

2015 Statutory Report on Corporate Social Responsibility and diversity

NKT reporting on corporate social responsibility and diversity

Annual Statutory Report

The present Statutory Report on Corporate Social Responsibility (CSR) and diversity, cf. Sections 99(a) and 99a(b) of the Danish Financial Statements Act, forms part of the Management's Review in the 2015 Annual Report and covers the financial period 1 January - 31 December 2015.

UN Global Compact

NKT is signatory to the UN Global Compact, and the latest Communication On Progress (COP) Report covers the period 2014-15 and 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 and diversity.

CSR responsibilities

In NKT the overall responsibility for CSR lies with the Board of Directors, while the targets are set by the individual business units. To ensure commitment, all targets must be as specific as possible, and concrete actions to achieve them must be clearly defined, implemented and monitored.



The Group Ethics Statement, Code of Conduct and related policies can be found at www.nkt.dk/About/NKT/Social-responsibility.

GROUP ETHICS STATEMENT AND CODE OF CONDUCT

NKT adopted the UN Global Compact in 2009 and its social responsibility ambitions are formulated in an Ethics Statement that sets out the Group's commitment to:

- Support and respect human rights
- Work for a sustainable environment
- Act with integrity and combat corruption and bribery
- Comply with laws and regulations

NKT's Code of Conduct provides overall guidelines on how to act with integrity and in an ethically correct manner in internal and external contexts and in matters relating to environment and society. Specific topics relate to e.g. health and safety, human and labour rights, diversity, non-discrimination and harassment.

POLICIES

To support the Ethics Statement, NKT has defined specific policies on environment, safety and diversity. NKT's position and policy on human rights fall within the framework of the Ethics Statement.

The environment policy covers both the working environment and NKT's consumption of resources. NKT's position on climate is an integrated part of this policy.

The safety policy provides guidelines for ongoing review of employee safety measures both in the workplace and externally on NKT service.

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.

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

Group actions and performance in 2015 based on the above policies are described below.

GROUP ACTIONS

The scope and monitoring of NKT's CSR activities are inspired by the Global Reporting Initiative (GRI), and key performance indicators are selected based on a relevance and materiality assessment, cf. NKT's 2014-2015 COP Report for the UN Global Compact.

The main elements in monitoring involve approx. 100 legal entities worldwide and include:

1. Data collection of a number of Key Performance Indicators (KPIs) covering parameters such as occupational injuries, CO₂ emissions, utilisation of raw materials, corruption issues and events such as environmental spills. The business units are responsible for data collection and KPI quality.
2. An annual Statement of Representation on CSR signed by all local managers in the business units, certifying their familiarity with and active commitment to the 10 principles of the UN Global Compact.
3. A whistleblower scheme operated by an external provider which allows all NKT employees to raise concerns about possible ethical misconduct. The scheme is multilingual and available on the intranet of all business units.

Compliance Committee established

At end-2015, NKT established a Compliance Committee responsible for determining compliance strategy at both Group and business unit level. The Compliance Committee acts in collaboration and alignment with the Audit Committee established by NKT's Board of Directors.

The purpose of the Compliance Committee is to review and oversee the NKT Group compliance programme, including but not limited to, evaluating its effectiveness and receiving updates about compliance activities. The Compliance Committee members consist of the CEOs of the three business units, and representatives from NKT Group Legal and Compliance as well as Finance.

NKT Code of Conduct

The Compliance Committee has decided that the NKT Code of Conduct will be reviewed and updated in 2016 and subsequently implemented in the organisation.

Two-tier environmental approach

NKT has adopted a two-tier approach to reducing environmental and climate impact:

1. Reduce consumption of resources by NKT's own businesses.
2. Develop and supply products that reduce user energy consumption (Nilfisk), and promote sustainable energy production (NKT Cables and NKT Photonics).

With this approach, NKT's business units independently determine which actions shall be taken to meet the defined targets with regard to CO₂ emissions, water consumption, working environment, safety, and product development. These actions and the results achieved are described separately in the business units reviews in this report.

Diversity

NKT continuously monitors the diversity profile - age, nationality and gender - of the Board of Directors and Group Management and of the senior managements in the business units. Historically, the industries in which NKT operates were male-dominated, and this is still evident today in the relatively small number of women holding senior management or staff positions.

NKT's objective is that both genders shall be represented included among the AGM-elected members of the Board of Directors. The target for the under-represented gender is 17%, corresponding to one person.

The Boards of Directors of NKT's Danish subsidiaries are primarily legal institutions and consist solely of NKT employees. Accordingly, NKT sets no gender representation targets for these Boards.

NKT is firmly committed to providing equal opportunities for all employees and employee candidates, and recommends that the candidates for a vacant management position should include representatives of both genders. However, the primary consideration is still to achieve diversity through combining optimal professional competences with appropriate social and cultural skills. As an example, Nilfisk has development plans in place for its top 150 managers.

Whistle-blower Hotline

At the beginning of 2016, NKT widened its whistleblower scheme to cover external associates as well as NKT employees. Henceforth, customers, suppliers and other business partners will be able to report any potential illegalities or irregularities they may encounter while working with the NKT Group.

Supplier support for UN Global Compact

Since 2009, suppliers selling to NKT for more than EUR 50,000 annually have been requested to comply with the principles of the UN Global Compact. The target is to achieve 80% compliance among the suppliers concerned.

