



COP 2012

GLOBAL COMPACT COP, 2012

COMMUNICATION ON PROGRESS KK-ELECTRONIC, 2012

Commitment to the Global Compact

KK-ELECTRONIC HAS REACHED NEW HEIGHTS IN SUPPLYING GREEN ENERGY

In the past year kk-electronic has experienced several improvements for us being a part of the renewable energy industry.

In April 2012 kk-electronic launched a new product, a wind turbine platform, that has the abilities of optimising, measuring, controlling and surveilling the wind turbine in its operation activities. These are all important and relevant aspects of the renewable energy industry today, since the aim is to be competitive with other kinds of energy sources, such as fossil fuels. With the new product we aim at being a supplier of a holistic system, that contributes to the goal of renewable energy sources to be the

preferred source ahead of more polluting kinds of energy.

Another sustainable step was in the autumn 2011 where kk-electronic purchased our own wind turbine, partly for testing the new control system, and partly for supplying the energy for running the company by ourselves. The installation work is now complete, and the wind turbine already produces more than the company consumes on an annual basis.

Finally we have made improvements in the field of Corporate Social Responsibility from our membership of UN's program Global Compact. We have now much more focus on CSR, which is an advantage for us as a global player in the renewable energy industry.

kk-electronic continuously supports the Global Compact work and the ten principles by obtaining more insight into the areas of CSR and following implementing this in our routines and operation throughout the organisation.



Tommy G. Jespersen,
CEO

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kk-electronic in 2012

In the COP 2011 kk-electronic was represented as three separate institutions in Denmark, Poland and China. The company is now harmonized into one unit, which is also why the COP 2012 is made on behalf of kk-electronic's locations in Denmark, Poland and partly also China. However, in China, in kk-Qianwei, they have made their own CSR report, which is included below.

CSR EFFORTS

In our COP 2011 we used a SWOT analysis for measuring how to prioritize our approach to the ten principles. Three of the principles appeared to need our attention more than the remaining seven

principles, and we began with a focus on these elements. They were principle 2, 4 and 5, and our scope for approaching these principles were to:

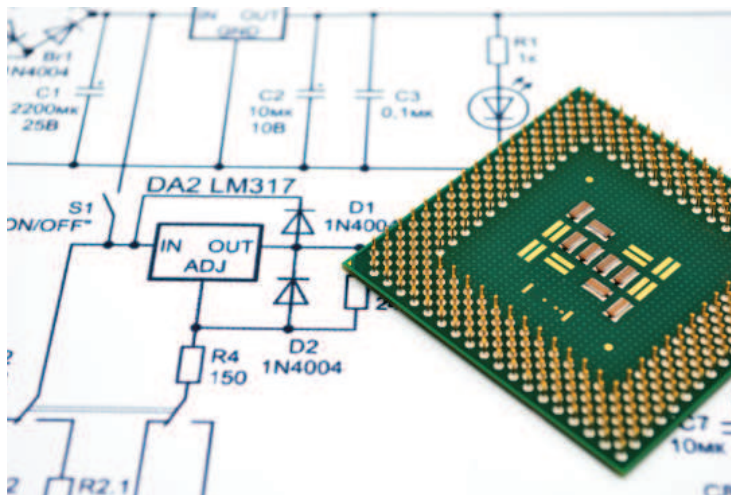
- engage our suppliers in CSR
- make a policy of human rights
- make a policy of non-use of child labour
- make a code of conduct

When beginning working with these scopes, however, we soon realized that the row and volume of our intentions needed to be revised, and in order to reach the best possible final result, we chose to revise our goals.

Our approach to working more intensely with CSR began in a process of implementing the CSR thinking and planning in the company by a CSR "wheel" (p. 5), which would ensure that the activities involved were handled correctly.

Furthermore, we made a code of conduct to ensure the implementation of CSR in small steps.

This meant, however, that we had to postpone the policy of human rights and the policy of non-use of child labour for the following year's efforts.



FOR THREE DECADES KK-ELECTRONIC HAS EVOLVED TOGETHER WITH THE WIND ENERGY INDUSTRY.

TODAY MORE THAN 18,000 KK-ELECTRONIC CONTROL SYSTEMS ARE INSTALLED IN WIND TURBINES AROUND THE WORLD.

