



kk-electronic®

Global Compact Progress Report 2013



kk-electronic develops, and manufactures control systems for wind turbines. More than 18,000 wind turbines worldwide use kk-electronic control systems produce electricity in a sustainable way.

Welcome to Progress Report 2013

This Progress Report 2013 constitutes the reporting commitments of kk-electronic in 2013. The purpose of the Progress Report 2013 is to provide our stakeholders with a fair and balanced picture of our sustainability efforts in 2013.

The Progress Report 2013 also serves as our annual communication on progress in sustainability, as required by the United Nations Global Compact. The basis of the report is based on a dialogue with main stakeholders.

Table of Contents:

Progress and highlights 2013	4
Our continuous focus on sustainability	6
Human Rights	8
Environment	12
Employees	19
CSR initiatives in our joint venture KK-QIANWEI in China	24
Progress on CSR and the CSR scope for 2013	26

PROGRESS AND HIGHLIGHTS 2013

kk-electronic is a dedicated green tech company within the renewable energy industry. We believe that the most positive impact we as a company have is through our products. We regard our core products as sustainable as we focus on improving companies' ability to produce environmentally friendly energy by means of control technology and innovations.

Our ambition is to continuously develop and improve our sustainability efforts and in the past year we took a number of steps to strengthen our efforts within CSR and further integrate the area into our processes.

We have high ambitions in regards to increasing our positive impact and commitment to the Global Compact.

We will continue improving by setting ambitious targets, implementing processes and procedures to support sustainability and continue to obtain insight into the areas of CSR. Our ambition is to advance, but also advance in a responsible manner.

We signed the Compact in 2010 and continue to support this initiative.



Tommy G. Jespersen
CEO



For 2013 we wish to highlight the following key areas in which we have made significant progress and achievements:



HUMAN RIGHTS

In the past year we have conducted a risk assessment of our suppliers in regards to compliance with our Code of Conduct. Furthermore we have integrated CSR measures and our Code of Conduct in screening and assessment of new suppliers.



ENVIRONMENT

In the past year we have continued our work with product development that can contribute to the optimisation of renewable energy. This work has resulted in a partnership to extend the lifetime expectancies of wind turbines.



EMPLOYEES

In the past year we continued our work to promote safety and to obtain the OHSAS 18001 certification (Occupational Health and Safety Management System). We obtained the OHSAS 18001 certification in November 2012.

OUR CONTINUOUS FOCUS ON SUSTAINABILITY

We have consciously been working with various aspects of sustainability and sustainability has been part of our agenda for many years. With the signing of the UN Global Compact in 2010 we have been striving to address the ten principles and integrate CSR efforts in our processes and daily work.

In 2011 we issued our first communication on progress and in order to keep a constant focus on our CSR activities we introduced the CSR cycle to our organization in 2012. We introduced the CSR cycle to continuously follow plans and processes as well as the progress of our CSR efforts. The flow of the CSR cycle constitutes our annual efforts and serves as an evaluation of action plans as well as target setting. Besides being a planning tool, the purpose of the CSR cycle is to keep all employees informed about our activities and progress within the areas of CSR.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT (UNGC)

HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Businesses should make sure that they are not complicit in human rights abuses

LABOUR

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Businesses should uphold the elimination of all forms of forced and compulsory labour
5. Businesses should uphold the effective abolition of child labour
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation

ENVIRONMENT

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

ANTI-CORRUPTION

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



HUMAN RIGHTS

kk-electronic acknowledge the increasingly important role human rights play in today's society and our responsibility to ensure respect for human rights in our operations.

We are committed to the protection of human rights and have made a formal commitment by the signing of the UN Global Compact. We support the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

We recognise that we will have to continuously work to make certain that we have the right measures and assessment in place when it comes to ensuring respect for human rights in our operations. We realise that it requires continuous training and integration to our processes to achieve implementation. For that reason part of our strategy is to first of all focus on our employees and our suppliers.

We encourage our suppliers to respect their employees' human rights and provide them with decent working conditions. We require that our suppliers sign our Code of Conduct. To ensure our standards will be met we have made a risk assessment of our suppliers in regards to compliance with our Code of Conduct. Furthermore we have integrated CSR (Corporate Social Responsibility) measures and our Code of Conduct in the screening and assessment of new suppliers.

