



# Statutory report on Corporate Social Responsibility 2011

This statutory report on Corporate Social Responsibility, cf. section 99a of the Danish Financial Statements Act, is a component of the Management's review in NKT's Annual Report 2011 and covers the financial period 1 January - 31 December 2011

## Social responsibility

NKT has placed importance on accountability ever since the company's establishment almost 120 years ago. Respect for stakeholders and the environment is and has for many years been central to the way in which the NKT Group is run.

As a global company, NKT is committed to playing its part in the foundation of a sustainable world, and a number of initiatives have already been introduced to meet this challenge, including a series of internal goals. In addition, NKT requires, for instance, that its suppliers also are ambitious in this area.

An important element in NKT's social responsibility is the UN Global Compact. NKT became signatory to this initiative in 2009 and in October 2011 published its third progress report. This can be found at [www.nkt.dk/uk/Menu/CSR/UN+Global+Compact](http://www.nkt.dk/uk/Menu/CSR/UN+Global+Compact) and at [www.unglobalcompact.org](http://www.unglobalcompact.org). The progress report expands the statutory report on Corporate Social Responsibility which is required in accordance with section 99a of the Danish Financial Statements Act.

## Policies

NKT has defined a series of policies for conduct, security, environment and sale of equipment for military purposes. These policies support the ethical guidelines which constitute the formal basis for NKT's social responsibility.

The ethical guidelines date from September 2009 and were last updated in December 2011. The guidelines are based on the 10 principles stated in the UN Global Compact and are divided into three main areas: Human and labour rights, Anti-corruption, and

Environment. They describe NKT's commitment to promoting ethical standards, complying with regulations and demonstrating responsibility within the Group. NKT expects and demands that all persons acting on the Group's behalf shall abide by the ethical guidelines.

All the policies apply to the entire Group. The guidelines of the individual business units are subordinate to those of the Group and are typically explanatory in nature. NKT's policies are set out at [www.nkt.dk/About+NKT/Policies](http://www.nkt.dk/About+NKT/Policies).

## Actions

NKT's activities relating to CSR are anchored in NKT's Group Management, the overall responsibility lying with Group Executive Director Søren Isaksen. An internal network of environmental and CSR managers in the four business units is responsible for the quarterly reporting and - in partnership with the local company managements - for the fulfilment of objectives and establishment of new targets.

In 2011 NKT continued working on the reporting system that was implemented in 2010 and that contains a series of non-financial data relating to the business units on which control of the Group's CSR activities is based. Data and information are inspired by the parameters in the Global Reporting Initiative, GRI. The reporting system consists of four basic elements:

- A whistleblower system that enables all Group employees to anonymously report serious concerns relating to seemingly incorrect conduct, events or circumstances.

- A data collecting system that gathers information about occupational accidents, type and quantity of fuel and energy consumption, CO<sub>2</sub> emission relating to travel and transport of goods, consumption of raw materials, legal proceedings relating to pollution or financial penalties.
- A Statement of Representation, which is an annual CSR statement prepared and signed by the local company managers certifying their awareness and active work in support of the principles of the UN Global Compact and thus also NKT's ethical guidelines.
- A special reporting scheme in which NKT's business units review management diversity, R&D initiatives, etc.

## Results in 2011

The application and accuracy of data reporting has become more consistent across the **NKT Group** as employees have acquired greater reporting experience. In particular, the accuracy of CO<sub>2</sub> emission data relating to electricity and heating has increased, while CO<sub>2</sub> emission data for transport remain uncertain. This is partly because many transport companies have not previously been able to notify this type of information and partly because they have used different calculation methods. In addition, many NKT units have only now begun to request and report this information.

Integration of human and labour rights into NKT's value chains is a company objective. Accordingly, the goal at end-2011 was that at least 80% of the Group's suppliers (annual procurement value exceeding 50,000 EUR) should be contractually obliged to work for the principles of the UN Global Compact. NKT Cables and NKT Flexibles have achieved this target, while Nilfisk-Advance and Photonics Group have each received confirmation from around 40% of their suppliers. Focus will be maintained on this issue when negotiating new contracts.

In 2009 NKT set a target of a 12% reduction in total CO<sub>2</sub> emission against 2008 baseline revenue. The target achievement date was end-2011. The target was challenging as it related to expectations dating from 2008, i.e. the situation before the economic slowdown. It was therefore based on significantly higher growth rates than have actually been realised and on a different from expected product mix. NKT will publish its CO<sub>2</sub> performance for 2011 in May 2012 when reporting to the Carbon Disclosure Project.

NKT has previously been compelled to accede to facility payments in order to achieve reasonable staff safety or rights, etc. Several NKT business units have initiated awareness campaigns and/or prepared new codes of conduct supporting a tougher stand on facility payments. NKT's ethical guidelines have been changed accordingly and this issue will henceforth be treated as part of the Group's unequivocal stance on fighting corruption.

