



UN Global Compact

Communication on Progress (COP) 2010 by Kendrion N.V. , the Netherlands

Zeist, 8 September 2010

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 first Communication on Progress. It shows that, although we considered this first year to be a start-up year, considerable progress has been made. For the next years, Kendrion will strive to carry out its commitments and intentions within the framework of the UN Global Compact initiative with even more energy and dedication.

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 long horizontal stroke and a small dot at the end.

Piet Veenema, CEO Kendrion N.V.





WE MAGNETISE THE WORLD





Communication on Progress (COP) 2010 by Kendrion N.V., the Netherlands

Profile Kendrion

Kendrion is an industrial developer, manufacturer and dealer of high-quality electromagnetic components. With our 1,200 personnel, Kendrion achieved sales of about EUR 200 million annually. Kendrion's shares are listed on NYSE Euronext's Amsterdam market.

We supply our high-quality electromagnetic components to the automotive industry and to industrial customers. Most of the development of these often customer-specific components takes place at our sites in southern Germany (Baden-Württemberg), where Kendrion also has specialised production sites. Additional production and assembly is carried out elsewhere in Europe (Austria, Switzerland, Romania and the Czech Republic) and around the world (Brazil, China, Mexico and the United States). Kendrion holds a leading position in this characteristically niche market and is continually investing in its own development capacity, testing facilities and high-end production units so that it is always ready to supply its customers worldwide with the high-technical solutions they need.

Kendrion strives for long-term relationships with its customers, based on solid know-how, innovation, a service-oriented approach and reliability. For our personnel, Kendrion endeavours to create an inspiring, healthy, safe and stimulating work environment that gives our personnel the space and the resources to achieve their personal ambitions.

Kendrion N.V.			
Industrial Magnetic Systems	Industrial Drive Systems	Passenger Car Systems	Commercial Vehicle Systems
Electromagnetic components as standard and individual solutions for the industry	Electromagnetic brakes and clutches for the industrial drive technology	Customer-specific project developments for applications in the automobile industry and hydraulics	Individual system solutions for commercial vehicle and off-road industry
 BINDER	 BINDER	 BINDER	 LINNIG



WE MAGNETISE THE WORLD

Corporate Social Responsibility (CSR) of Kendrion

CSR is high on the agenda of Kendrion. For Kendrion, CSR means conducting business with consideration for climate effects, energy sources, people (especially our employees) and the (social) environment, and on the basis of a responsibility for the chain in which the company operates. This new form of entrepreneurship pivots on the creation of multiple value – and consequently not just Profit, but also People and Planet. Transparency and integrity are also important issues for Kendrion.

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

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.

Revision Code of Conduct

Since 2005, Kendrion has implemented a Code of Conduct that applies to all Kendrion staff. The principles and best practices established in this Code reflect the main values that need to guide Kendrion's staff in the performance of their duties, and the actions they need to take in a variety of circumstances and situations.



WE MAGNETISE THE WORLD

The core themes include market position, authorities, corporate social responsibility, accountability in general, and the obligation for due care regarding safety and health, the environment, and social interests. Kendrion promotes compliance with the Code of Conduct by continually bringing the Code to the attention of (new) managers and staff.

The Code of Conduct was revised early 2010, in part due to the company's accession to the UN Global Compact initiative. The former Code of Conduct covered substantially all of the ten principles of the UN Global Compact. However, in a few areas it was decided to describe the content of the ten principles even in more detail in our Code of Conduct (e.g. principle 3 and 9). The revised Code of Conduct has been introduced in each of the companies within the Kendrion group, in close cooperation with local work councils and / or employee representatives and in accordance with local employment law. All employees have received a full copy of the revised Code of Conduct in their own language. New employees will also receive a copy of the Code of Conduct. The Code of Conduct is also published on the corporate website (www.kendrion.com).

Revision Whistleblower's Charter

In 2005, Kendrion introduced its first Whistleblower's Charter. This charter offers all Kendrion employees an opportunity to report irregularities or suspicions of irregularities to the management without jeopardising their (legal) position. Irregularities can concern: criminal offences, violation of applicable legislation and regulations, deliberate provision of inaccurate information to authorities, violation of the Kendrion Code of Conduct or deliberate withholding, destroying or altering of information concerning any of the above. No irregularities were reported during 2009.

