



UN Global Compact

Communication on Progress (COP) 2011 by Kendrion N.V. , the Netherlands

Zeist, 7 December 2011

CEO Statement

In September 2009, Kendrion N.V. joined the UN Global Compact and committed to the ten principles in the areas of human rights, labour, the environment and anti-corruption. At that time, we have also expressed our intention to advance those principles within our sphere of influence and to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company. We have indicated that we will make clear statements of our commitments and progress herewith to our stakeholders and the general public.

I am pleased to present to you our second Communication on Progress. It shows that, again, considerable progress has been made. For the next years, Kendrion will continue to strive to carry out its commitments and intentions within the framework of the UN Global Compact initiative.

True to our commitment to inform our stakeholders and the public, we will publish this Communication on Progress also on our corporate website.

A handwritten signature in blue ink, consisting of a stylized 'P' followed by a series of loops and a final horizontal stroke.

Piet Veenema, CEO Kendrion N.V.





Profile Kendrion

Kendrion N.V. is a solution provider and develops, manufactures and markets innovative high quality electromagnetic systems and components for customers all over the world.

Kendrion develops advanced electromagnetic solutions for industrial applications. These are used by customers all over the world in systems such as lifts, door-locking systems, industrial robots, medical equipment, electrical switchbox systems, diesel engines, air-conditioning installations, motor cooling systems and beverage dispensers.

Kendrion's operations are carried out by four business units focused on specific market segments, namely Industrial Magnetic Systems, Industrial Drive Systems, Passenger Car Systems and Commercial Vehicle Systems.

KENDRION N.V.

- Development, production and marketing of high-quality electromagnetic components
- 1,600 employees (including 200 temps) in 13 countries
- Turnover: approximately EUR 250 million
- Listed company on NYSE Euronext's Amsterdam Market



Industrial Magnetic Systems

Electromagnetic components tailored to the individual needs of advanced industries.

BINDER



Industrial Drive Systems

Electromagnetic brakes and clutches for the industrial drive technology.

BINDER



Passenger Car Systems

Project solutions for specific customer applications in the automotive and special vehicle industries.

BINDER



Commercial Vehicle Systems

Individual energy-saving systems for commercial vehicles and off-road applications.

LINNIG



Mission

Kendrion is committed to being a leading international company that uses its existing know-how, innovative capabilities and commercial strengths to provide solutions to the company's industrial and automotive customers. In doing so Kendrion intends to be a transparent, flexible, sustainable, innovative and reliable company where entrepreneurial zeal is combined with clear profit targets.

Corporate Social Responsibility (CSR) of Kendrion

Kendrion's entrepreneurship pivots on the creation of multiple values; not only Profit, but also People and Planet.

CSR and sustainability are intrinsic, integral elements of Kendrion's local operations. Kendrion intends to give shape to CSR in a practical, realistic, relevant and transparent manner.

CSR means conducting business with consideration for climate effects and energy sources, with a feeling for people and the environment, and on the basis of a responsibility for the chain in which the company operates.

Kendrion attaches great importance to good relationships with its customers, employees, suppliers, shareholders and other business partners and the communities where Kendrion is active. Cooperation and dialogue with these stakeholders are essential if Kendrion is to fulfil its ambitions.

Customers (but also investors) assign also increasing importance to the CSR theme. CSR therefore creates opportunities for Kendrion for new, innovative environmental friendly products for new markets.

UN Global Compact

Kendrion has decided to further increase its efforts in the area of CSR. In support of this, Kendrion joined the UN Global Compact in September 2009. The UN Global Compact is the world's largest network initiative that unites companies, UN organisations and civil society in support of ten principles encompassing human rights, labour, the environment and sound business practices (anti-corruption). Kendrion endorses these principles and will issue periodic reports on the measures it has implemented in these areas.



