

Statutory Report on Corporate Social Responsibility for **2013**

This Statutory Report on Corporate Social Responsibility (CSR), cf. **Section 99(a)** of the Danish Financial Statements Act, is part of the Management's review in the 2013 Annual Report and covers the financial period 1 January - 31 December 2013

Social responsibility

NKT is a global corporation in which responsible business operation is anchored in values, business model and strategy. Selected aspects of NKT's focus on responsible business operation are that:

- The companies have product portfolios which are environmentally friendly in themselves and at the same time generate energy savings for end-users
- The production facilities are as efficient as possible in terms of processes and energy
- Internationally defined rights and conventions are to be respected, and in general suppliers and collaboration partners are to be committed to do the same

UN Global Compact

NKT is signatory to the UN Global Compact and published its latest Communication On Progress (COP) report 2012/13 in October 2013. The report can be found at:

- www.nkt.dk/about-nkt/social-responsibility/un-global-compact.aspx
- www.unglobalcompact.org

The COP report expands on the present statutory report on Corporate Social Responsibility.

GROUP POLICIES

NKT has policies relating to environment, safety and diversity. These policies support the ethical guidelines which are the formal basis for NKT's social responsibility.

Ethical Guidelines and Code of Conduct

NKT's ethical guidelines date from September 2009 and were last revised in 2011. They are based on the UN Global Compact's 10 principles on human and labour rights, environment and anti-corruption. The guidelines describe NKT's commitment to seek to promote ethical standards, to comply with legislation and conventions, and to demonstrate responsibility both internally and externally. NKT's social responsibility in respect of human rights is thus contained in the ethical guidelines.

In 2012, NKT introduced a Code of Conduct governing all employees. The Code of Conduct expands the ethical guidelines, gives guidance on correct behaviour in a number of ethically challenging situations and covers three areas: Employees, external relations, as well as environment and society.

Safety and environment

NKT's safety policy specifies guidelines for ongoing update of measures for safety of employees both in the workplace and on NKT service outside the workplace. The environment policy covers both the working environment and the Group's consumption of resources. NKT's social responsibility in relation to climate is thus covered by this.

Diversity

NKT's diversity policy dates from 2012 and comprises the Group's guidelines for the integration of diversity in competence profiles when recruiting for senior management. In spring 2013, NKT widened this policy to ensure equal opportunities for both sexes in obtaining a senior position with the Group. A target figure was also set for the under-represented sex in NKT's Board of Directors.

In addition, NKT's business units have their own guidelines that are subordinate to those of the NKT Group and typically supplementary in nature. NKT's policies and Code of Conduct can be found at www.nkt.dk/about-nkt/social-responsibility/nkt-ethics-statement.aspx.

The following sections elaborate on the Group actions and performance in 2013 based on the above-mentioned policies. Only policies where changes have occurred are mentioned.

GROUP ACTIONS

NKT has a reporting system with various non-financial data that forms a basis for managing the Group's CSR activities. The parameters the companies report on are inspired by the Global Reporting Initiative (GRI) and have been selected according to the materiality criterion. Further information on GRI can be found in NKT's UN Global Compact Communication on Progress Report for 2012-2013.

The reporting system consists of four core elements:

1. An whistleblower system, hosted externally, that gives all Group employees the opportunity to draw attention to any behaviour, incidents or circumstances which appear incorrect. Reporting can be effected in nine languages and may be anonymous.
2. A data gathering system that collects a range of key information on e.g. work accidents, type and amount of fuel and energy consumption, CO₂ emission resulting from travel and goods transport, raw materials consumption, and any environmental discharges or penalties.
3. A Statement of Representation produced annually and signed by the local managers of the Group's entities. Its purpose is to ensure that the managers are aware of and actively strive to promote the principles of the UN Global Compact and thus also NKT's ethical guidelines and supporting policies.
4. A special reporting form on which the Group entities report i.a. on diversity in management based on nationality, gender and age, R&D activities, etc.

Both the statement by the local managers and the data gathering system embrace more than 100 legal entities worldwide.

Human rights etc.