**NKT Cables'** products have no environmental impact in use, other than in terms of the transmission loss, which is solely determined by the customer's load of the cable. Therefore, NKT Cables' environmental contribution relates to utilising raw materials as efficiently as possible as well as minimising energy and water consumption. The targets are to increase raw materials efficiency by 0.2% annually to 96% by 2012 (2011: 95.6%), to reduce energy for heating in 2013 by 20% compared with 2008 level (2011: 26%) and to reduce water consumption in 2013 by 35% compared with 2010 level (2011: 27%).

Environmental, health and safety impacts are an important consideration in decisions to develop new products and solutions.

NKT Cables considers the employees its most important asset. Intensive focus is therefore paid to health and safety and to additional training to meet the challenges in a steadily growing and increasingly global company. Occupational accidents are a new focus area. A new extended accident scorecard system was established in 2011 to create overview. This is intended to form a basis for new targets

aimed at significantly reduced accident numbers (see section 'Future targets'). English tuition is another area of focus.

At end-2011 more than 570 employees had participated and due to its success the initiative is set to continue.

At the end of 2011 NKT Cables underlined its focus on social responsibility by also becoming an independent signatory to the UN Global Compact.

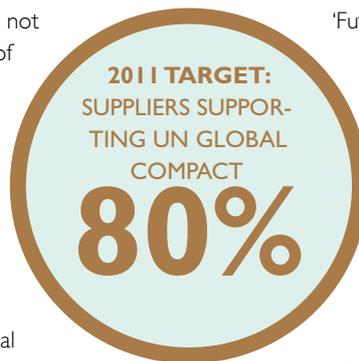
**Nilfisk-Advance's** activities relating to social responsibility are based on its "Green meets clean" concept.

Cleaning equipment uses energy, water and in some cases also detergents. The company's chief environmental contribution therefore consists of developing equipment to customers that delivers efficient cleaning performance with reduced environmental impact. Worldwide, 60%<sup>1</sup> of new products launched by the company in 2011 contained improved environmental features relating to one or more of the four focus areas: energy usage, water usage, detergent usage and sustainable disposal.

Nilfisk-Advance has developed a set of ethical guidelines that is consistent with those of the NKT Group and expands these. All local managers sign an annual Statement of Representation in which, among other things, they affirm their compliance with the ethical guidelines. Human and labour rights also form part of the agenda at least once a year at local board meetings.

**Photonics Group** products frequently find application in projects that directly contribute to sustainable development, such as more efficient use of wind energy, discovery of new medicine and life science components, support for improved food and energy supply and better personal security equipment.

<sup>1</sup>As per 30 June 2011



Product development at Photonics Group is also focused on reducing energy consumption in the application situation. A new design of fiber used among other things in plate cutting and welding equipment reduces energy consumption by 10-40% depending on laser type.

Working with optical crystal fibers and lasers requires very high light intensities that in the event of accident or careless use of production equipment can cause eye damage. No accidents were recorded in 2011. All staff at risk of such exposure undergo eye tests every two years.

At **NKT Flexibles**, reliability, product quality, and environmental management are key elements in the sustainability activities. As a supplier to the gas and oil industry, strong focus is given to the environment both in the manufacture and use of flexible pipe systems.

In 2011 NKT Flexibles launched a project designed to strengthen employee involvement in safety and environmental improvements at the Kalundborg factory in Denmark. Results achieved included reduced consumption of power and materials and fewer working accidents. NKT Flexibles has a very low accident rate and is determined to reduce this further.



As part of a framework agreement with the Brazilian national oil company Petrobras, potentially worth 9.7 bnDKK, NKT Flexibles is to build and operate a factory in Brazil producing flexible pipe systems. The Brazilian organisation will be built up over the next 18 months and a plan has also been initiated whereby this entity will also implement the company's ethical guidelines.

### Future targets

NKT's business units work closely together with NKT Holding regarding the collective CSR involvement. Focal issues include:

- Minimising the number of occupational accidents. For example, NKT Cables has targeted an annual 25% reduction in the period to 2015, the goal being zero or near-zero.
- Continued focus on compliance by suppliers (annual procurement value exceeding 50,000 EUR) with the UN Global Compact. Two of the NKT business units have yet to reach the 80% compliance target.
- Formulation and consolidation of Code of Conduct throughout the NKT Group.
- Establishment of new Group CO<sub>2</sub> targets. New targets will be defined in May 2012 when NKT submits its 2011 report to the Carbon Disclosure Project.

### Certifications

	ISO 9001	ISO 14001	OHSAS 18001
NKT Cables	✓	✓	2 sites
Nilfisk-Advance	7 sites	7 sites	
Photonics Group:			
- NKT Photonics	✓		
- LIOS Technology	✓	✓	
- Vytran			
NKT Flexibles		✓	✓

ISO 9001: Quality management

ISO 14001: Environmental management

OHSAS 18001: Occupational health and safety management

