

2014 Statutory Report on Corporate Social Responsibility

Offering **environment-friendly products** to support sustainable global macro development is **part of NKT's social responsibility profile** along with efficient production, provision of safe working conditions, empowerment of employees, and high ethical standards

NKT reporting on social responsibility

Annual Statutory Report

The present Statutory Report on Corporate Social Responsibility, cf. Section 99(a) of the Danish Financial Statements Act, forms part of the Management's Review in the 2014 Annual Report and covers the financial period 1 January - 31 December 2014.

UN Global Compact

NKT is signatory to the UN Global Compact and published its latest Communication On Progress (COP) Report covering the period 2013-14 in October 2014. 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.

CSR responsibilities

In NKT the overall responsibility for CSR lies with the Board of Directors. While the overall policies are established at Group level, the targets are set by the individual business units. To maximise compliance, all targets must be measurable, and concrete actions to achieve them must be clearly defined.

GROUP ETHICS STATEMENT AND POLICIES

Since 2009 NKT's social responsibilities have been formulated in a Group Ethics Statement based on the UN Global Compact's 10 principles relating to human and labour rights, environment and anti-corruption. The Ethics Statement sets out NKT's commitment to high ethical standards, compliance with legislation and conventions, and responsible action both internally and externally. Thus NKT's social responsibility in respect of human rights falls within the framework of the Ethics Statement.

In addition, NKT's Code of Conduct gives guidance on the (correct course of) behaviour in a number of ethically challenging situations within three areas: Employees, external relations, and environment and society. To further support the Ethics Statement NKT has policies on environment, safety and diversity.

The Group Ethics Statement and related policies can be found at [www.nkt.dk/About NKT/Social responsibility](http://www.nkt.dk/About-NKT/Social-responsibility).

Safety and environment

NKT's safety policy provides guidelines for ongoing review of employee safety measures both at the workplace and at NKT service.

The environment policy covers both the working environment and NKT's consumption of resources. This policy therefore covers NKT's social responsibility in relation to climate.

Diversity

The diversity policy provides guidelines on the integration of diversity in competence profiles and on ensuring equal opportunities for both genders in the recruitment of senior management. A diversity overview covering NKT's senior management in 2014 is available at NKT's website and in the 2013-14 COP report for the UN Global Compact.

In addition, NKT's business units have their own guidelines that are subordinate to the Group guidelines and typically of a supplementary nature.

Group actions and performance in 2014 based on the above policies are described below. Policies are only stated where changes have occurred.

GROUP ACTIONS

Managing the NKT CSR activities is based on a non-financial reporting system. This contains indicators inspired by the Global Reporting Initiative (GRI) and selected based on a relevance and materiality assessment. Further information on the reporting principles can be found in NKT's latest COP Report to the UN Global Compact.

The main elements of the reporting system are:

1. A whistleblower scheme operated by an external provider which allows all NKT employees to raise concerns about possible ethical misconduct. The scheme is available in nine languages and reporting may take place anonymously. The whistleblower scheme is expected to be available to external stakeholders in the course of 2015.
2. A data collection system containing a number of Key Performance Indicators (KPIs) relating e.g. to occupational injuries, fuel and energy consumption, CO₂ emission, utilisation of raw materials, and events such as environmental spills and fines. The business units are responsible for data collection and KPI quality. NKT Group Finance is responsible for data consolidation.
3. An annual Statement of Representation on CSR is signed by all local managers in the business units, certifying their familiarity with and active commitment to the principles of the UN Global Compact, and thus also the NKT Ethics Statement and its supporting policies.
4. A special reporting scheme where the business units report i.a. on diversity in senior management based on nationality, gender and age, R&D activities, etc.

This reporting system embraces around 100 legal entities worldwide.

Supplier support for UN Global Compact

Since NKT became signatory to the UN Global Compact in 2009, focus has been directed towards achieving similar support of the 10 principles from suppliers. The target is to achieve compliance of 80% from suppliers with annual sales to NKT exceeding EUR 50,000.

Two-fold environment strategy

NKT has a two-fold strategy for reducing the Group's environmental impact:

1. To develop and supply products that reduce energy consumption by users (Nilfisk) and to support the spread of sustainable energy production (NKT Cables and Photonics Group).
2. To reduce the Group's internal consumption of resources.

Under the two-tier strategy NKT's business units independently determine which actions shall be taken to meet the defined targets for all parameters, including CO₂ emissions, water consumption, working environment, safety, and product development. These actions and the results achieved are therefore described separately in the individual business reviews in this report.

Diversity

NKT generates an annual diversity overview covering NKT's Board of Directors and Executive Management as well as the senior managements in the business units. The overview covers age, nationality and gender, and is presented to the Board of Directors.

NKT's policy is that both genders should be represented among the Board of Directors' AGM-elected members. The current Board of Directors has six such members and NKT's target figure for the under-represented gender is 17%, which is equivalent to one person.

The Board of Directors of NKT's Danish subsidiaries are primarily of a legal nature and consist solely of NKT employees. Accordingly, NKT does not set target figures for the under-represented gender for these boards.

NKT has produced an action plan aimed at continuously promoting conditions whereby both genders have equal opportunities to obtain senior positions. As part of this:

- NKT requires recruitment agencies and headhunters to include representatives of both genders in the field of candidates for senior positions
- NKT annually monitors the development in diversity, including gender, in its senior management
- NKT is increasing its focus on employee's career plans at annual performance appraisals with potential management staff.