SUPPLIER PROGRESS

We have set a high level of expectation when it comes to our business standards and interaction with suppliers. During 2012 we have initiated a program to secure commitment from suppliers to our Code of Conduct. Clear communication of expectations and cooperation to existing and new suppliers are needed to secure a high level of ethical sourcing, which we and our customers require.

As a part of our normal supplier introduction process, we normally visit, audit and make assessments at suppliers before introduction. CSR measures have been integrated into our tools when assessing new suppliers and new suppliers not conforming to our Code of Conduct will not be chosen.

OUR CODE OF CONDUCT COVERS:

- Collaboration
- Human rights
- Labour
- Child Labour
- Discrimination
- Health and safety
- Environment
- Corruption and bribery
- The right to freedom of association and collective bargaining

SUPPLIER RISK ASSESSMENT

All our existing suppliers have been rated through a number of risk parameters. These parameters have helped to prioritise the effort into screening our supplier base. Our scope this past year has been the suppliers ranging within the categories from low to high risk. This scope amounted to 84 suppliers representing 94 % of our purchase volume.

Shown below is the risk categorisation, the actions required along with data on suppliers within the category.

Current status is that 78 of the suppliers have signed commitment to our Code of Conduct. We are currently investigation the 6 suppliers that have not signed our Code of Conduct or shown similar program rolled out internally.

VERY LOW RISK

ACTIONS REQUIRED

- Out of current scope
- No action this year

SUPPLIER DATA

168 suppliers representing
6 % of purchase spend

LOW RISK

ACTIONS REQUIRED

- Signature of Code of Conduct

SUPPLIER DATA

41 suppliers representing
40 % of purchase spend

38 suppliers have signed
our Code of Conduct

MEDIUM RISK

ACTIONS REQUIRED

- Signature of Code of Conduct
- Further investigation

SUPPLIER DATA

29 suppliers representing
21 % of purchase spend

27 suppliers have signed
our Code of Conduct

HIGH RISK

ACTIONS REQUIRED

- Signature of Code of Conduct
- Self-Assessment
- Supplier visit

SUPPLIER DATA

14 suppliers representing
33 % of purchase spend

13 suppliers have signed
our Code of Conduct

PLAN FOR SUPPLIER PROGRESS 2013

In 2013 we will continue to put focus on the group of suppliers with relative high risk. We want to ensure compliance with the Code of Conduct therefore these suppliers will be asked to do an assessment and we will conduct an on-site audit. If there are conditions which do not meet our requirements, the supplier must draw up a plan for corrective actions in dialogue with our supplier audit team. The plan will be combined with a follow-up visit to check whether conditions have improved.

With this plan our aim is to continue to detect and prevent human rights risks in our operations and seek conformity with our Code of Conduct.



ENVIRONMENT

As part of the renewable energy industry kk-electronic wants to have a positive impact on the environment – not only through the products we

develop - but also our focus on the environmental impact of our own activities.

Our production facilities are certified according to the environmental and international standard, e.g. ISO14001, ISO9001. This ensures a continuous focus on and systematic organisation and documentation of internal environmental procedures. We measure and monitor environmental indicators such as waste consumption, water consumption, emissions etc. To further strengthen our focus on environmental indicators we will in the coming year set up standards for measuring this on a corporate level for all our production facilities.

In the field of energy we face a constant challenge in finding alternatives with a sustainable profile and this has put wind on the agenda as an alternative source of energy. However for wind to be an alternative to traditional fossil energy it has to become more competitive. Therefore we at kk-electronic seek to advance by continuously improving our products. In the past year we have continued our work with product development that can contribute to the optimisation of renewable energy. This work has resulted in a partnership to extend

ENVIRONMENT ACTIVITIES

the lifetime expectancies of wind turbines. The following is a detailed description of our efforts.

A NEW GENERATION OF CONTROL SYSTEMS

Towards the end of 2011 we started the final stage of a major development project scoping the next generation of control system from kk-electronic. The company acquired a 2 MW wind turbine. The turbine is placed on the west coast of Denmark with ample access to wind resources. The existing turbine had been operating for approx. 5 years, and therefore historical performance data were available.

The wind turbine was purchased in order to test our 'C' control system in real life situation. But the turbine is also used for other testing purposes and therefore not classified as a production turbine. The dismantling of the existing control system and the installation of our 'C' control platform in the turbine was completed by December and after two weeks of concentrated work the turbine once again produced electricity.





