not standardized but may vary by market depending on regulatory requirements and general market practice. The same variations may apply by employment type, with part-time and/or temporary employees in some markets not being entitled to the same number of benefits as full-time employees.

Benefits related to stock ownership are limited to eligible key managers of the company (Annual Report 2017, page 31, paragraph titled "Long-term incentive").

We are aware that benefits are an important element in employee satisfaction and retention and we periodically review and adjust benefits to business requirements.

DKSH's philosophy and principles on compensation and benefits are further described in the Compensation Report of the Annual Report 2017, pages 29 and 32 ("Other employee benefits').

b. The definition used for "significant locations of operation"

Ref. GRI 102-4

GRI 404: Training & education 2016

404-1 Average hours of training per year per employee

Currently, we track training provided through the Fantree Academy, DKSH's in-house training and development center. We currently offer 39 training programs across three pillars: essential skills, leadership programs and functional skills. Training is provided through various channels, including classroom, instructor-led, on-the-job training and training through the company's intranet. External training is not scheduled or reported through the company's training requisition system, however, these include courses or degree programs in the company's tuition reimbursement programs, external conferences and other external learning opportunities. Due to the breadth and diversity of our training opportunities, we do not presently aggregate and report on the total number of hours of training that employees receive across the company but will be working to gather this in the following years.

In 2017, 8,754 employees attended at least one Fantree Academy training course; there were 14,255 registrations to a training course in total, an increase of 25 percent against 2016.

a. Average hours of training that the organization's employees have undertaken during the reporting period, by (i) gender; (ii) employee category

This data is currently not available (see above).

404-3 Percentage of employees receiving regular performance and career development reviews

a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.

As per our General Employment Policy, all employees are subject to a yearly appraisal of their performance with their superior.

For eleven percent of our employees, a more extensive review was applied in 2017, by making use of a specialized software tool. 98 percent of the participating employees completed the review (with no noticeable difference in completion rate by gender). The majority of these more detailed reviews applied to management level employees.

2.7 Occupational health and safety

GRI 103: Management approach 2016
GRI 103-1 Explanation of the material topic and its boundaries
DKSH operates a diversified portfolio of activities, distributing a wide range of products to many different industries. Activities include sales, marketing, distribution, warehousing, installation and after-sales services, involving the operation of machinery and handling equipment, such as forklifts. Our manufacturing operations are comparatively small.

Some of the more serious health and safety risks associated with our business relate to workplaces and/or people we do not manage directly. In smaller parts of our business, we deal with dangerous goods (storage, handling, transportation) where there is potential for our employees in Supply Chain Management and other functions to be exposed to health and safety risks. Our capillary distribution network means a significant amount of travel for sales teams and delivery drivers (mostly contractors), making safe driving a priority.

GRI 103-2 The management approach and its components
Our Code of Conduct, which employees are trained on regularly, stipulates our approach to health and safety, the role we all must play in keeping our workplaces safe, and the importance of reporting hazards promptly to the line manager or Health, Safety and Environment (HSE) officer.
Our induction training for all new recruits includes a comprehensive HSE module, in addition to any job-specific training they receive. This includes rules about usage of forklifts and other handling equipment, and the wearing of personal protective equipment (PPE). All new recruits must complete the training before commencing duties (with signed attendance records). Periodic refreshers are also held, and attendance is monitored.

Building on the "5S" model of workplace organization, we have a "7S" program to create healthy and safe workplaces: Sort, Set-in-order, Shine, Standardization, Sustain, Safety and Security. We have also provided training on implementing behavior-based safety models to encourage a safety culture. Senior management at Group and local level provides strong and visible commitment, leadership and personal involvement on occupational health and safety.

HSE policy and management system
Since 2017, we have been defining a new HSE policy and management system, which applies to all entities and employees of the DKSH Group and to all joint ventures with ownership by DKSH of at least 50 percent and/or controlled by DKSH. The new system provides centralized support and global standards to local HSE managers who implement this approach at the market level in line with local legislation. The policy stipulates that HSE-related policies and guidelines at market level should include, as a minimum: vehicle and traffic safety management, fatigue management, alcohol and drugs prohibition, dangerous goods handling and storage, waste and environmental management, and specific guidelines for manufacturing operations and those operating, servicing or installing machinery. In cases where DKSH internal standards exceed local regulatory requirements, the DKSH standard should be met.