CSR business practices

CODE OF CONDUCT

In our COP of 2011 we stated that we would make a Code of Conduct for each of our three locations: in Denmark, Poland and China. We have made one Code of Conduct for these three locations, and the implementation process was initiated in the first half of 2012.

Our Code of Conduct includes codes on how to act in the areas of Collaboration, Human Rights, Labour, Child Labour, The Right to freedom of association and collective bargaining, Discrimination, Health and Safety, Environment, Corruption and Bribery.

CODE OF CONDUCT IN SUPPLY CHAIN

Throughout our Supply Chain, kk-electronic is implementing the Code of Conduct in the various functions during 2012. The implementation in the Supply Chain is made in two steps to ensure that the codes reach every function in the chain. One step is communicating the Code of Conduct to managers, and another is communicating the codes directly to employees.

SUPPLIER CODE OF CONDUCT

In kk-electronic's supplier network we are also going through an implementation process, with the aim of the Code of Conduct being an integrated part of our contracts, audits and daily cooperation with our suppliers. For our suppliers the Code of Conduct formulates the minimum requirements of ethical behavior for kk-electronic corporate management, kk-electronic employees, as well as consultants and contract workers who provide products or services to our organizations on a global basis.

Our Strategic Sourcing department is

implementing the Code of Conduct in the supplier network beginning with the group of suppliers that is estimated to be in a high risk group. The segmentation of suppliers is made through a risk assessment analysis, dividing the suppliers in three groups. The degree of risk for each supplier decides the kind of approach required from kk-electronic. Compared with the total amount of suppliers a rather low percentage is in the high risk group. The suppliers have been contacted with our Code of Conduct implementation followed by a self-assessment form and a visit. The high risk group, to be prioritised first, consists of companies with a significant volume and production in low cost countries, and have no CSR policy.

kk-electronic seeks the acceptance from our suppliers through a letter of Business Conduct Standards:

BUSINESS CONDUCT STANDARDS

kk-electronic expects the suppliers to conduct their business responsibly, with integrity and honesty and to adhere to the following standards:

Compliance with applicable laws

Suppliers are required to comply with all applicable laws, regulations and codes in the countries of operation.

Labour

Suppliers shall, at a minimum, comply with all applicable laws relating to minimum wages, working hours, overtime compensation and legally mandated benefits.

A Workplace Free of Child Labor

Suppliers will not use child labor. "Child" refers to any person employed under the age of 15, or under the age for comple-



ting compulsory education, or under the minimum age for employment in the country, whichever provides the greatest protection.

Freedom of Association

Suppliers shall respect the right of workers to associate freely, to join or not join unions, to seek representation, and/or join other worker's organizations in accordance with local laws and regulations.

A Workplace Free from Discrimination

Suppliers will not discriminate in the hiring process or employment policies such as promotions, rewards and access to training, based on race, ethnicity, color, age, religion, sexual orientation, disabili-

ty, gender, political affiliation, union membership marital status, or any other protected characteristic under the law.

Health and Safety

Suppliers will provide a safe and healthy workplace in compliance with applicable laws and regulations. Our suppliers provide safe and healthy working conditions and are committed to work constantly with protecting employees from work related hazards and dangers in the work-place.

Protection of the Environment

Suppliers will conduct their business operations with care for the environment and comply with all applicable environmental laws and regulations.