RECOMMISSIONING

The status of the wind turbine as a 'test turbine' gave us the opportunity to modify it according to our purposes. The objective of kk-electronic was to ensure that the 'C' control platform could perform as scoped in the development projects. kk-electronic's objectives were to develop a control platform with:

- A very high availability
- High reliability under any weather conditions, offshore and onshore, cold and warm climate, high altitudes, etc.
- A control system, which enables continuous improvement processes during the lifetime of the turbine
- A flexible concept that made customisation and customers' differentiation very easy.

The kk-electronic turbine was primarily intended to firmly document the availability and reliability of our new control solutions. However this that does not mean that the turbine did not produce electricity.

The kk-electronic wind turbine is equipped with the following kk-electronic products:

- The kk-electronic C-control system, consisting of the a number of control modules, which form the basic elements of the control platform
- A data acquisition logger to ensure proper data collection, and KK-PILOT, SCADA system, to ensure proper data analyses
- A customised converter, grid measuring unit, and a rebuilt grid connection
- Finally, we added a variety of instrumentation to allow a high degree of flexibility in the type of control algorithm that can be implemented

The control system has opportunities to increase electricity production, and of course these opportunities were exploited.

To spur the interest for the turbine among the employees, we have developed a small "APP", which people can download and follow the electricity production live.

The total production of electricity in 2012 amounted to almost 4 million kWh. This is not the turbines full capacity, but we used the wind turbine for a long row of product verification, tests and optimisation projects. The produced amount of electricity is fully adequate to cover the consumption of electricity of kk-electronic's premises.

ADVANCED CONTROLS

After a 4 months testing period the 'C' control system and the converter was launched in April 2012. Documented performance is a necessity in the wind power industry, and fortunately the control system and converter is typically running with daily availabilities higher than 99 %. This figure is a strong indicator for product reliability.

Control systems are important in the overall trend



to capture more energy from the wind. Turbines are getting bigger and bigger, and control engineers have to develop new control solutions in order to balance the energy production with the loads in order to prevent damage to turbines and possible system failures.

The 'C' software is also improved by adding new methods and functionalities in the wind turbine controller in order to predict the future wind turbine behaviour and control based on this prediction. Data accessibility, analysis, and pattern detection combined with a Turbine Optimising Tool Chain (TOTC) will provide the customers with predictive models giving maximised production based on stable operational conditions and will also enable proactive maintenance plans (to lower maintenance costs and increase the lifetime of the turbine).

The 'C' platform has anticipated this trend and consequently 'C' is much more than just a controller. The individual parts of 'C' make out a complete concept, which enables users to simulate, test and verify diverse control schemes. The purpose is of course to optimise wind turbines in relation to loads for all kinds of wind conditions. As one result, 'C' might improve the structural integrity of the turbine,

which again might reduce the over-dimensioning of the construction. This will in turn allow reductions of the capital investment and increase the ROI of wind turbines.

LIFETIME EXTENSIONS OF WIND TURBINES

The wind power industry started in the 1980's and has grown ever since. This also means that the accumulated number of wind turbines have passed 200,000 units globally.

Operating as a stand-alone power generator for 24/7/365 the wind turbine is constantly in motion, and therefore wear and tear becomes an issue. Mechanical parts will be exchanged, lubrication must be made and components must be replaced in order to keep the turbine operational.

kk-electronic has recently launched a control system package for wind farm owners, allowing them to increase the lifetime of wind turbines.

Research has shown that 42 % of problems can be traced to component failures, while another 21 % can be attributed to the failure of control systems



that are unable to resist the harsh environment for extended periods of time. This results in downtime – loss of production – and with increasing age of the turbine also increasing difficulties of obtaining replacement components.

Therefore kk-electronic and a cooperating partner B & R (Austria) have developed an alternative approach, the installation of a new control system. With this step, kk-electronic is focused on the requirements of the customers and the industry. By combining kk-electronic's decades of experience as provider of controller design, safety strategy and system integration with B&R's proven expertise in the field of PLC's, the two companies have come up with a solution that drastically improves the availability and productivity of existing wind turbines. It does so by retrofitting the control electronics while leaving the mechanical design intact, which means minimal downtime for implementation and nearly immediate ROI.



Today, kk-electronic is the world's largest supplier of control systems for offshore wind turbines.



EMPLOYEES

At kk-electronic we are convinced that each of our employees is essential to our success. Our employees make all the difference in our efforts to fulfil the company's strategy in an ever changing environment where rapid growth, technology development, competition and internationalisation continue to be the constant.