Roles, responsibilities and accountabilities are defined, documented and communicated to enable all individuals to fulfill their role in improving health and safety performance. Steering Committees (SC) at Group and market level are responsible for steering the health and safety agenda with policies and strategies to drive performance. HSE Managers drive implementation of the program at the market level. Local Business Units, Functions, their respective line managers and specific site managers act as risk owners, who are responsible and accountable for preventing and responding to incidents in their areas.

Contractors
The new HSE policy includes roles and responsibilities for Supply Chain Management (SCM), and we have issued training to our relevant employees on how to communicate our requirements to the suppliers they interact with. This includes ensuring all contractors working on our sites are aware of emergency procedures, proper lifting techniques and other safety procedures. HSE managers are asked to ensure contractors have a clear reporting line for any concerns they may have.

Specific HSE requirements relating to suppliers are also covered in SCM policies, the Standard Operating Procedure on Workplace Safety (which includes safe driving), and Working Instructions on Visitor Safety, Contractor Safety and Permit to Work (which also covers safe driving) and Contractor Guidelines. For the handling of hazardous goods, we have a Standard Operating Procedure on Hazard Identification and Risk Assessment, HIRARC Training and Guidelines, and a HIRARC Inspection Form. Following safety audits, corrective action plans are used to address any issues.

The new vehicle tracking solution we will begin implementing in 2018 will be able to identify any speeding among our own fleet and contracted delivery drivers. This will be a useful tool in keeping our drivers safe.

GRI 103-3 Evaluation of the management approach
We evaluate our health and safety management approach through monitoring our performance, which we do at site level, market level and Group level. A health and safety scorecard is generated and reported to the Group Steering Committee (three members of the Senior Executive Team) on a quarterly basis. Management approaches are adapted accordingly. At Function level, a global leadership team under Group Supply Chain Management conducts regular monitoring and review activities under an internal assessment program that includes safety.

GRI 403: Occupational health & safety 2016
Disclosure 403-2: types of injury and rates of injury, occupational diseases,
lost days, and absenteeism, and number of work-related fatalities

Implementation of our new HSE approach began in 2017. From 2018, we will be able to report occupational health and safety data for at least our nine largest markets. Data was collected for 2017 under previous reporting systems but these were not standardized and non-comparability between countries means we are only reporting data for Cambodia, Hong Kong, Indonesia, Japan, Malaysia, Myanmar, China, Philippines, Singapore, Taiwan, Thailand and Vietnam.

a. **Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by (i) region; (ii) gender.**

Types of injury	2017
No. of First aid injuries	43
No. of Medical treatment injury	15
No. of Lost time injury	40
No. of Fatality	0
Total	**98**

No. of occupational disease reported: 0
No. of Lost Days: 826

Note:
- Data reported in above table is limited to all our Asian markets, excluding Korea and Laos
- The above statistics cover all workers; separation of data by employees and contractors will be available from 2018 onwards
- Conversion of Incident Counts to Incident Rates (including IR, ODR, LDR and AR) is not available for 2017 but will be available from 2018 onwards
- Tracking of absentee days and absentee rate is not available
- Break-down of work-related injuries/illnesses by gender is not available
- Maximum Lost Time per incident is capped at 180 calendar days based on Occupational Safety and Health Administration (OSHA) Standard

b. **Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by (i) region; (ii) gender.**
This data is not available for 2017 but will be available from 2018 onwards.

c. **The system of rules applied in recording and reporting accident statistics.**
Incidents are identified, tracked and reported through an incident report system installed at market level, with the HSE manager being at the receiving end. The HSE manager will consolidate incident information for reporting to Group and local management.