Ethical dealings

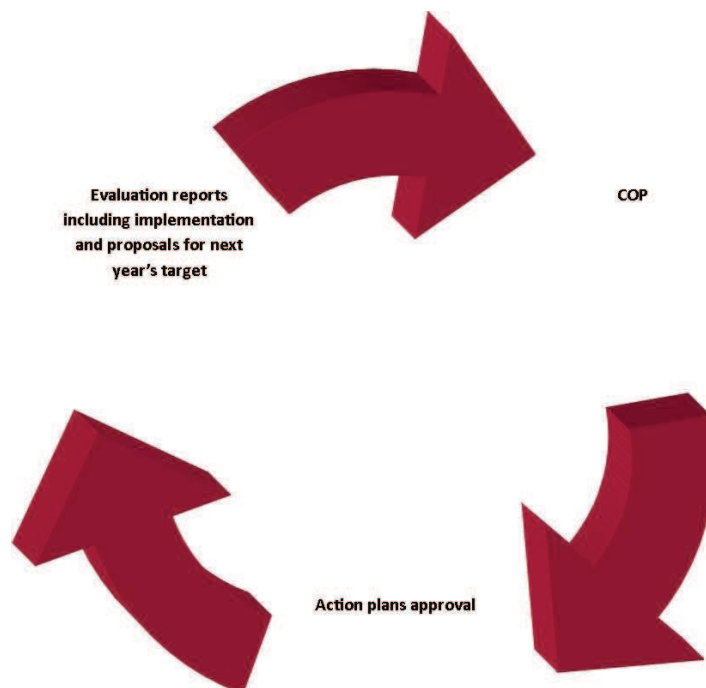
Suppliers must comply with all applicable laws regarding bribery, corruption and prohibited business practices and shall respect kk-electronic's policies regarding corruption and bribery.

CSR WHEEL

In 2012 we developed a CSR "wheel" in order for the organization to continuously follow the plans and processes as well as the progress of our CSR efforts. The CSR wheel is also a tool that assists us in our CSR employment.

The flow of the wheel constitutes a year, and in each step more information in the specific area is available for the user. Via our internal communication channel we have provided access to the wheel and more information on each subject including links to the Code of Conduct and to other relevant information in connection with the CSR activities.

So besides being a planning tool, the purpose of the wheel is to keep all employees informed about our activities and progress within CSR.



Code of Conduct

kk-electronic's Code of Conduct is our commitment to conduct our business with integrity in all our actions. It is a tool for us to perform our jobs in the best possible manner.

As a part of that kk-electronic and our suppliers must comply with national laws and regulations as well as the principles expressed in our code of conduct, and we expect our suppliers to ensure, that their sub suppliers are aware of and complying with our code of conduct.

It is our conviction that carefulness and responsibility contributes to our competitive strength and as such benefits our customers. We are all responsible for maintaining good work relationships and habits. Keep up the good work!

Collaboration

We emphasize collaboration in all our work activities in order to reach optimal work conditions for each of us, and in order to ensure a sufficient basis for everyone to accomplish their tasks.

Only by working together in an honorable manner can we conduct a business with integrity that supports a healthy daily work life.

When in doubt we should not face challenging situations alone, but seek input from our management before making decisions or taking new steps. However, before asking questions to others we ask ourselves:

- What is my role and responsibility?
- What would be in kk-electronic's interest?
- Am I convinced that this is legal and ethical?
- If this is known to the public, would that be of benefit for kk-electronic?
- Is this complying with our strategy of being globally oriented, of being market driven and of keeping attention towards our customers?
- Would this be of interest to my colleagues (knowledge sharing)?

If you are still in doubt contact your management in order to get advice on how to proceed.

Human Rights

kk-electronic and our supplier shall protect workers from acts of physical, verbal, sexual, or psychological harassment, abuse, or threats in the workplace, whether committed by managers or fellow workers including when determining and implementing disciplinary measures.

Employee Privacy

kk-electronic and the supplier shall respect the privacy rights of its employees whenever it gathers or keeps private information.

Leave

kk-electronic and our suppliers must offer vacations, leave periods and holidays consistent with local laws and regulations. Furthermore parental leave must be offered to employees who care for a newborn or newly adopted child. Women, who take maternity leave, must not face dismissal or threat of dismissal, and shall be able to return to work in their former employment at the same rate of pay and benefits.

Labour

kk-electronic wants to ensure, in kk-electronic and through our supply chain, safe working conditions, and that workers are treated with respect and dignity, both in the recruiting process, during employment and in connection with termination of employment.

Working hours

Both in terms of weekly working hours and off periods, these will under no circumstances exceed the maximum permitted under local laws and regulations.

Wages and employment conditions

kk-electronic and our suppliers must comply with all local laws and regulations regarding wage, overtime wages, sick leave and other elements of compensation.

Child Labour

kk-electronic and our suppliers oppose to child labour. We will work to prevent and remove any instance of child labour in a manner that is consistent with the best interest of the child.

