

Statutory report on Corporate Social Responsibility **2012**

This statutory report on Corporate Social Responsibility (CSR), cf. **section 99a** of the Danish Financial Statements Act, is part of the Management's review in the 2012 Annual Report and covers the financial period 1 January - 31 December 2012

Social Responsibility

NKT is a global corporation in which responsible business operation is anchored in values, business model and strategy, which NKT considers prerequisite for continuing development, success and growth. Selected aspects of the Group's work relating to responsible business operation are:

- That the companies have product portfolios which in themselves are environmentally friendly and at the same time provide energy savings for the end-users,
- That the production facilities are as process- and energy-efficient as possible,
- Internationally defined rights and conventions are to be respected, and generally suppliers and collaboration partners are to be committed to do the same

UN Global Compact

In 2009 NKT became signatory to the UN Global Compact, and the statement is a signal to all stakeholders that the Group takes its role as a global player seriously and participates actively in creating awareness of and respect for the initiative.

In October 2012 NKT published its fourth UN Global Compact Communication On Progress (COP) report which can be found at:

- www.nkt.dk/uk/Menu/CSR/UN+Global+Compact
- www.unglobalcompact.org

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

POLICIES

NKT has a series of corporate policies covering environment, safety, diversity and sale of equipment for military purposes. These policies support the formal basis for NKT's social responsibility: The ethical guidelines.

The ethical guidelines date from September 2009 and were last revised in December 2011. The guidelines are based on the 10 principles of the UN Global Compact which deal with Human and Labour rights, Environment and Anti-corruption. The guidelines describe NKT's commitment to promote ethical standards, abide by legislation and conventions and demonstrate responsibility both inside and outside the Group.

In autumn 2012 NKT introduced a Code of Conduct applying for all employees. The NKT Code of Conduct expands on the ethical guidelines and guides how situations in areas such as protected human and labour rights, conflicts of interest, anti-corruption, and environmental and social issues should be handled.

NKT's Code of Conduct can only be dispensed with if local legislation is more restrictive on a given point. In addition, NKT demands and expects all external collaboration partners acting on behalf of the Group to abide by both the ethical guidelines and the Code of Conduct.

NKT's business units also have their own guidelines which are subordinate to the Group's and which are typically of an explanatory nature. NKT's policies and Code of Conduct can be found at www.nkt.dk/uk/Menu/About+NKT/Policies.

ACTIONS

CSR is anchored in NKT's Executive Management Board, specifically the CTO. The business units are responsible for the quarterly gathering of data and information for the Group's reporting system and for the quality of the key data, KPI's (Key Performance indicators). NKT's Finance Department consolidates the data gathered.

NKT's reporting system contains, among other things, various non-financial data from the business units, and these data form the basis for management of the Group's CSR work. The parameters on which the business units report are inspired by the Global Reporting Initiative, GRI, and selected according to the materiality criterion. Further information on GRI can be found in NKT's Communication on Progress report for 2011-2012.

The reporting system consists of four core elements:

- A whistleblowing system that enables all Group employees to draw attention to any behaviour, events or circumstances which appear inappropriate. The reporting may take place in nine languages and can be done anonymously.
- A data gathering system used to collect key information on e.g. work accidents, type and volume of fuel and energy consumption, CO₂ emission from travel and transport of goods, raw materials consumption, pollution-related legal proceedings, or financial penalties.
- An annual Statement of Representation prepared and signed by the local managers of the Group's entities. The purpose is to ensure that they are aware of and actively work to promote the principles of the UN Global Compact and thus also the Group's ethical guidelines.
- A special reporting scheme used by NKT's business units to record i.a. diversity in management, R&D initiatives, etc.

The Statement of Representation from the local managers and the data gathering system both cover around 100 legal entities worldwide.

RESULTS IN 2012

To obtain an external perspective on the quality of the now three-year-old system and the information collected, in summer 2012 KPMG conducted a readiness assessment of selected NKT Group companies. The assessment was intended to identify strengths and weaknesses in NKT's CSR governance and information streams and was based on the data underlying the Group's UN Global Compact Communication On Progress report published in October 2012.

Based on the assessment and NKT's own observations it is the opinion of NKT that for many parameters, such as internal energy consumption, related CO₂ emission and waste of important raw materials, the quality and accuracy of the data was reasonable. However, there was still a high degree of uncertainty relating to, for example, CO₂ emission data for transport of goods, as reliable figures are difficult to obtain from local transport operators. Therefore the data were not comparable with results from previous years. From time to time NKT will conduct similar readiness assessments in order to monitor the development of the system and the quality of data.

All NKT's business units prioritise a safe and healthy work environment. Accordingly, they regularly review the level of safety and perform adjustments if necessary. In NKT Cables the number of injuries in 2012 (full-year) decreased 62% compared

In September 2012 NKT was awarded best UN COP Reporting by FSR-Danish Public Accountants, because the report was short, had a clear structure, and because NKT had the courage to express the dilemmas in CSR work.

to the previous year. The result was obtained partly due to evaluations of all near-misses in order thereby to reduce the number of actual accidents, and partly to increased employee awareness after introduction of a new health and safety policy in 2011. Despite the major focus, NKT Cables suffered a very serious accident, which led to a fatality, at its Polish company in November 2012. Photonics Group has had no accidents for three consecutive years while Nilfisk-Advance registered a drop of around 25% , in the reporting period 2011/2012.