2.8 Labor standards

GRI 103: Management approach 2016
The subsequent management approach reporting addresses the topics of GRI 406 (Non-discrimination), GRI 407 (Freedom of association and collective bargaining), GRI 408 (Child labor), GRI 409 (Forced or compulsory labor) and GRI 412 (Human rights assessment) in a combined manner.

GRI 103-1 Explanation of the material topic and its boundaries
Much of our workforce is employed in countries which rank high on human rights risk indices. Additionally, we procure a huge range of services and products across Asia, such as outsourced drivers for our distribution network, warehouse workers, product promoters, consultants, stationery suppliers, office equipment suppliers, components for our own-brand manufacturing and cleaners. Some of these industries are considered at higher risk of human rights violations and we focus our attention on the contractors who directly help us deliver our client offering, including delivery drivers and warehouse workers.

GRI 103-2 The management approach and its components
We are committed to fair employment practices, free of harassment and discrimination, as laid out in our Code of Conduct. We respect our workers' rights for freedom of association and collective bargaining. We do not employ people below the legally permitted age and do not engage in, or tolerate, forced or compulsory labor. Our commitment also extends to service providers we appoint for the fulfillment of our service delivery.

The Human Resources and Supply Chain Management teams in each of our key operating markets have responsibility for all hiring and ensuring employees and contractors have the correct documentation. We operate management programs in line with applicable local laws and labor regulations to prevent the hiring of under-age persons or illegal workers, to ensure decent and safe workplaces, fair and timely pay, and adequate rest periods. We expect all our business partners to follow the same basic principles of human rights. Violation of these principles can lead to contract termination.

DKSH does not discriminate based on age, religion, gender or any other category, and this policy is enshrined in our Code of Conduct. As part of the Code of Conduct and related trainings, we explain our stance on human rights and non-discrimination to employees and ask any staff member who feels that they, or one of their colleagues, is subject to discrimination or harassment to report it to the Human Resources department. Organizationally, we practice a business partnering approach, whereby representatives of the Human Resources department are stationed within operations for ease of access.

GRI 103-3 Evaluation of the management approach
Our management approach on non-discrimination and human rights practices has focused thus far on legal compliance; governance processes and the evaluation of their effectiveness has mainly been at the local level. Although we are not aware of significant issues arising because of our current approach, we are mindful that a compliance-led approach could lead to varying standards among countries. We are now considering centralized oversight of this issue, with clear reporting lines to Group management. We are also planning a human rights impact assessment to better understand where our risks lie and how to mitigate them. This will focus on major operations and key contractor types, identified using a risk-based approach. We will comment further on our progress in future reports.

GRI 406: Non-discrimination 2016
406-1 Incidents of discrimination and corrective actions taken
a. **Total number of incidents of discrimination during the reporting period.**
b. **Status of the incidents and actions taken with reference to the following: (i) Incident reviewed by the organization; (ii) Remediation plans being implemented; (iii) Remediation plans that have been implemented, with results reviewed through routine internal management review processes; (iv) Incident no longer subject to action.**
Our Group Functions do not currently collate information on incidents of discrimination for all operations; we will be working to address this and hope to report the data in future.

HSE induction training for new employees and contractors on-site includes the importance of treating all people with respect. It specifically states that any form of discrimination based on gender, race or any other protected characteristic, sexual harassment and bullying are not acceptable. The training encourages people to report to the site manager, HR function or HSE responsible person in case of misconduct and emphasizes that reports will be kept confidential.

GRI 407: Freedom of association and collective bargaining 2016
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
a. **Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of: (i) type of operation (such as manufacturing plant) and supplier; (ii) countries or geographic areas with operations and suppliers considered at risk.**
b. **Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.**

Although our Code of Conduct respects our workers' rights to freedom of association and collective bargaining, and we would never penalize anyone engaging in such activity in good faith, we are aware that full and genuine exercise of these principles is restricted by law in some of our major markets. We will be looking at this in more detail through our human rights impact assessment and hope to report more fully in future years. We will be looking at what mechanisms are in place at our facilities to enable employees and contractors to express their views about their workplace. Should we identify cases where collective bargaining is restricted by law or by custom, we would look at other options, such as open meetings for group discussion between employees and local management, or meetings with elected workers' representatives.