Minimum Age Requirements

We must not engage in, or benefit from, the use of child labour. The minimum age for employment shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than what has been determined by local laws and regulations.

The right to freedom of association and collective bargaining

kk-electronic and our suppliers respect the rights of employees to associate freely and join workers organisations of their own choice. There shall be no dismissals, discrimination, harassment or intimidation due to association or union.

Discrimination

kk-electronic and our suppliers will not engage in or support discrimination on the basis of race, colour, sex, language, religion, political or other opinion, caste, national or social origin, property, birth, union affiliation, sexual orientation, health status, family responsibilities, age, and disability or other distinguishing characteristics. Hiring, remuneration, benefits, training, advancement, discipline, termination, retirement or any other employment-related decisions shall be based on relevant and objective criteria.

Health and safety

kk-electronic and our suppliers provide safe and healthy working conditions and are committed to work constantly with protecting employees from work related hazards and dangers in the workplace. In order for this to succeed we must all follow the health and safety policies and procedures outlined by the company.

Environment

All of us are responsible for respecting the environment and striving to conserve natural resources in operating our business. Translated into day-to-day activities, that means using resources efficiently, recycling as appropriate, handling any bio-hazardous materials properly and disposing of all waste according to our policies.

Furthermore kk-electronic and our suppliers shall maintain awareness of current environmental legislative requirements, which are relevant to the environmental impacts of activities, products and services. Also, we must ensure legal compliance through training, awareness, operational control and monitoring.

We also need to demonstrate continuous improvements of the overall environmental performance related to significant environmental aspects.

Corruption and Bribery

kk-electronic and our suppliers shall refrain from bribing, or using any other method, to unjustly influence public officials, the judiciary and/or private parties.

Our contracts with agents, intermediaries and consultants shall include a section on anti-corruption and that the contract holder must comply with all applicable laws and regulations.

kk-electronic is part of an anticorruption partnership on the Chinese market, established by the Danish Embassy in Beijing.

Joint-venture in China

Initiatives in kk-Qianwei

KK-ELECTRONIC'S JOINT-VENTURE COLLABORATION WITH QIANWEI, A PART OF THE CSIC GROUP, ALSO DEMANDS FOR A FOCUS ON CSR AND HOW TO CONDUCT OUR BUSINESSES

kk-Qianwei has made a CSR report on their initiatives showing their focus on CSR, with guidance from the organisation of sustainable investments, IFU.



KK-QIANWEI CSR REPORT ON HUMAN RIGHTS & NON-USE OF CHILD LABOR

kk-Qianwei has been fulfilled the commitments about human rights & non-use of child labor set out in the Global Compact throughout 2011 and some action plans have been made for 2012.

1. About Human Rights:

1.1 Status: kk-Qianwei supports internationally proclaimed human rights in all of its spheres of influence:

- Freedom of association: kk-Qianwei has set up its own labour union to represent the employees' right, and a union for female employees was also set up to protect the female staff's right. The company provided the unions with all the necessary conditions for carrying out its activities. All the employees in the company are allowed to join the union at their own discretion. By now all the employees have joined the union.

- Collective bargaining: In 2011 a collective contract has been signed by and between the trade union on behalf of the employees and the general manager on behalf of the employer. In 2012, all the terms included in the collective contract will be continually executed.

- About labour rights: all kk-Qianwei employees' salary is above minimum salary specified by the local government; in 2011 there was no excessive overtime working, all the overtime working was paid according to the labour law of China.

- Nonuse of child labor:

kk-Qianwei has never used child labor,

no kk-Qianwei staff is under the age of 18.

1.2 Action Plan:

- kk-Qianwei has no separate written human right policies so far, in 2012 some human right policies shall be explicitly written in various company policies/rules. For example, policies regarding Equal Opportunities Employer and non-use of child labor shall be stated in the recruiting policies;

- More dialogue & communication shall be conducted regarding the equal opportunity policies.

2. About non-use of child labor in the supply chain:

2.1 Status:

- All kk-Qianwei suppliers have signed *Supplier UN Global Compact* which means their commitment not to use child labour.

- All the supplier's renewed business licenses have been received which means that they have complied with the labor law in China which states clearly: "The employer shall be banned from recruiting juveniles under the age of 16".