WE MAGNETISE THE WORLD

Specific measures in first year

The first year after Kendrion joined the UN Global Compact initiative, was considered to be a so-called start-up year. Our main goal was to create more awareness of CSR and, more specific, the ten principles in the areas of human rights, labour, the environment and anti-corruption, throughout the whole company. In order to achieve this goal, a number of specific measures have been taken. These measures have been described in our first Communication on Progress, dated 7 September 2010, which has been published on the corporate website of Kendrion.

Specific measures in 2011

Kendrion wanted, in general, to further enhance its CSR policy and to intensify its efforts in the field of CSR. Although a lot has already been achieved, we would like to come to an even more structural approach of CSR issues and to make it, step-by-step, a more important part of our strategy, culture and day-to-day management.

Going forward in 2011, we have further developed an organisational framework to support the CSR and UN Global Compact initiatives. In springtime, we have established a CSR Board consisting of ten representatives of all our four business units and Kendrion Group Services. The CSR Board is sponsored by Mr Heinz Freitag, the COO of Kendrion, to assure top management commitment and alignment.

During 2011, the CSR Board has defined a new CSR policy for Kendrion for 2012. As a basis, an ambition statement has been formulated, which can also be found on Kendrion's corporate website.

The following CSR issues, which are relevant for Kendrion, have been identified:

- Employability and labour standards;
- Community investments;
- Supply chain responsibility;
- Waste reduction;
- Reduction of energy consumption;
- Business ethics; and
- Knowledge sharing and communication.



The CSR Board is currently in the process of finalising the concrete KPI's, baselines, targets and action plans for each of these topics.

The new CSR policy is adopted by the Executive Committee of Kendrion.

At the end of February 2012, it is the intention to publish a CSR Report (at the same time the consolidated annual accounts of the Kendrion group will be published) in accordance with generally accepted guidelines (post probably the GRI guidelines). In that report, the KPI's and targets will be further described in detail. Such report can be considered as the third Communication on Progress, after which we will follow the rhythm of publication of our annual accounts to report on progress made in the field of CSR.

Publications

In our 2010 Annual Report, we paid further attention to the CSR efforts of Kendrion. This Annual Report is available for all external stakeholders and is published on the corporate website.

We are convinced that our developed CSR policy and connected actions stimulated by the CSR Board go hand in hand with sound business practices and will lead to better results in terms of Profit, People and Planet.

Ten principles

Besides the installation of the CSR Board, the adoption of the CSR policy for 2012 and the introduction of an ambition statement, Kendrion took numerous other concrete initiatives (partly also relating to the ten principles of the UN Global Compact), which are described below. Because Kendrion will publish its third, more detailed, Communication on Progress within a relatively short time period, these specific measures are described hereinafter only in a briefly manner. These mainly relate to the operating companies in Germany, covering about 2/3 of all our employees.



Human rights

- 1. Business should support and respect the protection of internationally proclaimed human rights.**
- 2. Business should ensure that they are not complicit in human rights abuses**

Kendrion fully endorses these principles. We have included in our Code of Conduct that we should respect fundamental human rights and, more concrete, that we have to protect local employees for possible human rights abuses and that we will not tolerate human rights abuses within Kendrion's sphere of influence. By our Whistleblower's Charter we have a procedure in place that allows employees to report irregularities, also relating to human right abuses or breach of applicable laws.

Health & safety

Kendrion considers a healthy and safe working environment part of the rights of our employees. Within Kendrion, the quality, environmental management and safety systems are usually combined in one system that forms the basis for the implementation of many projects. Virtually all Kendrion's operating companies comply with the most stringent quality and safety requirements. Kendrion's environmental management systems in the bigger plants comply with the ISO 14001 standard. This includes the appointment of safety officers. Employees at some plants are also trained in health & safety issues on a regular basis.

In 2010, the overall absenteeism rate within Kendrion was 2.5% (2009: 3.7%), which is very good for our type of industrial business and geographical spread (average of 5%).