GRI 408: Child labor 2016
408-1 Operations and suppliers at significant risk for incidents of child labor
a. **Operations and suppliers considered to have significant risk for incidents of (i) child labor; (ii) young workers exposed to hazardous work.**
b. **Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: (i) type of operation (such as manufacturing plant) and supplier; (ii) countries or geographic areas with operations and suppliers considered at risk.**
c. **Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor**

We do not consider that any of our own operations are at significant risk of child labor. We prohibit any child labor at our sites and our training for all workers includes encouraging any workers suspecting a violation of their colleague's human rights to speak out, in confidence. The Human Resources teams check that applicants are legally able to work. However, we are aware that complying with local requirements on minimum age could lead different standards being applied in different markets. As part of our human rights assessment, we will be considering how to mitigate any risk of child labor in our operations and among our contractors.

GRI 409: Forced or compulsory labor 2016
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor
a. **Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: (i) type of operation (such as manufacturing plant) and supplier; (ii) countries or geographic areas with operations and suppliers considered at risk.**
b. **Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.**

We do not consider that any of our own operations are at significant risk of forced or compulsory labor. We prohibit any such labor at our sites, and do not participate in any initiatives with local governments to use the labor of individuals who are currently incarcerated. Our training for all workers includes encouraging any workers suspecting a violation of their colleague's human rights to speak out, in confidence. The nature of our work also makes it unlikely that workers have been forced. As part of our human rights assessment, we will be considering how to mitigate any risk of forced or compulsory labor in our operations and among our contractors. We hope to report more fully on this disclosure in future reports.

GRI 412: Human rights assessment 2016
412-2 Employee training on human rights policies or procedures

a. **Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.**
Our Code of Conduct training includes human rights issues. We ran a large-scale Code of Conduct training campaign in 2016, followed by a refresher training for employees in 2017 that could be accessed electronically. New recruits also receive induction training. We aim to have a training that reaches all employees, annually. We are currently unable to quantify the number of hours spent on Code of Conduct training in 2017 and how much of this time can be attributed to human rights.

b. **Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.**
74 percent of our employees received a training on our Code of Conduct in 2017, including human rights issues.

2.9 Local communities

GRI 103: Management approach 2016

GRI 103-1 Explanation of the material topic and its boundaries

A strong commitment to the local communities we operate in has always been a key part of our business. Our business was founded by Swiss pioneers who went to explore opportunities in Asia in the 19th century. Over time, our operations became deeply rooted in the countries we operate in and today this is a key ingredient for our sustainable success.

We create positive impacts on society, particularly in less developed regions, by providing stable jobs with fair employment terms and opportunities for personal development, and by raising standards in how business is conducted. Furthermore, through our capillary distribution network, we enable market access for healthcare products and other necessary items across Asia, contributing to the quality of life in the communities we serve.

We strive to create a positive impact on top of our business activities by engaging in projects and selected sponsorship programs to develop and support local communities.

GRI 103-2 The management approach and its components

DKSH's projects in the communities we work in are designed and implemented through our local teams. This enables us to specifically serve local needs and priorities. Types of support include sponsorships, donations and other social initiatives.

DKSH has a sponsoring policy in place, which ensures that all activities fit into our overall strategy and framework. Sponsorship is encouraged for projects that relate to investments into local communities, act as an enabler for others to expand their skills or leverage interdisciplinary thinking.

We are also open to opportunities to offer roles to local people who have struggled to enter the workplace. For example, in Malaysia DKSH employs around ten deaf people from the local community at the Famous Amos cookie outlets.

We understand that local development takes time and continued support. One of our core initiatives has been supporting **Right to Play** for more than ten years. This international charity uses play to educate and empower young people in disadvantaged communities. In 2017, DKSH Thailand partnered with Right to Play to organize a series of "Play Days" in local schools, as well as a Charity Day in Bangkok. Over 50 DKSH specialists participated in various locations and, through playing games, helped more than 300 disadvantaged children learn about the importance of collaboration, managing emotions, setting goals and other life skills.