2.2 Action Plan

- More communications besides business license check with our suppliers in 2012 regarding this, one of the possibilities is to ask suppliers to report the status of non-use of child labor

Products for more wind energy

Optimising renewable energy

IN APRIL 2012 KK-ELECTRONIC LAUNCHED ITS NEW GENERATION OF WIND TURBINE CONTROL SOLUTION

6TH SENSE WIND TURBINE PLATFORM

The global challenge in the field of energy is increasing. Prices on traditional fossil energy are increasing and governments are constantly looking for alternatives with a sustainable profile. This puts wind on the agenda as an energy source that is an operational alternative, and it demands for wind energy to become competitive compared with other energy sources, renewables as well as fossils. kk-electronic has met this challenge by developing a 6th sense wind turbine platform

In a Danish wind turbine park up in the Northern part of Jutland the blades of one of the wind turbines are continuously sweeping through the air. The blades' movement seems to continue endlessly while covering an enormous area, but at the same time it has a calming effect. Once in a while you get a glimpse of how they are pitching a little, acting on the control system's demands. The wind turbine is kk-electronic's newest investment, and underlines the company's emphasis on renewable energy sources, but just as much it is an investment in a high quality wind turbine for testing the company's new wind turbine platform. The platform meets several needs of a wind turbine operation, and allows for an interaction in the data collection that gives the wind turbine a 6th sense.

Cost of Energy reduction

The target of wind turbine manufacturers and energy companies is a reduction of Cost of Energy (CoE) with up to 30% within the next years, which means that this is the same focus for kk-electronic and their next generation of wind turbine platform.

The new development from kk-electronic with CoE reducing elements is a platform that covers and connects the wind turbine's different systems. It is a complete infrastructure of data, gathered and analysed to continuously improve the wind turbine's output. It is developed as an open platform in which you collaborate in one language on optimizing the wind turbine and its operations.

Henrik Simonsen, Technology Director at kk-electronic, states:

"C is not just a control for a wind turbine. It is a total infrastructure or coherent tool box, that provides the tools necessary for optimizing a single wind turbine or a whole park. In its complete form it has the features of measurement, analysis, development and implementation. In one platform it is a control system, a measurement system, a data collecting system, an analysis system, a development system, a simulation system and a test and roll out system, all of it connected and ready for use. The platform has given kk-electronic an insight into a long row of improvement possibilities in the field of Cost of Energy."



The C platform is a turning point of analysis and learning, and a turning point of development and direct implementation. It short-cuts and automates a row of work processes in the optimization of wind turbines. The interconnection platform provides 6th sense abilities. It will predict the optimal next steps of the wind turbine, and in this way avoid unnecessary wear and tear on the mechanical construction. All data will control the

wind turbine in an optimising manner and finally provide the ability to reduce the Cost of Energy by means of eg. less material consumption.

Hardware features

Physically the platform "C" consists of a row of dedicated wind turbine modules that measure and control all elements in a wind turbine, of which the most important are pitch, structure, converter and grid modules. Furthermore each wind turbine contains a data and information server, which via a network is connected to a park server, and further up to an enterprise server, functioning as a work station for the development team.

Software features

The platform software development, changing algorithms, is based on mathematical models of the wind turbine, and regulation and control algorithms written in mathematical equations. This means that these are tools directly accessible for any type of engineer, and with direct interface to aeroelastic design programs. Furthermore the system allows for the customer to integrate own software applications.

Human aspect of "C"

As a platform it is interconnecting people and functions of the company, its management, its developers, its supervisory personnel and its service and maintenance people.

In kk-electronic's wind turbine in Jutland the platform is collecting and analyzing the data, while controlling, optimizing, measuring and surveilling the operation of the wind turbine. Now, three months after commissioning, the control system performs outstanding, running with a daily availability higher than 98%, and the wind turbine continuously produces more energy than the amount consumed by kk-electronic.