When focusing on our employees we want to promote health and safety in the workplace. Therefore we have in the past year continued our work to obtain the OHSAS 18001 certification (Occupational Health and Safety Management System). This certification ensures our commitment to continuous implementation and improvement of the way we manage our health and safety systems. We obtained the OHSAS 18001 certification in November 2012.

In January 2013 we have also been audited by Intertek in regards to Workplace Conditions Assessment (WCA) for our main production facility in Poland. This audit covered assessment of labor conditions, wages, working hours, health, safety, management systems and environment. The result of the audit was overall and on each area, an above average score compared with the benchmark both locally in Poland, within the industry and globally.

OHSAS 18001 CERTIFICATION PROCESS

During 2012 we finalised our implementation of OHSAS 18001 by getting our Management System certified according to the OHSAS 18001 standard by DNV-DET NORSKE VERITAS. The following describes the overall actions taken to achieve the certification:

1

ANALYSIS OF REQUIREMENTS

As the company already had a certified quality and environmental system the first step was to conduct a gap analysis. The existing QHSE policies (Quality, Health, Security and Environment) were compared with the content and the requirements in OHSAS 18001. Based on this gap analysis an action plan was prepared to ensure that requirements in OHSAS was incorporated in the existing quality and environmental system.

2

TRAINING AND AUDITS

In order to be able to perform future internal audits in compliance with OHSAS 18001 an internal auditor team was trained by the certification agency DNV. The internal audits were performed with emphasis on the working environment. After the internal audits additional training and involvement of employees was done through the management system. An OHSAS intro was prepared for the management to go through with their departments. Finally DNV conducted a pre-audit and corrective actions from this audit were integrated in our workbook for continual improvements.

3

CERTIFICATION AUDIT

Certification audits were conducted in October and November of 2012 and after some corrective actions the company got the OHSAS 18001 certificate. Certificate that kk-electronic has been found to confirm to the safety management system standard DS/OHSAS 18001:2008.



DNV BUSINESS ASSURANCE MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 128080-2012-AHSO-DEN-DANAK

*This is to certify that***kk-electronic a/s**

Bogildvej 3, DK-7430 Ikast, Denmark

*has been found to conform to the safety management system standard:***DS/OHSAS 18001:2008***and Danish occupational health and safety regulation no. 87 dated 31st of January 2005**This certificate is valid for the following product or service ranges:*

**Development, production, delivery and service of electrical
and electronic based control systems**

Locations included in the certification will appear in the appendix.

This certificate is valid until:
2014-11-30

*The audit has been performed under the
supervision of:*

Jens Østergaard
Lead Auditor



Place and date:
Hellerup, 2013-01-04

DET NORSKE VERITAS,
BUSINESS ASSURANCE, DANMARK A/S

Lars Appel
Managing Director

Lack of fulfillment of conditions as set out in the Certification Agreement may render this certificate invalid.

ACCREDITED UNIT: DET NORSKE VERITAS, BUSINESS ASSURANCE, DANMARK A/S, TUBORG PARKVEJ 8, 2., DK-2900, HELLERUP, DANMARK, TEL: +45 39 45 48 00, WWW.DNVBA.COM



DNV BUSINESS ASSURANCE APPENDIX TO CERTIFICATE

This appendix refers to certificate no. 128080-2012-AHSO-DEN-DANAK

kk-electronic a/s

Locations included in the certification are as follows:

Site Name	Address	P-number	Scope
kk-electronic a/s	Bogildvej 3, DK-7430 Ikast	1.011.075.424	Development, production, delivery and service of electrical and electronic based control systems
kk-electronic Polska sp. z o.o. (Szczecin)	Ul. Goleniowska 62, PL-70-847 Szczecin		Development, production, delivery and service of electrical and electronic based control systems
kk-electronic a/s, Aalborg	Pontoppidanstræde 101, rum 15, DK-9220 Aalborg Ø.	1.014.732.884	Development of electrical and electronic based control systems

This certificate is valid until:
2014-11-30

*The audit has been performed under the
supervision of:*

Jens Østergaard
Lead Auditor



Place and date:
Hellerup, 2013-01-04

DET NORSKE VERITAS,
BUSINESS ASSURANCE, DANMARK A/S

Lars Appel
Managing Director

Lack of fulfillment of conditions as set out in the Certification Agreement may render this certificate invalid.