GRI 103-3 Evaluation of the management approach
Every activity is evaluated by local management teams, who assess the impact achieved for both internal and external stakeholders and consequently define key learnings for future activities. Additionally, information on projects and activities is reported to Group Communications twice a year, who subsequently document and showcase some of the projects in employee newsletters and on our website.

GRI 413: Local communities
413-1 Operations with local community engagement, impact assessments, and development programs
a. **Percentage of operations with implemented local community engagement, impact assessments, and/or development programs.**
   In 2017, 70 percent of our markets with significant operations conducted social projects and activities for local communities. In total, DKSH supported 16 projects.

2.10 Customer health and safety

GRI 103: Management approach 2016

GRI 103-1 Explanation of the material topic and its boundaries

Product safety is critical for our business model and DKSH's brand reputation. We have two major categories of business partners: **clients**, to whom we provide Market Expansion Services, and **customers**, who buy the products and services. These two categories differ regarding the legal position on liability, the reputational risk of an unsatisfactory product or service, and the nature of the activities we need to undertake to uphold customer health and safety.

Strong product stewardship mitigates against compliance risks and legal damages. As a services provider with very limited manufacturing activities, our main role is to safeguard the quality and safety of the products in our care and custody, and to ensure the safe delivery of any services we provide ancillary to our products. Traceability is also a key factor, so that, if any issue arises, we can pinpoint it in the supply chain and address it.

Health and safety risks differ across our four Business Units, given their widely varying products. The Business Units Performance Materials and Technology predominantly serve the manufacturing industry, with the Business Unit Performance Materials providing specialty chemicals and food ingredients, and the Business Unit Technology offering customized solutions spanning a wide array of industries. The Business Units Consumer Goods and Healthcare operate closer to consumer markets, distributing food, non-food and healthcare products.

The variety of items, the number of markets and cross-border transfers, and the changing regulatory landscapes together demand the highest levels of product stewardship for the goods in our custody. Our ability to navigate such complexity is part of the reason clients choose to work with us.

GRI 103-2 The management approach and its components
All employees and contractors working in our distribution centers receive a training on the proper handling of goods and operation of related equipment (if applicable) before they are allowed to start working. Ensuring safety of the final product is also a key focus in the pre-qualification of new suppliers to DKSH; corrective action plans, additional auditing or contract termination may be required in the case of significant non-compliance with quality requirements. Beyond these controls, our management approach varies significantly by Business Unit due to the distinctively different products and legal requirements.

Business Unit Consumer Goods
Our focus is on the proper handling and storing of goods in line with good warehousing and distribution practices. Storage and handling of products is executed as per agreed specifications with our clients to ensure the integrity and safety of our products throughout their life cycle. This can include adaptation of products to local regulatory requirements.

DKSH complies with applicable regulations set by the food and drug administrations in the countries where we operate. Freshness is key for food and beverage products. Some products must be stored under temperature-controlled conditions to preserve their quality. Our IT systems support good storage practices that enable methods such as FIFO (first in, first out) or FEFO (first expired, first out), to minimize product waste.

Business Unit Healthcare
Quality requirements and expectations are compliant with international guidelines (e.g. those from the World Health Organization, the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use and the Pharmaceutical Inspection Co-operation Scheme). We maintain rigorous and up-to-date quality standards when handling, storing and distributing healthcare products. All our distribution facilities relating to pharmaceutical products and medical devices are approved by the respective local health authorities with the appropriate internationally recognized Quality Management System certification (i.e. ISO 9001 and ISO 13485).

Pharmacovigilance (PV): regulations on drug safety are continuously evolving and differ from market to market and across regions. This poses a challenge for all our healthcare clients. We have customer-facing compliance and regulatory services teams providing specialist support to get our clients' products to market and to diligently manage drug safety expectations.