It was decided to update and refresh the Whistleblower's Charter early 2010. In the revised charter, the way to report irregularities and the privacy of the employees of Kendrion are even more secured.

The revised Whistleblower's Charter has been introduced in each of the companies within the Kendrion group, in close cooperation with local work councils and / or employee representatives and in accordance with local employment and privacy law. All employees have received a full copy of the revised charter in their own language. All new employees also receive a copy hereof. The Whistleblower's Charter is also published on the corporate website.



WE MAGNETISE THE WORLD

Revision Rules & Regulations for management

In 2005, Kendrion introduced a set of Rules & Regulations for management covering some basic guidelines for conducting activities by management (communication, travelling, gifts, compliance to the Code of Conduct, etc.). In the first half year of 2010 it has been updated and (re)introduced within the Kendrion for all (new) Managing Directors.

Publications

In two editions of our international staff magazine “Magnetised” (issues 2009-3 and 2010-2), attention was paid to the fact that Kendrion joined the UN Global Compact initiative and the introduction of the revised Code of Conduct and Whistleblower's Charter in this respect. The magazine is distributed amongst all employees within the Kendrion group and to certain external stake holders, and is also published on the corporate website of Kendrion.

In addition, in our 2009 Annual Report, we paid further attention to the UN Global Compact and changes in the Code of Conduct and Whistleblower's Charter. This Annual Report is available for all external stakeholders and is published on the corporate website.

Special efforts business unit Commercial Vehicle Systems (Kendrion Linnig)

In March 2010 our business unit Commercial Vehicle Systems organised at its headquarters in Markdorf, Germany, a workshop on the UN Global Compact for its employees. In this workshop, a broad introduction to the topic was given and it was shown how and why ethics / sustainability are beneficial for enterprises like ours. Also the roots, background and goals of the UN Global Compact were presented, as well as the motivation of Kendrion to participate. Four groups were created, each covering one of the four areas of Human Rights, Labour Standards, Environment and Anti-Corruption. The groups discussed the relevance of the ten principles for the business and any potential action to further strengthen our commitments. The groups presented their considerations to the plenum. This workshop was supported by a poster campaign and information at an employee meeting.

The business unit Commercial Vehicle Systems has included the participation to the UN Global Compact in its “Image Brochure” that is distributed at trade fairs and at other occasions.

Kendrion Linnig also created a UN Global Compact platform on its intranet, to further increase the awareness of its staff and to provide them with relevant information from time to time.



WE MAGNETISE THE WORLD

Ten principles

Besides creating more awareness, Kendrion took numerous other concrete initiatives (partly also relating to the ten principles of the UN Global Compact), which are described in more detail below. 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 2009, the overall absenteeism rate within Kendrion was 3.7%, which is very good for our type of industrial business and geographical spread (average of 5%). We aim to keep this rate at the same level for future years.



WE MAGNETISE THE WORLD

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. Our aim is to analyse whether this initiative can be rolled-out to other companies as well.

In three of our plants in Germany, covering almost half of all our employees, free anti-smoking courses were offered in 2010. It will be investigated whether this can be repeated and / or rolled out to other plants as well in the coming years. The same applies to the initiative that employees are offered to get influenza vaccination during working hours.

In Germany employees can visit the company doctor during working hours. In addition, we are planning in cooperation with our company doctor a so-called Health Day in 2011, on which our German employees can ask for a general health check (blood pressure, diabetes etc.).

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

Labour Conditions

- 3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining**
- 4. Business should support the elimination of all forms of forced and compulsory labour**
- 5. Business should support the effective abolition of child labour**
- 6. 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.



WE MAGNETISE THE WORLD

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 2009, the training costs (as a percentage of wage costs) were 0.39%. In 2008, this was 1.37%. The reason of the decrease was the economic crisis which hit Kendrion heavily in 2009. Training programs have been stopped temporarily as a consequence. It is our target to increase this percentage in 2010 and 2011 back to normal levels.

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 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 principle, each employee is hired by entering into a written labour contract.



WE MAGNETISE THE WORLD

In our Code of Conduct we have also explicitly mentioned that we shall not employ child labour or prisoner labour, nor 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 females at management positions is rather low. However, 34% of all our employees are female. Another example is that our business unit Commercial Vehicle Systems launched a pilot project in which two employees were assigned to its subsidiary in China for a period of two months, in order to understand local culture and behaviour.

