



Communication On Progress 2008

CEO's message

Kjaer Group signed up to United Nations' Global Compact in November 2003. Since then we have publicly reaffirmed our commitment and our support of the ten principles. Of special note is the subsequent signing up of Kjaer Group's subsidiaries, MotorCare Uganda and MotorCare Mozambique and in 2007, when Kjaer Group confirmed our support for a cleaner environment by signing up to UN's environmental initiative, Caring for the Climate.

For more than 4 decades, Kjaer Group has successfully provided vehicles and automotive solutions in some of the most remote areas of the world. Continuously doing so depends on our customers having faith in what we say and what we do. In this respect, the Global Compact and the ten principles provide a good framework for conducting our business according to high standards and communicating it to our stakeholders. Thus our membership in the Global Compact and focus on the 2015 Millennium Development Goals are important frameworks for our activities

With a presence in Africa, Asia, Europe and the US, with a multitude of different ethnic backgrounds and religions, the ten principles provide a uniform set of guiding principles for Kjaer Group's employees. Since our business has taken Kjaer Group to more than 150 different countries in recent years, we use the ten principles to communicate Kjaer Group's business principles to our customers and partners.

Thus continuously confirming our support of the ten principles is an important parameter of Kjaer Group's membership in the Global Compact. In 2008 we chose to confirm our commitment by supporting the newly established Global Compact Foundation and by actively supporting local networks.

In support of the local networks the General Manager from Kjaer Group's subsidiary MotorCare Uganda participated in the launch of the Global Compact network in Uganda. The launch was arranged by the Global Public Policy Institute, Uganda Investment Authority and the Federation of Ugandan Employers and counted more than 100 participants from the Ugandan business community. As one of the very first signatories in Uganda, MotorCare Uganda gave a presentation on the benefits and motivations behind our membership in Global Compact.

The General Manager of Kjaer Group's subsidiary MotorCare Mozambique is an active member of the steering committee in the local Global Compact network in Mozambique. Represented by the General Manager of Motorcare Mozambique Kjaer Group participated in the Global Compact and African Union Commission event called *Africa's Industrial Drive*. The objective with the business partner forum was to improve the environment for doing business in Africa and promote rapid and sustainable socio economic growth in Africa.

I am proud to report that 2008 proved to be a successful year, with the best financial results ever in Kjaer Group's history. Simultaneously we continued our community initiatives which achieved international recognition.

In 2008 we finalized and launched the fleet safety toolkit which Kjaer Group developed in collaboration with the Fleet Forum and the Global Road Safety Partnership. The fleet safety toolkit is a resource designed to help organizations operating in difficult environments reduce road crashes and traffic fatalities – one of the world's silent catastrophes. The toolkit is freely available on www.kjaergroup.com where further information on the project and the partners can be found.

In 2008 Kjaer Group was voted as one of the world's top ten companies in working on development. Labeled *What Separates the Best from the Rest*, the leading industry magazine of Kjaer Group's customers, Monday Developments, voted Kjaer Group as one of the leading corporations in the world in support of global development. I was pleased to see that one of the reasons for receiving this nomination is the fact that Kjaer Group continues to develop and enhance new services in order to better serve our customers who often operate under very difficult conditions. For a company of Kjaer Group's size, I consider it an achievement to receive this nomination alongside global corporations like Google, Coca Cola, American Express and Citibank.

In recent years, Kjaer Group has witnessed a steady growth. Due to implementation of new strategies, we are gearing up for rapid growth in the future and we expect to double Kjaer Group's turnover and significantly increase our number of employees within the next few years. In order to manage this growth, the Global Compact will serve as an important framework for implementing our business procedures and policies.

Per S Lundgren
CEO

Kjaer Group's approach

In Kjaer Group we interpret our membership in the Global Compact as a strong commitment to corporate governance. Thus, Kjaer Group's main objective with signing up to the Global Compact is because we share mutual values and we wish to publicly announce that we conduct our business in accordance with the ten principles promoted by the Global Compact.

It is important for Kjaer Group to make sure that we conduct our business according to high ethical standards. Being an SME with approximately 250 employees we have found it effective to implement the ten principles as an inherent part of our corporate values through internal communications, training seminars and open dialogue, and we are pleased to say that we believe to be in compliance with the ten principles. Boldly speaking, we consider adherence to the ten principles as our license to operate.