GROUP PERFORMANCE IN 2015

Environmental and safety improvements

Nilfisk and NKT Cables continued to reduce CO₂ emissions relative to output and recorded lower water consumption. NKT Cables also reported a significant reduction in occupational injuries. The specific results are shown in the individual business reviews.

Anti-corruption and bribery measures

All NKT business units regularly provide awareness campaigns and anti-corruption training for staff with external contact as and when appropriate. No cases of corruption were registered in 2015, while one case of misuse of company assets was reported.

Diversity

The most recent survey of age, nationality and gender diversity among NKT's senior managements was conducted in summer 2015, the results revealing no significant changes from the previous year. Among AGM-elected Board members, the target figure of 17% for the under-represented gender was met. 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).

A diversity overview covering NKT's senior management in 2015 is available at NKT's website and in the 2014-15 COP report for the UN Global Compact.

Stable supplier support for UN Global Compact

In 2015, Nilfisk and NKT Cables both registered stable levels of compliance by suppliers with the UN Global Compact, which is an intrinsic part of the standard purchase contracts of both business units. NKT Photonics registered a significant decline in supplier compliance.

One reason for the continued disparity in terms of supplier

Compliance is the composition of the supplier base. NKT Cables has a small number of large suppliers, primarily located in Europe, while Nilfisk has a large number of small local suppliers located around the world. NKT Photonics too predominantly has small local suppliers, and the level of compliance differs significantly between product segments. Changes in product mix were the main reason for the significant decline recorded in 2015. All NKT business units will continue to urge their suppliers to adopt the UN initiative.

Whistle-blower Hotline

No serious concerns were reported in the period.

BUSINESS UNIT PERFORMANCE 2015

In addition to the above, the individual highlights for each business unit are further described below. NKT's three businesses have diverse product portfolios, organisations and markets. Accordingly, they differ in focus areas and challenges and also in terms of business responsibility. All results stated cover the UN Global Compact reporting period 1 July 2014 - 30 June 2015.

NILFISK

Employee engagement

Nilfisk conducts an annual global survey of employee engagement. The 2015 survey covered 42 countries and yielded 4,627 respondents, a response rate of 91%. The outcome was an employment engagement index rating of 72, which is above average for comparable global companies. The survey identified two global focus areas, and teams and units across Nilfisk are working on initiatives to support progress.

Environment and climate

Headlined 'Green Meets Clean', Nilfisk's approach to social responsibility is based on the conviction that it can best support the environment by offering cleaning equipment that features 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 in terms of CO₂ emissions, fuel and water consumption, etc.

Diversity

Nilfisk is firmly committed to providing equal job opportunities for both men and women, and in the search for external candidates the aim is to have both genders represented. In 2015, two women joined Group Management, one third of the team now being female.

Supplier compliance with UN Global Compact

In 2015, Nilfisk established a Social Supplier Audit Unit within its Global Procurement department with view to increasing the number of suppliers adhering to the UN Global Compact. The unit assists identified suppliers with compliance in all areas where the principles of the UN Global Compact are not already fully implemented. More than 250 suppliers will be encompassed by the audit programme.

Nilfisk - selected goals

Goal	Status 2015	Status 2014
80% of procurement (above EUR 50,000) to be supplied by partners complying with UN Global Compact principles	71%	73%
An accident frequency of <5.5 per million working hours. The long-term goal is zero accidents	6.9	7.0
75% of all new products to 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	2%	4%

NKT Cables - selected goals

Goal	Status 2015	Status 2014
80% of procurement (above EUR 50,000) to be supplied by partners complying with UN Global Compact principles	90%	88%
An accident frequency of <5 per million working hours by end-2016. Baseline: 22.4 in 2011	5.8	9.7
2% reduction in CO ₂ emissions (scope 1+2) in absolute terms against 2013-14	3%	1%
Save 5,000 m ³ drinking water by end-June 2015	8,900 m ³	1,433 m ³
Material utilisation efficiency (Target: 96.3%)	95.6%	94.8%

NKT CABLES

Employee engagement

In 2015, NKT Cables launched a new business strategy, EXCELLENCE 2020. A key element of this strategy is "Safety, People and Organisation", and one target is to achieve a job engagement index of at least 80, which is above industry average, by the year 2020. This target is both challenging and ambitious as the survey conducted at end-2014 revealed a low engagement rate. A new survey was conducted early in 2016.

Safety first

Maintenance and improvement of safety continue to be given the highest priority at NKT Cables. A programme set up in 2013 aimed at annually eliminating a minimum of 3,000 unsafe situations and behaviours reached the target in both subsequent years. The annual target for reduction of accidents was also achieved.

Environment and climate

Environmental impact from cable production is relatively small and is mainly linked to CO₂ emission and the use of resources, principally copper and water. Since NKT Cables started monitoring CO₂ and water consumption in 2010, significant annual reductions have been recorded.

NKT Cables' material utilisation rate has been stable for several years, but an efficiency improvement programme has led to an improvement, although still below the end-2015 target. The ultimate target of 96.6% therefore remains a challenge, and the target year has been redefined as 2020 with view to continuing the focus on improvements in the manufacturing processes.

NKT PHOTONICS

Safety and environment

NKT Photonics' environmental footprint from direct production activities is negligible. The principal environmental impact is indirect and relates to product use. The company's products are 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, NKT Photonics 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.