NKT became signatory to the UN Global Compact in 2009, and has focused since on achieving similar compliance from its suppliers. The target is to achieve compliance of 80% of all suppliers with annual sales to NKT exceeding 50,000 EUR.

Safety and environment

In the area of climate NKT has set targets for reduction of CO₂ emission:

Management commitment

CSR is entrenched at NKT's Executive Management with reference to the Board of Directors. The business areas are responsible for the gathering of data and information for the Group's reporting system and for the quality of the key data, KPI's (Key Performance indicators)

- An average 3% annual reduction in CO₂ emission from fossil energy sources primarily relating to heating of buildings (Scope 1)
- An average 3% annual reduction in total energy consumption relative to revenue in std. metal prices

The targets are based on NKT's CO₂ emissions in 2011 and the current number of business areas and entities.

Additionally, NKT's business areas themselves determine actions to be taken on other environmental parameters: climate, work environment, or safety. These actions and their results are therefore described separately in the business area reviews later in this statutory report.

Diversity

NKT produces a yearly diversity overview covering NKT's Board of Directors and senior management relating to age, nationality and gender. The findings are presented annually to the Board of Directors.

NKT has further produced an action plan aimed at promoting equal conditions for both sexes to obtain a senior position. To realise this:

- NKT requires recruitment firms and headhunters to include representatives of both sexes in the field of candidates for senior positions
- NKT annually monitors the development in diversity, including gender distribution, in its top management
- NKT is increasing the focus given to career plans at annual performance appraisals held with potential management staff

NKT has also set a target figure for the under-represented sex among AGM-elected Board members. Accordingly, the aim is that both sexes shall be represented among members of the NKT Board elected by the Annual General Meeting. The target figure for the under-represented sex is 17%, corresponding to one AGM-elected member.

The Boards of Directors of NKT's Danish subsidiaries are primarily of a legal nature and consist solely of internal employees. Accordingly, NKT does not set target figures for these Boards.

GROUP PERFORMANCE 2013

Human rights etc.

In the preceding reporting periods for the UN Global Compact, and particularly the most recent, Nilfisk-Advance has experienced a significant rise in the number of US suppliers declaring adherence to the 10 principles, and compliance for this geographical area now exceeds 80%. Among Asian suppliers the level of compliance is lower, and Nilfisk-Advance is maintaining its focus in this area when negotiating new contracts. The company expects to reach a target totalling 80% compliance by 2015.

Among NKT Cables' suppliers the declared level of compliance with the 10 principles is 84%. The figure for Photonics Group is 63%. A significant reason for the variation between the business areas is the substantial difference in supplier base. While NKT Cables has a small number of large suppliers, mainly in Europe, both Nilfisk-Advance and Photonics Group have a large number of small local suppliers distributed worldwide.

Safety and environment

The results of NKT's efforts to reduce CO₂ emission exceeded the targets:

- A 4% reduction (target: 3%) was achieved in CO₂ emission from fossil energy sources primarily relating to heating of buildings (Scope 1)
- A 6% reduction (target: 3%) was achieved in total energy consumption relative to revenue (calculated in standard metal prices)

The decrease in Scope 1 was due to more efficient heating systems and improved building insulation combined with improved use of process heat. The reduction in total energy consumption relative to revenue was due to a combination of the decrease in Scope 1 and the decline in activity for NKT Cables in 2012. Further data on NKT's CO₂ emission may be found at www.nkt.dk.

Diversity

The most recent survey of age, nationality and gender diversity in NKT's top management dates from June 2013 and can be found at [www.nkt.dk/About NKT/Social responsibility/NKT Ethics Statement/Diversity](http://www.nkt.dk/About%20NKT/Social%20responsibility/NKT%20Ethics%20Statement/Diversity).

The target figure of 17% for the underrepresented sex among AGM-elected Board Members was reached. 17% will also remain the target figure going forward as it is deemed to be realistic in view of the sectors in which NKT operates, and not least because NKT's recruitment is to a large degree based on concrete and specific competences. The prerequisite for maintaining this target is that the list of candidates prior to nomination for election always contains representatives of both sexes.