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OHSAS 18001 LEARNINGS

We have always had a focus on health and safety aspects in the workplace. Through our QHSE policies (Quality, Health, Security and Environment) we set the company objectives. We ensure compliance with the standards DS/EN ISO 9001:2008 and DS/EN ISO 14001:2004 for which the company is certified.

In the certification process of OHSAS 18001 we experienced that a vast majority of our previous efforts and existing targets were in compliance with environmental and occupational standards. However we also recognised that safe operations depend not only on policies and procedures, but also on the mind-set and behaviour of our employees. Therefore, we learned that it is necessary to build even more awareness among all employees, as we cannot always count on internal standards and mandatory requirements to ensure safety in the workplace. We therefore have to further develop and integrate a strong “safety awareness” culture amongst our employees.

The process towards the certificate and the certification feedback from DNV has given us improvement proposals and an increased awareness of occupational health and safety issues such as how to register, handle, prevent and communicate on all levels of our organization. These insights will benefit us in the continual work with maintaining and developing of our Management System for years to come.

PLAN FOR WORKING ENVIRONMENT PROGRESS 2013

The yearly management evaluation of the QHSE system takes place in the month of August. On the management evaluation meeting the top management will set the new targets covering the fiscal year 2013/2014. The goal this year is to align and create corporate objectives to support our integration of CSR in our daily performance in health and safety related issues.



CSR INITIATIVES IN OUR JOINT VENTURE KK-QIANWEI IN CHINA

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 and audit from the organisation of sustainable investments, IFU. The following provides status on commitment and achievements and plans for 2013.

kk-Qianwei has fulfilled the commitments about human rights and non-use of child labor set out in the Global Compact throughout 2012 and some action plans have been made for 2013.

HUMAN AND LABOUR RIGHTS

kk-Qianwei supports internationally proclaimed human rights in all of its spheres of influence.

- 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.

- In 2012 a collective contract has been signed by the company and the trade union on behalf of the employees and with the effect that the company increased the wages with a rate above inflation. In 2013, all the terms included in the collective contract will be continually executed.
- kk-Qianwei supports increases the likelihood of its employees buying their own property as contributions to the national housing funds are part of the remuneration.
- All kk-Qianwei employees' salary is above minimum salary specified by the local government; in 2012 there was no excessive overtime working, all the overtime working was paid according to the labour law of China.
- kk-Qianwei has never used child labor, no kk-Qianwei staff is under the age of 18.
- The recruiting policy ensures no one below 18 is hired and that male and female have same opportunity. As a consequence kk-Qianwei now has higher representation of female workers than comparable companies.

- Company meetings are being and will continuously be held informing employees about the progress of the company and the possibilities within the company.
- A common employee handbook will be developed during the next year putting all existing policies together in one place.

NON-USE OF CHILD LABOUR IN THE SUPPLY CHAIN

All kk-Qianwei suppliers have signed a Code of Conduct which states their commitment not to use child labour. All the supplier's renewed business licenses have been received which means that they complied with the labour law in China which states clearly: "The employer shall be banned from recruiting juveniles under the age of 16".

In 2012 all Chinese suppliers have signed clauses on human rights and checks have been carried out with no violations found. In 2013 the structure around supplier evaluation will be further strengthened involving more departments.



CSR PROGRESS IN 2012 AND THE CSR SCOPE FOR 2013

In the following we will provide an overview of our CSR activities and show the compliance with the ten principles of the UN Global Compact (UNGC):

CSR Commitment 2012	CSR Activities 2012	UNGC Principle
Implementation of our Code of Conductt with our suppliers	Risk assessment of suppliers	1-7, 10
	Signing of our Code of Conduct	
	Integrating CSR measures in screening process of new suppliers	
Compliance with and certification of Occupational Health and Safety	Revising existing QHSE policies to meet requirement in OHSAS 18001	
	Training and audit conduction	
	Certification in November 2012	
Promote environmentally technologies through our product development	Optimising our control systems	9
	Prolonging lifetime of wind turbines	

CSR SCOPE FOR 2013

This section also states our commitments for 2013:

CSR Commitment 2013	CSR Activities 2013	UNGC Principle
Continuous implementation of our Code of Conduct with our suppliers	Conduction conformity audits with high risk suppliers	1-7, 10
Performance indicators in relation to CSR activities	Align corporate performance indicators on environment and set common targets	7-9
Creating policies on human rights and no-use of child labour	Creation of policies	1, 2
	Implementation of policies	



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