In our biggest plants in Germany, covering round half of our employees, a basket of fresh fruit is offered to all staff on a weekly basis. Aim of the initiative is to improve the health of our employees by encouraging them to take at least the recommended number of fruit daily. In three of our plants in Germany, covering almost half of all our employees, free anti-smoking courses were offered in 2011.

Besides the foregoing initiatives, Kendrion frequently organises social events, like parties and sport activities to strengthen the relationship with and between our employees.



WE MAGNETISE THE WORLD

Labour Conditions

- | |
|--|
| <ol style="list-style-type: none">3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining4. Business should support the elimination of all forms of forced and compulsory labour5. Business should support the effective abolition of child labour6. Business should support the elimination of discrimination in respect of employment and occupation |
|--|

Kendrion fully endorses these four principles relating to labour standards of our employees. Kendrion's social policy is designed to enable the company to achieve its targets and offer its staff at all levels opportunities to develop and further themselves. Open and honest labour relations and short lines of communication create a strong bond between Kendrion and its employees and enable them to actively contribute to the achievement of the company and its organisation. Kendrion wishes to help people fulfil their ambitions; our employees are the backbone of our success. Kendrion wants to invest in their future.

Kendrion offers its employees good terms of employment that are in line with the market and are always assessed against local benchmarks. Many of our operating companies have implemented career development and training programs designed to improve their staff's knowledge and skills. In 2010, the training costs (as a percentage of wage costs) were 1.00% (2009: 0.39%).

Good management is of essential importance to the future, and for this reason Kendrion assigns high priority to management development. The corporate management development programme is supported by the Kendrion Executive Programme, a customised, international modular teaching program in which the company collaborates with the Rotterdam School of Management. Every year a group of non-financial managers follows a course in finance. In addition, the various business units have implemented training programmes at all levels in the organisation.

Insight into the quality of the company's Human Resources (HR) is at least as important as insight into Kendrion's financial health, since figures and results are the product of human action. Kendrion obtains this insight with an HR audit developed by the company. The audit provides



WE MAGNETISE THE WORLD

insight into both hard HR indicators and somewhat softer issues. The audit has been found to constitute a uniform and objective instrument that measures quality and which provides a clear insight into opportunities for developments in the HR field. In addition, monthly HR key figures are reported for the entire company.

Principle 3 is explicitly mentioned in our Code of Conduct. In practice, in most of our biggest operating companies (e.g. in Germany, the Czech Republic and Austria), works councils or employee representatives have been installed and have been involved in all kind of employment matters, according to local labour laws. Around 90% of all our employees are represented by these works councils and employee representatives. Kendrion's aim is to have and maintain good working relationships with them. Collective bargaining agreements cover the labour conditions of around 75% of our employees.

In our Code of Conduct we have also explicitly mentioned that we shall not employ child labour or prisoner labour, or any other form of forced and compulsory labour within our organisation. Furthermore, the Code of Conduct states that laws, also in this area, should be respected. Local (HRM) managers should make sure we are in compliance with this principle when hiring new employees.

Our Code of Conduct clearly states that we shall not tolerate discrimination when hiring new people or regarding remuneration, by sex, race, religious denomination or by any other means for positions of equal importance. We encourage that our labour force, lower and middle management reflect the composition of local populations as much as possible.

Especially in our home market Germany, detailed and stringent anti-discrimination legislation applies. Part of this legislation is the appointment of an anti-discrimination officer, who can be consulted by employees who have questions, concerns or are the subject of discrimination. Kendrion tries to create a culture within the organisation wherein discrimination is not tolerated.

Kendrion attaches importance to the creation of diversity in nationalities and cultures: this diversity promotes intercultural experience, which is highly compatible with the current internationalisation trend. An example in this respect is a diversity paragraph in the regulations for our Supervisory Board, in line with Dutch corporate governance requirements. The number of women at management positions is still rather low. However, approximately 38% of all our employees are female.