Employee satisfaction surveys were undertaken in all business units in 2012. The surveys embraced all personnel at NKT Cables and Nilfisk-Advance, while covering 50% of Photonics Group employees. Against the background of the results the business units have defined both best practice actions and areas where improvements should be made.

In 2012 NKT continued its work of contractually committing suppliers (annual procurement value exceeding 50,000 EUR) to abide by and support the principles of the UN Global Compact. The 2011 target of 80% of the suppliers accepting the terms was not achieved in all three business units (NKT Cables: 86%, Nilfisk-Advance: 44% and Photonics Group: 43%), but support continued to rise and the issue is still prioritised i.a. when negotiating new contacts.

In the period 2009–2011 NKT achieved its targeted 12% reduction in total CO₂ emission relative to revenue. This reduction must be seen in relation to the CO₂ emission relative to revenue in 2008. The reduction corresponded to an annual saving of around 25 mDKK. The primary reasons why the target was achieved can be found at www.nkt.dk/uk/Menu/CSR where NKT's yearly reporting to the Carbon Disclosure Project gives an insight into the Group's CO₂ reduction work.

NKT is a strong advocate of fair competition and lawful practice. Information concerning possible unlawful actions, such as formation of cartels, money laundering and bribery, are collected i.a. via Statements of Representation from local managers and NKT's whistleblower system. In the 2011-2012 reporting year there were five registered cases of corrupt or otherwise dishonest behaviour calling for action such as dismissal.

NKT Cables

NKT Cables' emission of environmentally harmful substances to the atmosphere and water is limited, except for CO₂, partly as direct emission from fuel for heating and partly as indirect emission by electricity suppliers. Water and energy consumption are among the areas where the company has the greatest potential for environmental improvements. End-2013 targets are to reduce direct CO₂ emission to less than 60% of the 2008 level (reporting period 2011/12 : 66%) and to reduce water consumption by 35% per tonne of cable produced compared with the 2010 level (reporting period 2011/12 : 34%). In addition, NKT is continuously working to optimise its utilisation of raw materials, and targeted utilisation efficiency at the end of 2012 is 96% (full year 2012: 95.5%).

NKT Cables' management regards the employees as the company's most important asset. In 2012 therefore focus was again placed on improving communication skills and English-language proficiency, and at NKT Cables in Denmark the RECUN development programme was concluded. The purpose of the two-year, EU-funded RECUN project was to train the employees in problem solving, taking greater responsibility, and appreciating that achieving the company's targets depends on the efforts made by all parties. The results have been i.a. increased job satisfaction and reduced sickness absence.

In autumn 2011 NKT Cables' management launched a new health and safety policy under the slogan: 'People leave work as healthy as they arrived before'. The ambition is by 2016 to achieve a level of work accidents that is on a par with the best in the industry, defined as an accident frequency of less than five per million working hours (2012: 9.2 against 22.4 in 2011). In 2012, as part of this initiative, NKT Cables established a 'root cause' system for methodical analysis of registered incidents aimed at preventing similar incidents from recurring.

Nilfisk-Advance

Nilfisk-Advance's CSR strategy is branded 'Green Meets Clean'. The strategy is primarily aimed at supplying cleaning equipment which incorporates environmental improvements in at least one of four areas: Energy consumption, water consumption, detergent consumption and disposal. In the reporting period 2011/12 71% of the new products featured environmental improvements.

The second aspect of the strategy is to reduce the company's own environmental footprint. In the period 2012-2014 Nilfisk-Advance has a target of reducing its total CO₂ emission relative to revenue by 10%. The baseline is 2011 emission, and in the reporting period 2011-2012 the company realised a reduction of 7% (not adjusted for degree days).

In 2011 Nilfisk-Advance formulated a set of ethical guidelines which is consistent with and expands on those of the NKT Group. In 2012 Nilfisk-Advance also implemented business integrity principles defining how all employees must act in a variety of situations.

Photonics Group

The production by Photonics Group creates only a limited environmental footprint. However, increased activity in long-term testing of new products led to a 12% increase in energy consumption in the reporting period 2011-2012. For the period to 2014, Photonics Group has established an annual target of 15% reduction in CO₂ emissions relative to revenue compared to 2011.

Photonics Group is also focused on energy reduction in product application by end-users. Developments in 2012 included a new design of fiber intended to replace conventional solid state types in fiber lasers, resulting in significant reduction in energy consumption.

From time to time Photonics Group encounters direct or indirect requests for facilitation payments. In 2012 the refusal of Photonics Group, in common with the rest of NKT, to comply with such requests led to significant delays in product approvals and thereby loss of orders.

FUTURE TARGETS

The business units work closely together with NKT on their collective CSR commitment. Focal issues include:

- Continuously reducing the number of work accidents
- Employee engagement
- Continued focus on contractual commitment by suppliers (annual procurement value exceeding 50,000 EUR) to the UN Global Compact
- Consolidation of NKT's Code of Conduct throughout the NKT Group
- Establishment of new Group CO₂ targets. New targets are to be defined in May 2013 in conjunction with submission of NKT's 2012 report to the Carbon Disclosure Project
- Reduction of waste in production

Certifications

	ISO 9001	ISO 14001	OHSAS 18001
NKT Cables	All	All	7 sites
Nilfisk-Advance	8 sites	8 sites	
Photonics Group:			
- NKT Photonics	All		
- Lios Technology	All	All	
- Vytran			

ISO 9001: Quality management

ISO 14001: Environmental management

OHSAS 18001: Health and safety management