Counterfeit products: counterfeit products are a significant concern in the healthcare industry. We have established internal best practices related to the management of suspected counterfeit products and our SAP systems are validated for batch traceability across the entire supply chain.

Product Recalls: if safety concerns trigger a product recall, our SAP systems allow for the full traceability of products and enable a fast and efficient recall. We have established internal best practice procedures in the event of a recall, which include setting up a product recall committee to steer escalation, tracking and monitoring of the entire process in collaboration with our clients.

Business Unit Performance Materials
This Business Unit has a dedicated and independent Regulatory Affairs (RA) team with specialists for Safety, Health and Environment (SHE), Quality Assurance (QA) and Registrations (REG) on local,

regional and global levels. Critical safety, health and environment processes and controls are harmonized and documented to fully comply with the Globally Harmonized System (GHS), requirements related to Classification, Labelling and Packaging (CLP), and other health and safety standards.

Performance Materials has implemented a stringent and standardized qualification and certification program for supplier and service providers based on relevant and applicable standards such as GxP (for pharmaceuticals), IFS, BRC and ISO 22000 (for food), ISO 9000, CLP (for chemicals), internal Standard Operating Procedures (SOPs) and the DKSH HSE Policy. The evaluation, qualification and certification of service providers (logistics, warehouses, labs) and suppliers involves safety document assessments, safety audits and corrective action plans along the entire supply chain. Our food production activity in the Philippines is FSSC 22000 (Food Safety System Certification) certified.

To ensure safe handling and usage of the products, we guarantee fully compliant product documentation and classification in all cases. For chemicals, Safety Data Sheets (SDS) and CLP are provided with all relevant products. For food and pharmaceuticals, health certificates and quality documents are provided, if applicable. Documentation and classification is subject to safety audits. Full product and batch traceability is guaranteed along the entire supply chain.

A global deviation reporting and management process ensures any health and safety related issues are documented, followed by corrective actions and reviews.

Business Unit Technology
The Business Unit Technology distributes various types of machinery or equipment, sourced from reputable manufacturers. Depending on the type of product, units are tested before delivery and our service offering also includes installation, commissioning and training to ensure proper and safe operation. Our service engineers are trained by the manufacturers.

GRI 103-3 Evaluation of the management approach
The Quality Assurance, Regulatory Affairs and Supply Chain Management teams in each Business Unit regularly perform quality audits and reviews, to ensure ongoing compliance with applicable standards. Business Unit Performance Materials implemented a standard Internal Process Review (IPR) to assess health and safety risks and define mitigations.

Additionally, our operations are frequently audited by our clients or their appointed auditors. Due to the sensitivity of the products, most of these audits occur in the Business Unit Healthcare. In 2017, 111 such audits took place, which means that on average the Business Unit is subject to roughly one audit per month per market of operation.

GRI 416: Customer health and safety 2016
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
a. **Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by (i) incidents of non-compliance with regulations resulting in a fine or penalty; (ii) incidents of non-compliance with regulations resulting in a warning; (iii) incidents of non-compliance with voluntary codes.**
   None

b. **Any non-compliance with regulations and/or voluntary codes**
   In 2017, DKSH recorded no incidents of non-compliance concerning the health and safety impacts of products and services.

2.11 Marketing and labeling

GRI 103: Management approach 2016

GRI 103-1 Explanation of the material topic and its boundaries

DKSH's main activity is to market and distribute products sourced from manufacturers. Many of our products are imported and require local customization before being fit for sale. Additionally, a core activity in our service delivery to clients and customers is the advertising and promotion of our products in the markets we serve.

The marketing of our products can involve various risks, if not managed properly and supported with the relevant and necessary product information. Rising public awareness and new policy initiatives on transparency have increased demand for correct and complete product information, making this topic highly relevant for DKSH's business model and brand reputation.