WE MAGNETISE THE WORLD

Kendrion in Villingen, Germany, introduced a so-called Kids@Kendrion room which provides an alternative to a missed day of work for a parent. The aim is to further support parents with children in organising the appropriate work/life balance. Kendrion is proud to be able to offer their employees at the Villingen location a parent-child workroom. Also because the team's diversity adds to the success of the company.

Environment

- | |
|--|
| 7. Business should support a precautionary approach to environmental challenges |
| 8. Business should undertake initiatives to promote greater environmental responsibility |
| 9. Business should encourage the development and diffusion of environmentally friendly technologies |

As a company Kendrion bears a social responsibility that necessitates attention to environmental issues. Involvement, both now and in the future, is of great importance to the individual Kendrion companies and the enterprise as a whole. Kendrion endeavours to reduce waste and make efficient use of energy, and encourages the company's employees to make continual organisational and technical improvements to environmental procedures.

Kendrion considers a healthy and safe working environment part of the rights of its employees. Within Kendrion, the quality, environmental management and safety systems are usually combined in one system that forms the basis for the implementation of many projects. Virtually all Kendrion's operating companies comply with the most stringent quality and safety requirements. Kendrion's environmental management systems in the bigger plants comply with the ISO 14001 standard. This includes the appointment of safety officers. Also ISO/TS 16949 and ISO 9001 are in place in some of our plants. Employees are trained in order to raise awareness on environmental issues.

In 2010, an energy project has started, with the aim to reduce the use of energy (electricity, gas and oil) and related costs in six of our biggest plants in Germany, Austria and the Czech Republic, based on concrete figures and targets. It has been decided in 2011 to execute an investment in our biggest plant in Villingen, Germany, leading to reduction of 15 of the CO₂



output. Also smaller projects for reduction of energy consumption in other plants and reduction of packaging, waste, etc are running.

Within our bigger plants in Germany, we have introduced the so-called “Kenni” system. Kenni is a system by which employees on the work floor, especially blue collar workers, can propose measures that result in more efficient working procedures or in an improved environmental or health & safety situation. The best proposals will be implemented and are rewarded.

Social environment

Kendrion uses a broad definition of “environment” and is also dedicated to play a positive role in its social environment. To promote interaction with its social environment, Kendrion takes many initiatives like “Girls days”, or open days for schoolchildren and family days at our biggest plants in Southern Germany. Kendrion also organises regular meetings for its retired employees. Furthermore, Kendrion provides national and international traineeships for students and graduates.

Kendrion is the sponsor of various local (mostly small scale) social activities and events, to strengthen local communities. Examples of sponsoring are contributions for care for blind people, local Red Cross organisations, sport clubs, art expressions, cultural events and music events.



Anti-corruption

10. Business should work against corruption in all its forms, including extortion and bribery.

Kendrion endorses this principle fully. In our Code of Conduct specific attention is paid to this topic. Our Code of Conduct states that our employees and managers should always apply sound business practices. They shall not solicit or suggest, seek or offer, accept or pay any form of bribe, material or in any other way. It must be made sure that all of Kendrion's disbursements, direct or indirect, now or later, concerning a customer's order, benefit that customer only, and no one else, except legitimate intermediaries. For those who extend contracts on Kendrion's behalf, for buying, procuring, or products being made or constructed, the same rules hold in reverse. Irregularities in this area can be reported by applying our Whistleblower's Charter. In 2010, no irregularities were reported.

Furthermore, Kendrion has, in accordance with Dutch corporate governance regulations, developed regulations to avoid the use of insider knowledge and inappropriate trade in shares of Kendrion by top managers and Supervisory Board members of Kendrion.

All companies within Kendrion are requested to sign a Letter of Representation report on a quarterly basis, in a bottom up procedure. Each Managing Director and Controller confirms by signing this letter that the financial information they have reported is correct and complete. An audit program supports the financial reporting cycle. By these measures, the risk of fraud, corruption etc, within our company is further mitigated.

Finally, in 2011 a new Anti-Corruption and Bribery policy was adopted. This will lead to further implementation measures throughout the group in the course of 2012.