



kk-electronic®

Global Compact Progress Report 2014



Welcome to Progress Report 2014

The Progress Report 2014 constitutes kk-electronic's reporting commitments for 2014. The purpose of the report is to provide our stakeholders with a picture of our sustainability efforts in 2014. The report provides an overview of our activities, practices, goals and results.

The Progress Report 2014 also serves as our annual communication on progress in sustainability, as required by the United Nations Global Compact. The report is based on a dialogue with our main stakeholders.

Table of Contents:

Progress and highlights 2014	4
Our continuous focus on sustainability	6
Human Rights	8
Environment	12
Employees	14
CSR initiatives in our joint venture KK-QIANWEI in China	17
CSR progress in 2013 and the CSR scope for 2014	19

PROGRESS AND HIGHLIGHTS 2014

As a dedicated green tech company in the renewable energy industry, the most positive impact we have on sustainability is through our products. Our core products contribute to sustainable energy production and we are continuously innovating to lower the cost of energy and make wind energy more competitive with traditional fossil fuels.

At the same time, we are continuously assessing and improving the environmental impacts of our operations. In the past year we have taken a number of steps to strengthen our CSR and further integrate CSR into our processes. We wish to highlight the following key areas in which we have continued to make significant progress.

We signed the UN Global Compact in 2010 and have high ambitions in regards to increasing our positive impact and continuing our commitment. We will continue to improve by setting ambitious targets, implementing processes and procedures that support sustainability and by influencing our stakeholders and suppliers.



Tommy G. Jespersen
CEO



IN THE PAST YEAR:



HUMAN RIGHTS

In the past year we have continued to conduct risk assessments of our suppliers in regards to compliance with our Code of Conduct. We have further integrated CSR measures and our Code of Conduct in screening and assessing new suppliers.



ENVIRONMENT

In the past year we have continued our work with product development that contributes to the optimisation of renewable energy. We have reduced our heat and energy consumption, increased recyclable waste and set new targets.



EMPLOYEES

In the past year we continued our work to promote health and safety in the workplace. We have increased reporting of “near misses” and introduced initiatives to create a “culture of safety” based on prevention.



OUR CONTINUOUS FOCUS ON SUSTAINABILITY

Sustainability has been on 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 Environmental friendly technologies

Anti-corruption

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



HUMAN RIGHTS

kk-electronic acknowledges the increasingly importance of human rights 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 signing 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 sure 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 of our processes to achieve implementation. For that reason we focus first of all 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 expectations when it comes to our business standards and interaction with suppliers. In 2013 we continued the programme we initiated in 2012 to secure commitment from suppliers to our Code of Conduct. To ensure the high level of ethical sourcing, which both we and our customers require, we communicate clear expectations and requirements for cooperation to our existing and new suppliers.

As a part of our normal supplier introduction process, we 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 of our existing suppliers have been rated through a number of risk parameters. These parameters help prioritize the screening of our supplier base. Our scope in the past year has been the suppliers in the categories ranging from low to high risk. This scope amounted to 82 suppliers representing more than 90 % of our purchase volume. Shown below is the

risk categorisation, the actions required and data on suppliers within the category.

Our current status is that 79 of the suppliers have signed a commitment to our Code of Conduct. We are currently investigating the 2 suppliers that have not signed our Code of Conduct or do not have a similar programme of their own.

VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK
ACTIONS REQUIRED <ul style="list-style-type: none"> • Out of current scope • No action this year 	ACTIONS REQUIRED <ul style="list-style-type: none"> • Signature of Code of Conduct 	ACTIONS REQUIRED <ul style="list-style-type: none"> • Signature of Code of Conduct • Further investigation 	ACTIONS REQUIRED <ul style="list-style-type: none"> • Signature of Code of Conduct • Self-Assessment • Supplier visit
SUPPLIER DATA Suppliers representing 6 % of purchase spend	SUPPLIER DATA 39 suppliers representing 40 % of purchase spend All relevant suppliers has signed our Code of Conduct	SUPPLIER DATA 29 suppliers representing 21 % of purchase spend Relevant suppliers have signed our Code of Conduct. Formal answer missing from 1 supplier	SUPPLIER DATA 14 suppliers representing 33 % of purchase spend 13 suppliers have signed our Code of Conduct

PLAN FOR SUPPLIER PROGRESS 2014

In 2014 we will continue to focus on the group of suppliers with relatively high risk and any new suppliers who are introduced. To ensure compliance of the Code of Conduct these suppliers will be asked to do an assessment and we will conduct an on-site audit. We will also focus on integrating CSR into supplier assessment and supplier selection tools. 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 in the same way as we ensure our own product quality. 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 aims to have a positive impact on the environment – not only through the products we develop - but also with a focus on the environmental impact of our own activities.

Our production facilities are certified according to the international environmental standard ISO14001. This ensures systematic organisation and documentation of internal environmental procedures. We measure and monitor environmental indicators such as waste and energy consumption. To further strengthen our focus on environmental indicators we have set targets and measurement standards for all our production facilities.

For wind to be a viable alternative to traditional

fossil fuels it has to become more competitive. At
kk-electronic we contribute to advancing the wind
industry 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. We are also
working in partnership to extend the lifetime
expectancies of wind turbines.