Purchase of wind turbine

KK-ELECTRONIC HAS PURCHASED A 2 MW WIND TURBINE, WHICH COVERS MORE THAN THE COMPANY CONSUMES IN ITS OPERATIONS

The carbon offset or the emission permits are determined by governmental bodies based on emission targets and sold to companies, which are required to hold a number of permits (or carbon credits) equivalent to their emissions. The permits are traded among markets, companies, governments, or other entities to comply with the limits on the total amount of carbon dioxide they are allowed to emit or to mitigate their own greenhouse gas emissions from transportation, electricity use, and other sources.

The offsets/emission permits are typically achieved through financial support of projects that reduce the emission of greenhouse gases in the short- or long-term. The most common project type is renewable energy such as wind farms, biomass energy, or hydroelectric dams.

kk-electronic invests in wind turbine
kk-electronic has chosen another way to ensure that the energy consumption from the company and its production doesn't harm the environment:

kk-electronic has – also as a way to demonstrate its commitment to the wind power industry – decided to buy their own wind turbine. The company develops and manufactures control systems for wind turbines and the solution is a very important element in making the wind turbines efficient and safe energy generators. Control systems are often described as the “brain of the turbine”, which oversee the operation and safety systems and communicate to utility companies' central control rooms.

In November 2011 the company took over a 2 MW wind turbine located on the west coast of Denmark – in the southern part of Thy, which is an area with strong wind and close to the sea. In this location a 2 MW will be able to produce approx. 6-7 mio. kWh annually, and this will more than offset the consumption of kk-electronic's operations. kk-electronic is effectively substituting traditional energy with a clean, non-polluting renewable energy source.



kk-electronic's wind turbine in the Northern part of Jutland, supplying enough energy to cover the company's consumption.



The investment in the wind turbine is another step in kk-electronic's awareness of sustainability and focus on conducting a business that is ready to face a future where the nature of operating a business and sustainable improvements are combined.

Measurement of outcomes

KK-ELECTRONIC SPENT THE LAST YEAR ON INITIATING PROJECTS AND PROCESSES THAT WILL ENSURE A FOCUS ON CSR

kk-electronic has made the CSR wheel, and the implementation phase is already initiated. However, we expect the implementation to be an on-going process for the rest of 2012.

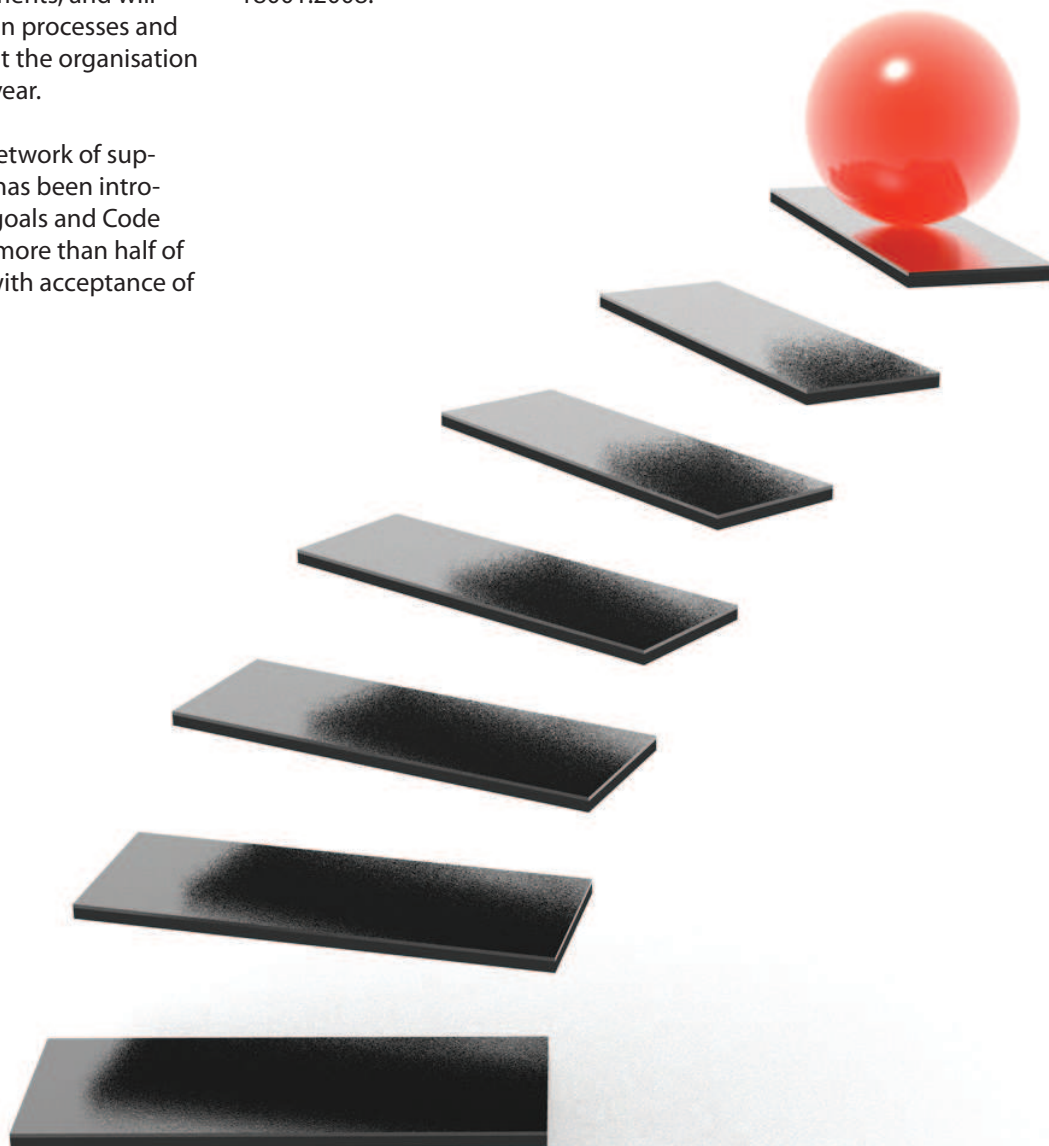
It is the same case for kk-electronic's Code of Conduct. The code has been developed and published internally to managers and departments, and will now be implemented in processes and procedures throughout the organisation during the rest of the year.