Environment

- | |
|---|
| <ul style="list-style-type: none">7. Business should support a precautionary approach to environmental challenges8. Business should undertake initiatives to promote greater environmental responsibility9. Business should encourage the development and diffusion of environmentally friendly technologies |
|---|



WE MAGNETISE THE WORLD

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 the first half year of 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. During 2010, we intend to collect all relevant figures as "zero-measurement", define Key Performance Indicators and set clear targets for the coming years. Also smaller projects for 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.

A new, relatively small initiative in the first half year of 2010 was the introduction of the following standard wording at the end of each email from each employee of Kendrion:

□ **Before you print it, think about your responsibility and commitment to the ENVIRONMENT**



WE MAGNETISE THE WORLD

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.

Products

During the design phase and technical planning of new products Kendrion takes due account of the consequences for the environment. This relates not only to the reduction of harmful emissions and the achievement of a lower environmental impact, but also to the retention of the company’s good reputation.

CSR offers all Kendrion’s business units opportunities to develop innovative products for new markets. Kendrion develops many specific electromagnets that are necessary for the appropriate performance of products that take account of safety, climate effects, sources of energy and the environment. A few examples of our business units are described below.



WE MAGNETISE THE WORLD

Kendrion Industrial Magnetic Systems – innovative locking system

IMS has developed a customised magnet for a door interlocking system. This new design requires significantly less energy to change the armature position. Therefore the duty ratio (ED) could be reduced from 100% to 25%.



Kendrion Industrial Drive Systems – effective wind turbine for home users

Industrial Drive Systems has developed a new and innovative brake system for wind turbines that generate electricity. The existing brake systems consume a relatively large amount of the power generated by the wind turbine. This invention increases the net generated power available to home users. Within the near future private consumers will be able to meet their electricity needs with a personal wind turbine.





WE MAGNETISE THE WORLD

Passenger Car Systems – innovative design of oil pump for diesel engines

The new generation of diesel engines requires innovative technology. Lower fuel consumption and NOX emissions remain the most important targets of many engine manufacturers. In addition, engine performance also needs to be improved. New electromagnets developed by Passenger Car Systems improve the oil pump's lubrication of the pistons. This contributes to cleaner combustion and reduced fuel consumption.



Commercial Vehicle Systems – Demand-oriented switching saves energy in a broad range of applications

Commercial Vehicle Systems in Markdorf (Germany) has further strengthened its focus on “green” products and solutions. The R&D department continuously develops technologies that contribute to energy-savings and provide long durability and recyclability of the components.

For example, the new application of an electromagnetic fan clutch for industrial engines saves up to 5,8% of fuel, which has been verified in measurements in cooperation with the customer.



WE MAGNETISE THE WORLD

The Linnig Variable Transmission is another innovative system which enables the compressors of air-conditioning installations in city buses and coaches to operate with increased effectiveness and efficiency. The continuously variable transmission operates the air-conditioning's compressor at a speed that is independent of the engine speed. The effect of the air-conditioning can consequently be felt immediately; ideal for short bus trips or bus journeys in hot climates.

Moreover, energy savings of up to 20% can be achieved on longer bus journeys.



An outstanding contribution in terms of the environment is that the business unit Commercial Vehicle Systems is working on an e-drive for passenger cars. Two used VW Lupos have already been refitted with the e-drive and thus changed into electric vehicles. They serve as concept cars for testing and further developments. In order to meet the goal of zero emissions, the batteries are charged with solar energy, produced by a photovoltaic system on the roof of the plant.





WE MAGNETISE THE WORLD

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 2009, 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.



Further progress, next targets

Besides the targets, already described in the foregoing overview, in the next phase Kendrion will, in general, further enhance its CSR policy and wants 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 we want to further develop an organisational framework to support the CSR and UN Global Compact initiatives. We will consider the need for a group wide international CSR working group that could identify and support new CSR initiatives, also relating to our smaller operating companies worldwide and to the supply chain. Furthermore, we would like to develop a system for reporting on the most relevant performance indicators. That will enable us to monitor progress in a structural way.

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