PERFORMANCE 2013 - NKT BUSINESS UNITS

NKT's business areas have widely differing product portfolios, organisational structures and markets. Accordingly, their areas of focus and challenges in respect of social responsibility also differ. The business areas set specific targets for their efforts, largely independently, in close dialogue with NKT.

NILFISK-ADVANCE

Safety and environment

Nilfisk-Advance's strategy in the area of social responsibility is called 'Green Meets Clean'. The primary element in this strategy is that the company's greatest contribution towards a better environment consists of offering cleaning equipment which embodies environmental improvements in at least one of four areas: Energy consumption, water consumption, detergent consumption and disposal. The second element in this strategy consists of reducing Nilfisk-Advance's own environmental impact.

Target	Status 2013	Status 2012
All new products shall embody improvements in either energy consumption, water consumption, detergent consumption or disposal	71%	71%
10% reduction in CO ₂ emission relative to revenue over a three-year period, 2012-2014, and compared with 2011 level	10%	7%
5% reduction in energy consumption for heating and electricity compared with 2011 level	2% (heat) and 8% (elec.)	-

Reporting period: 1 July 2012 - 30 June 2013

In 2012, Nilfisk-Advance carried out its first global employee engagement survey. This was followed up in 2013 with a talent development programme for approx. 300 selected managers.

Target	Status 2013	Status 2012
Index 77 for internal 'leadership assessment' in 2015	70	70

Reporting period: 1 July 2012 - 30 June 2013

NKT CABLES

Safety and environment

NKT Cables' discharge of substances of environmental concern to the air and water is negligible, except for the greenhouse gas carbon dioxide consisting of direct emission from fuel for heating, and of indirect emission at power stations. Consumption of energy and water is among the areas where NKT Cables' has its greatest potential for environmental improvements.

Target	Status 2013	Status 2012
40% reduction in CO ₂ emission from space heating compared with 2008 level	46%	34%
35% reduction in water consumption per tonne of cable produced compared with 2008 level	42%	26%
Material utilisation efficiency (Target: 96.1%)	95.1%	95.8%

Reporting period: 1 January - 31 December 2013

NKT Cables' Management is strongly focused on reducing the number of work accidents and in autumn 2011 launched a new health & safety policy under the slogan: 'People should leave work as healthy as they arrived'. One of the methods used to reduce the accident rate is to increase employee awareness of dangerous situations and behaviours, and systematic analysis of incidents recorded with the aim of preventing any repetition.

To underline the importance of a safe working environment, NKT Cables launched a scheme in autumn 2013 whereby employees making an outstanding effort to improve their workplace are nominated for a Safety Buddy Award. The award was presented for the first time in February 2014.

Target	Status 2013	Status 2012
An accident frequency of 5 or less per million working hours by end-2016. Baseline: 22.4 in 2011	9.1	9.2

Reporting period: 1 January - 31 December 2013

PHOTONICS GROUP

Safety and environment

Photonics Group's manufacturing generates only a limited environmental footprint. However, increased activity related to long-term testing of new products has led to a rise in energy consumption.

Like the rest of NKT, Photonics Group sometimes encounters direct or indirect requests for facilitation payments but does not condone them. In 2013, the company's refusal to make such payments led to significant delays in product approvals and consequential loss of orders.

Target	Status 2013	Status 2012
12% reduction in CO ₂ emission relative to revenue at end-2011 compared with 2008 level	3% increase, deadline redefined to 2015	12%
15% reduction in CO ₂ emission relative to revenue at end-2014 compared with 2011 level	15%	-

Reporting period: 1 July 2012 - 30 June 2013

FUTURE TARGETS

NKT and its business areas work closely together in pursuit of their collective CSR commitment. Focal issues include:

- Ongoing reduction of work accidents
- Employee engagement
- Continued focus on the contractual commitment of suppliers (with annual sales to NKT exceeding 50,000 EUR) to the UN Global Compact
- Reduction of scrap.

Factory certifications

	ISO 9001	ISO 14001	OHSAS 18001
Nilfisk-Advance (16 factories)	5	5	0
NKT Cables (15 factories)	15	15	13
Photonics Group (3 factories)	2	1	0

ISO 9001: Quality Management

ISO 14001: Environmental Management

OHSAS 18001: Health & Safety Management