As Kjaer Group is preparing for growth and we expect to double in turnover and size during the next 5 years, we realize that we need to implement new procedures in order to make sure that we can continue operating with our high standards and transparently account for our operations. Therefore as of 2010 and onwards, Kjaer Group will use different reporting principles – these will be implemented during 2009. This will also enable us to report on our sustainability initiatives according to international reporting standards. For the present Communication on Progress, featuring Kjaer Group's activities in 2008 we will continue to report as we have done in the recent years.

Besides using our membership of Global Compact as an internal governance framework, Kjaer Group, by signing up, wishes to communicate that we are in support of a sustainable and inclusive world economy. Our interpretation of this is that we believe that a healthy business

environment is part of the solution to some of the world's development problems. As Kjaer Group has specialized in providing vehicles and automotive services in low and middle income countries, we realize that healthy economic development of low and middle income countries is bound to have a positive impact on our business. Therefore we see a strong strategic fit between Global Compact's and Kjaer Group's objectives.

Kjaer Group operates mainly in Sub-Saharan Africa and Asia; and this is also where we have the largest percentage of our colleagues. Thus, we see the consequences of environmental carelessness on a daily basis and we know what it is like for people to live and work in countries with limited focus on human and employee rights. We understand that under these circumstances, there is a special responsibility on our shoulders in terms of making sure that everything we do is according to Kjaer Group's values and Global Compact's principles.

Kjaer Group does not produce the products we sell, nor do we have an energy intensive business, and as such our ability to impact the environment is limited, however we do believe that, besides operating with a gentle impact on the environment, we have a responsibility in communicating the need for greater environmental concern. This is reflected in some of our initiatives and will be described in the following statements on Kjaer Group's environmental accountability.

Human and labor rights

Principles 1, 2, 3, 4, 5 and 6

Kjaer Group respects internationally proclaimed human rights and we strive to make sure that we are not complicit in any form of human rights abuse. Kjaer Group exercises the right to freedom of association and we do not conduct or condone forced, compulsory or child labor.

Having low and middle income countries as our core markets, we realize that some of the countries in which we operate are characterized by not having well functioning independent labor unions and human rights institutions. In order to address this and make sure that Kjaer Group is not complicit in any form of human and labor rights abuse and being able to account for this, Kjaer Group has put in place three measures: anonymous employee satisfaction surveys, Investors In People certification and balanced score cards.

Employee Satisfaction survey

Every year Kjaer Group performs a global satisfaction survey among our employees. The survey is anonymous and evaluates Kjaer Group against 62 indicators pertaining to the working environment. The indicators are categorized into 6 subgroups: credibility, respect, fairness, pride, camaraderie and Investors in People. Among others the indicators deal specifically with human rights and discrimination.

The survey is a result of a subjective and personal evaluation of Kjaer Group by each individual employee and, as such, the objectivity may be called into question. However we still believe it provides Kjaer Group and our stakeholders with a first hand indication of whether our own employees find that we are in compliance with our corporate values.

In 2008 it was Kjaer Group's ambition to score in excess of 80% on the question: All things considered, this is a great place to work. With 84% positive answers, we believe that this is a clear indication that we are in compliance with human and labor rights principles.

Investors in People

Every third year, Kjaer Group and all our subsidiaries are certified Investors in People (IIP) which is an internationally acknowledged people management standard. In order to be certified as an IIP organization, Kjaer Group must involve the employees in critical business strategies and personal development needs. Moreover the management must ensure that all employees are treated fairly and have indiscriminate access to development and support.

Kjaer Group was first certified as an Investors in People organization in 2002 and subsequently recertified twice with positive feedback from the independent assessors. Investors in People is a useful independent assessment of our people management performance. Therefore we introduced Investors in People in our subsidiaries in 2005. Kjaer Group was recertified in 2007 and our subsidiaries have passed their recertification tests in 2009. One of the re-certifications is pending an improvement plan for one specific indicator which did not meet the IIP standards satisfactorily. Thus Kjaer Group's subsidiary has developed an action plan to improve management feedback in one department in that specific company.

Based on the above items, we are satisfied with our standards and the performance with our subsidiaries, and we believe the approved certifications serve as evidence that we are in compliance with the Global Compact principles on employee and human rights.

Balanced Score Cards

All employees in Kjaer Group and subsidiaries have job descriptions and balanced score cards, regardless of position. The main objective with balanced score cards is to secure implementation of our business strategy. One of the collateral benefits of this is that all employees are subject to objective evaluation systems and as such the balanced score card is one of the initiatives which secures that employees in Kjaer Group are treated transparently and fairly.