In 2013 we implemented heat recycling and have
reduced our heating and electricity consumption by
3%. We have exceeded our target of 70% recy-
cling for 2013/2014 with a result of more than 76%.

In 2013 we also improved our introduction process
for new employees to include more information
about our environmental practices and behaviors.



EMPLOYEES

At kk-electronic we are convinced that each and every employee is essential to our success. It is our employees who make the difference in our

efforts to fulfil our strategy in an ever changing environment where rapid growth, technology development, competition and internationalisation are both continual challenges and opportunities

We are committed to high health and safety standards in the workplace. In the past year we have maintained the OHSAS 18001 certification (Occupational Health and Safety Management System) that we obtained in November 2012. This certification ensures our commitment to continuous implementation and improvement of the way we manage our health and safety systems.

IMPLEMENTING OHSAS 18001 LEARNINGS FROM 2012

In 2013, we built on our learnings from the OHSAS 18001 certification process that we went through in 2012. The certification process revealed that the vast majority of our efforts and targets already met with environmental and occupational standards.

We identified the biggest improvement we could make was building even more awareness of safety and accident prevention among our employees. In 2013 we worked to further develop and integrate a strong “safety awareness” culture amongst our employees. Among other initiatives we have improved our introduction process for new employees to include more information about safety in the working environment.

In 2013 we increased our focus on accident prevention and reporting on near misses. We now have the practice of interviewing technicians after external work to identify and anticipate potential hazards so that they can be prevented. We are looking into methods to make this as easy as possible, one potential method is a mobile phone platform for technicians to input information related to accident prevention.

In 2013, we identified Service aspect of our business as the area with the most potential dangers. We responded to this by reorganising the Working Environment Organisation (our internal safety organization) so that the Service department has greater focus and representation.



In 2013 we received a Kronesmile from the Danish Working Environment Authority. This recognition means that the company has made an extraordinary effort to ensure high safety standards.

We created a new Driving Policy to increase awareness on safety. Company cars have been changed to newer safer cars and some employees have participated in a course for driving on slippery roads.

In 2013 all employees were offered influenza vaccine paid for by the company. Alcohol based hand sanitizers have been installed in all toilets. An occupational therapy review of working processes in our production facilities has taken place.

For the coming year, we will focus on achieving zero accidents throughout the whole company and achieving a maximum of 3% absence on a company level.



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 has focus on CSR. kk-Qianwei makes regular CSR reports on their initiatives, with guidance and auditing from the Danish organisation of sustainable investments, IFU.

kk-Qianwei has fulfilled their commitments in regards to human rights and non-use of child labor set out in the Global Compact throughout 2013 and action plans have been made for 2014.

HUMAN RIGHTS AND LABOUR RIGHTS

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

- kk-Qianwei has its own labour union to represent employees' rights, and a union protect female employee's rights. The company provides the unions with all the necessary conditions for carrying out their activities. Employees can join the union at their own discretion and all employees have joined.
- In 2012 a collective contract was signed by the company and the trade union on behalf of

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 were delivered and this is continuing in 2014.

- kk-Qianwei supports the likelihood of employees buying their own property through contributions to the national housing fund which are part of remuneration.
- All kk-Qianwei employees' salary is above minimum salary specified by the local government; all overtime work is paid according to the labour law of China.
- kk-Qianwei has never used child labor, all kk-Qianwei staff are over the age of 18.
- The recruiting policy ensures no one below 18 is hired and that male and female have same opportunities. kk-Qianwei currently has higher representation of female workers than comparable companies.
- Company meetings are held informing employees about the progress of the company and the possibilities within the company.

NON-USE OF CHILD LABOUR IN THE SUPPLY CHAIN

All kk-Qianwei suppliers have signed a Code of Conduct which states their commitment to not using child labour. All of the suppliers' renewed business licenses have been received which means that they complied with the labour law in China.

In 2014 all Chinese suppliers will be required to sign agreements stating that they will not violate human rights and the related labour laws in China. The structure around supplier evaluation will be further strengthened to involve more departments.

ENVIRONMENTAL PROTECTION

All waste is properly handled by a recycling company. Other than noise from copper processing and a small amount of properly handled smell pollution from cable processing, no other pollution is created by kk-Qianwei's activities.

Regular audits are carried out by the local government authority in charge of environmental protection, kk-Qianwei meets the all of required standards.

In 2014, kk-Qianwei will carry out a specific EHS (Environmental Health and Safety) audit and

authentication programme.



CSR PROGRESS IN 2013 AND THE CSR SCOPE FOR 2014

In the following table we provide an overview of our CSR activities and show the compliance with the ten principles of the UN Global Compact (UNGC). This section also states our commitments for 2014.

CSR COMMITMENT 2013	CSR ACTIVITIES 2013	UNGC PRINCIPLE
Implementation of our Code of Conduct 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 turbine	

CSR SCOPE FOR 2014

This section also states our commitments for 2014:

CSR PLAN 2014	CSR TARGETS 2014	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 Implementation of policies	1, 2



kk-electronic®

kk-electronic a/s

Boegildvej 3

DK-7430 Ikast

Denmark

www.kk-electronic.com

Tel: +45 9692 4300