Finally the extensive network of suppliers at kk-electronic has been introduced to the our CSR goals and Code of Conduct. Currently more than half of them has responded with acceptance of our inquiry.

QUALITY STANDARDS

During 2011 kk-electronic also focused on the standard OHSAS 18001, Occupational Health & Safety, and on becoming certified for the use of this standard. We expect to be certified for this standard ultimo 2012.

Furthermore, through our QHSE policies (Quality, Health, Security and Environment) we ensure that kk-electronic always comply with DS/EN ISO 9001:2008, DS/EN ISO 14001:2004 and DS/OHSAS 18001:2008.



New efforts in 2012-13

DURING THE NEXT YEAR KK-ELECTRONIC WILL MAKE NEW EFFORTS IN ORDER TO IMPROVE THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY

To this point we have focused on the principles 2, 4 and 5 - not being complicit in human rights abuses, elimination of all forms of forced and compulsory labour and effective abolition of child labour. These have been the principles that needed most focus. The remaining principles were estimated in our SWOT analysis to be working well at the time of the examination, and so far we have concentrated on improvements in the areas that showed to need immediate attention. During the next year we will also be focusing on the remaining principles.

In terms of implementing our Code of Conduct, we expect the implementation phase in our network of suppliers and

within our Supply Chain to be on-going through 2012, and also in 2013.

With the CSR wheel and the Code of Conduct, we were ready to take the next steps: a policy of human rights and a policy of non-use of child labour. According to the scope of our efforts in 2010-11 we were to make these policies for the COP 2012.

We had to revise our efforts and did not make the policies yet, but they will be a natural follower of our work so far with the CSR wheel and the Code of Conduct. As such the policy is in our scope for next year's COP.

The detailed action plans for kk-electronic's CSR activities for 2012-13 will be made according to this COP and taken into the business via the CSR wheel.

SCOPE OF COP 2012

For the next year we will be taking a new look at the remaining seven principles of the Global Compact throughout the company.

We will also continue the implementation process of our Code of Conduct in our Supply Chain and with our suppliers.

Finally we will be implementing the CSR "Wheel" (the internal processes of gathering information for our CSR work, as well as for distributing information on CSR), and make a policy on human rights and a policy on non-use of child labour.



kk-electronic®



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