The balanced score cards are supported by bi-annual Performance and Development Appraisals (PDA) and a "grandfather rule". The PDA secures that all employees have their performance and training needs evaluated twice per year. The grandfather rule is put in place in order to secure that all employees receive open and fair treatment. The grandfather rule ensures that employees are not only evaluated by their immediate line manager, but also by a manager positioned a level higher in the organization.

Besides the above initiatives, Kjaer Group continues the employee shareholder program which means that all employees are given the opportunity to buy shares in Kjaer Group on favorable conditions. 22% of Kjaer Group is owned by the employees, and on a group wide basis at the turn of the year 2008/2009, more than 90% of all employees were shareholders in Kjaer Group. In Kjaer Group, we are pleased with this statistic and believe it is a clear indication that we try to give all employees the best opportunities.

Kjaer Group also continues our LifeClub which is an independent employee association within each of our subsidiaries and our head quarters. The LifeClubs serve as platforms for social events, employee initiatives and a forum for addressing working environment initiatives. They are open and independent interface between employee and employer and ensure that any issue can be addressed. Two of the more significant outcomes of the LifeClubs are the fact that today all of our employees have a medical insurance, and all employees and spouses receive HIV/AIDS awareness training.

Environment

Principles 7, 8 and 9

Kjaer Group approaches the environment with utmost precaution. Our initiatives in preserving a healthy environment are two fold. We focus on raising awareness about the need for a gentler approach toward the environment, and we focus our attention on our own health, safety and environmental performance. We do this by striving to implement high environmental standards in our operations.

In our support for a gentler approach toward the environment, Kjaer Group is a member of Global Compact's initiative *Caring for the Climate* and we are a member of the United Nations Environment Programme's initiative Partnership for Clean Fuels and Vehicles. In that capacity Kjaer Group continuously advocates environmental precaution and together with the UNEP, Kjaer Group has developed and published the folder *Cleaner Motorcycles* which educates our customers on the right environmental choice when they are buying motorcycles.

In Q4 2007 Kjaer Group introduced a new initiative which continued through out 2008 and in 2009 is becoming a permanent initiative. The initiative is called Fleet Care and focuses on safe, efficient, cost effective and environmental fleet management. As Kjaer Group has been supplying vehicles to the international Relief and Development sector for decades, we have also seen the consequences of not paying proper attention to fleet management – from a safety, cost and environmental perspective.

Therefore in 2008 Kjaer Group established a research team which performed independent fleet assessments in 9 different countries covering more than 1000 vehicles operating in Sub-Saharan Africa. The objective was to get enough data which would enable Kjaer Group to develop safe, reliable, cost efficient and environmentally friendly fleet management practices according to high international standards. Among others the research investigated disposal and waste handling policies and procedures. Besides giving Kjaer Group the knowledge to develop new solutions to our customers' challenges, it also put us in a position to educate our customers on their own environmental practice. As the assessments were followed by a thorough debrief with international and national senior leadership, we expect that one of the outcomes of this initiative is that our customers will put green fleet management higher on the agenda.

Kjaer Group's subsidiaries, Motorcare in Uganda, Mozambique and Sierra Leone are national vehicle distribution and workshop centers for some of the world's largest vehicle manufacturers. In order to hold the official mandate for vehicle distribution and service, Kjaer Group's subsidiaries need to comply with international standards proposed by the manufacturers.

Not only do we comply with the proposed international standards; in 2008, Motorcare Uganda was awarded as the very best of Nissan's National Sales Companies in the General Overseas Markets. Being an official Nissan National Sales Company, means that our subsidiaries need to comply with Nissan's strict N-CAM system which describes all business processes, including workshop performance and standards. Receiving this award means that not only do we comply but we are among the top of Nissan's National Sales Companies.

Anti-Corruption

Principle 10

Corruption is detrimental to the stability and economic growth of societies. Therefore fighting corruption is a local and a global concern. As some of the countries in which Kjaer Group operates are still struggling with the consequences of decades of corruption; working against corruption is not only part of our corporate profile, it makes business sense as it hinders the prosperous development of our markets.

Integrity is a cornerstone in Kjaer Group's business and we strive to conduct our business according to high ethical standards. In that respect, Kjaer Group has a strict zero tolerance policy regarding corruption.

It is a prerequisite for employment with Kjaer Group that all employees familiarize themselves with Global Compact, and information on Global Compact is part of the induction program at Kjaer Group. All managers in Kjaer Group have the responsibility of making sure that employees are not complicit in corruption of any kind and it is a part of the performance evaluations of our managers. Compliance with Kjaer Group's corporate ethics is one of the important criteria in all employees' job descriptions and performance appraisals.

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