GRI 103-2 The management approach and its components

Product adaptation and customization to meet regulatory requirements, including product labeling, is an important DKSH service offering. Our regulatory affairs teams embedded in the various Business Units are responsible for establishing relevant Standard Operating Procedures and monitoring compliance, assisted by our quality assurance teams. In our Business Unit Healthcare, where regulations are particularly stringent, we perform customization work in accordance with Good Manufacturing Practices (GMP). In Business Unit Performance Materials, we implement and audit against GHS (Globally Harmonized System), with its strict requirements for classification, labeling and packaging.

For the marketing of our own brand products, our regulatory affairs teams ensure compliance with applicable laws. For all the products distributed by the Business Units Consumer Goods and Healthcare, we observe guidelines on responsible marketing published by the relevant industry bodies. Policies, procedures and controls are put in place, supported by training activities, to ensure that the marketing of our products meets our standards and expectations.

Industry-specific risks in the healthcare business
Advertising and promotion of healthcare products in many jurisdictions are highly regulated, often limited or even disallowed. Many products are prescribed or dispensed by healthcare professionals, such as doctors or pharmacists, or require professional expertise for their application. Various segments in the healthcare industry, specifically for prescription drugs and medical devices, have adopted codes of ethics, advocating responsible marketing of their products. DKSH adheres to these standards through membership in the respective industry associations and by operating management programs to ensure compliance by employees and service providers.

GRI 103-3 Evaluation of the management approach
DKSH carefully monitors and validates relevant product data from clients on an ongoing basis and takes corrective actions, if appropriate. Any complaints about marketing and labeling are addressed by the relevant Business Unit.

GRI 417: Marketing and labeling 2016
417-2 Incidents of non-compliance concerning product and service information and labeling
a. **Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by (i) incidents of non-compliance with regulations resulting in a fine or penalty; (ii) incidents of non-compliance with regulations resulting in a warning; (iii) incidents of non-compliance with voluntary codes.**
None

b. **If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.**
In 2017, DKSH recorded no incidents of non-compliance concerning marketing communications, including advertising, promotion and sponsorship.

2.12 Information security

GRI 103: Management approach 2016
GRI 103-1 Explanation of the material topic and its boundaries
The operation of our business results in a significant accumulation of data relating to our products and services as well as to our customers and business partners. Unavoidably in our business, we also serve clients who are competitors in the marketplace. Ensuring confidentiality is therefore crucial. At times, personal data needs to be collected relating to employees, contractors and others. In today's digital and interconnected world, risks of data theft or leakage have risen. Information security has become a key topic for any business.

GRI 103-2 The management approach and its components
In line with our Code of Conduct, we are fully committed to processing and protecting personal data with due care, and to comply with applicable data protection laws as well as DKSH's principles of protecting confidentiality. We have an IT Security Policy in place and a dedicated Information Security team.

We train our staff on various topics relating to information security. DKSH's main IT hub is in Malaysia, however, each market has its own local IT team responsible for regular IT security trainings.

Furthermore, quarterly Group-wide IT newsletters as well as ad-hoc IT newsflashes ensure that awareness of sensitive topics is raised across all markets. In 2017, we embarked on the implementation of ISO 27001:2013 standard on information security management and achieved certification in 2018. Our quality assurance team ensures that the required standards are maintained on an ongoing basis.

To further demonstrate our commitment to protecting our clients' and customers' data, we harmonized our operations with the EU General Data Protection Regulation (GDPR). We identified and implemented the necessary changes in the organization. To align our operations with the GDPR we implemented in May 2018 a new Group Data Privacy Policy, a new Website Policy and a Global Privacy Governance Structure. Under this new structure, our Global Privacy Lead oversees the work of the Privacy Coordinators in each of the main Global Functions and Business Units. There are also Privacy Coordinators in the key operating markets. Thus, every Business Unit and Function has a go-to-person for data security.

GRI 103-3 Evaluation of the management approach
Group Internal Audit conducts independent audits on access management. Furthermore, the Group IT Security team performs audits on all country IT installations on regular basis.

GRI 418: Customer privacy 2016
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
In 2017, DKSH received no complaints regarding data breaches of customer privacy and loss of customer data from outside parties or regulatory bodies. Similarly, DKSH is not aware of any identified leaks, thefts, or losses of customer data.