GROUP PERFORMANCE 2014

Increased supplier support for UN Global Compact

In the period under review Nilfisk registered significant growth in supplier support for the UN Global Compact. In Europe and particularly in the US, previously hesitant suppliers have accepted the new contractual conditions. Acceptance of the UN Global Compact is now an intrinsic part of Nilfisk's contract standard, and the current 80% acceptance is therefore expected to increase further. For NKT Cables the acceptance level has been more than 80% in the past three reporting periods.

One reason for the previous disparity in acceptance levels is that NKT's business units differ widely in their supplier base. Whereas NKT Cables has a small number of large suppliers and procurement is concentrated in Europe, Nilfisk has many small, local suppliers situated around the world. Photonics Group is similarly characterised by small, local suppliers.

Environmental improvements recorded

Nilfisk and NKT Cables continued to record reduced CO₂ emissions and lower water consumption. In terms of occupational injuries only

small changes occurred. Specific results are shown in the business unit sections below.

Diversity

The most recent survey of age, nationality and gender diversity in NKT's senior managements was conducted in summer 2014. The results revealed no significant changes on these parameters in the composition of the various managements from 2013. An overview 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).

Among AGM-elected Board members the target figure of 17% for the under-represented gender was met. NKT operates in businesses which historically have a preponderance of men and this is still reflected in the small number of women holding senior management and staff positions.

Against this background, and as NKT's recruitment is to a large degree based on concrete and specific competences, 17% will remain the target figure going forward. Continued compliance with this target is dependent on the list of candidates prior to nomination for election always containing representatives of both genders.

BUSINESS UNIT PERFORMANCE 2014

NKT's three businesses have different product portfolios, organisations and markets. Accordingly, their focus areas and challenges also differ in terms of sustainability. All results stated cover the reporting period 1 July 2013 - 30 June 2014.

NILFISK

Employee commitment

Nilfisk conducted a global employee engagement survey in 2014. This covered 45 countries and yielded 4,930 respondents, corresponding to a response rate of 91%. Based on the survey results, key focus areas have been identified such as knowledge of the company's future direction, and employee recognition as main drivers for creating an even more attractive work environment and for ensuring that employees have the opportunity to achieve their full potential. To support the company's future progress and to foster the continued development of management talent, 200 company managers were selected for a comprehensive leadership training programme to be carried out over the next two years.

Safety and environment

Nilfisk's approach to social responsibility is headlined 'Green Meets Clean'. It is anchored in the conviction that the company can make its greatest contribution to a better environment by offering cleaning equipment featuring improvements in at least one of four focus areas: Energy economy, water economy, use of detergents and disposal. Nilfisk also continuously strives to reduce its own environmental impact.

Target	Status 2014	Status 2013
75% of all new products include improvements in at least one of the following areas: energy economy, water economy, use of detergents and disposal	71%	71%
4% annual reduction in CO ₂ emission relative to revenue	4%	10%*
Short-term goal: An accident frequency of <5.5 per million working hours. The long-term goal is zero accidents.	7.0	-

* Target revised in 2013

NKT CABLES

Employee commitment

In 2014 NKT Cables conducted its second global employee engagement survey. This covered eight countries and yielded 2,485 respondents, corresponding to a response rate of 71%. The results of the survey and future key actions are expected to be presented early March 2015.

Safety and environment

Environmental impact from cable production is relatively small and mainly linked to CO₂ emission and the use of resources, principally copper and water. Since NKT Cables started monitoring water consumption in 2010, a 54% reduction has been recorded in the use of tap water per tonne of cable. Use of secondary water, installation of a cooling compressor for recirculation purposes and repair of leaks are some of the major reasons for this significant decrease. NKT Cables' material utilisation rate has been stable for several years, but with the decline of 1%-point increased focus is required to reach the target set.

NKT Cables' Management is strongly focused on reducing occupational injuries. In 2013 a programme was set up aimed at eliminating a substantial number of hazard situations and behaviours, and good progress was recorded in 2014. Despite these efforts, one fatality occurred in 2014, and a root cause analysis was instituted to identify shortcomings in the safety risk assessments.

Target	Status 2014	Status 2013
>42% reduction in CO ₂ emission from heating compared with 2010 level	44%	45%*
Material utilisation efficiency of 96.2%	94.8%	95.1%
An accident frequency of <5 per million working hours by end-2016. Baseline: 22.4 in 2011	9.7	8.0

* Compared with 2008 level

To highlight the importance of a safe working environment, NKT Cables launched a scheme in autumn 2013 whereby employees who make an outstanding contribution to workplace safety are nominated for a 'Safety Buddy Award'. The first award presentation took place in February 2014 and preparations are under way for presentation of the second award early 2015.

PHOTONICS GROUP

Safety and environment

Photonics Group's environmental footprint from production activities is negligible. The principal environmental impact relates to the use of its products. These products being used in solutions that are designed to improve either environmental conditions, supply of goods, personal safety or human living conditions.

As a manufacturer of electro-optical products and production equipment, Photonics Group uses relatively small amounts of raw materials in its products. Almost all the company's products incorporate and use electrical components, and new products are designed to comply with regulations such as the RoHS Directive, which restricts the use of hazardous materials in electronic and electrical equipment.