

# Corporate Social Responsibility Report **2013-2014**



## **UN Global Compact**

NKT wishes to protect the environment, safeguard human and labour rights and work against corruption

**NKT**



# About **this** report

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NKT became signatory to the UN Global Compact in March 2009. The present report fulfils the obligation to provide Communication on Progress (COP) for the period 1 July 2013 to 30 June 2014.

The business units Nilfisk-Advance and NKT Cables are also autonomous signatories to the UN Global Compact, and their obligation to provide Communication on Progress is covered by this report.

### Reporting structure

NKT consists of three businesses with diverse product portfolios, organisations and markets. Accordingly, their focus areas and challenges in terms of sustainability also differ. The first part of this report deals with the Group's overall performance on selected parameters, while the second part addresses progress in each of the businesses.

The overall responsibility for Corporate Social Responsibility (CSR) in the NKT Group lies with the Board of Directors. While NKT sets the overall guidelines, the targets are set by the individual businesses. To ensure commitment, all targets must be as specific as possible and concrete actions to achieve them must be clearly defined.

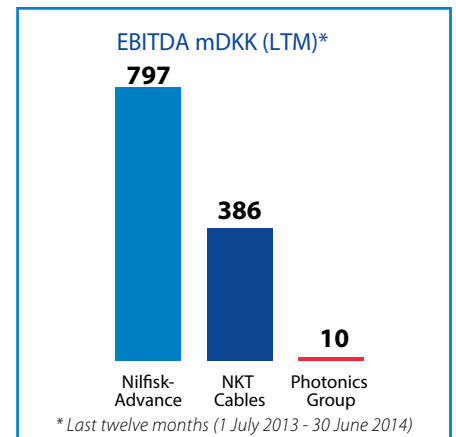
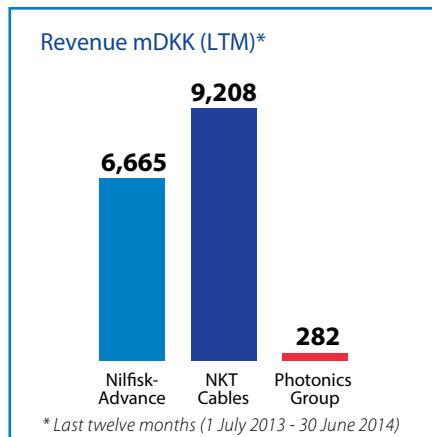
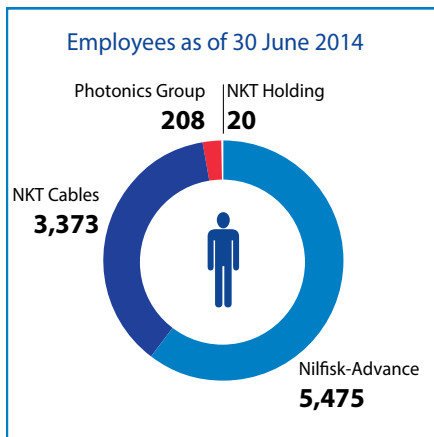
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# NKT

## Group profile



NKT is **a modern industrial conglomerate** with businesses specialising in professional cleaning equipment, power cables and high-tech photonic products. NKT **operates in more than 100 countries** and has some 9,100 employees

The NKT Group comprises three businesses:

**Nilfisk-Advance** is one of the world's leading manufacturers of professional cleaning equipment. The products are sold worldwide with primary focus on the commercial cleaning market, including institutional and industrial customers as well as professional contract cleaners. Consumer vacuum cleaners and high pressure washers are also manufactured. Nilfisk-Advance invests some 3% of annual revenue in product development. The aim is to provide a portfolio with a distinct, sustainable profile characterised by reduced consumption of energy, water, detergents and environmentally friendly disposal.

**NKT Cables** is a manufacturer and supplier of power cables to the energy sector. Primarily sold in Europe and China, its products and solutions target the offshore wind sector and the expansion of onshore transmission and distribution grids. The company also supplies cables for buildings and wires for cars, as well as catenary wires for high speed railways. NKT Cables aims to be at the forefront in developing innovative sustainable products and solutions.

**Photonics Group** supplies high quality photonic products ranging from fibers and lasers to systems and optical process equipment. The products are sold to a broad spectrum of industries, including life science, infrastructure as well as the oil and gas sector. The equipment supplied is often incorporated in totally new and innovative solutions which address the need for more efficient use of global resources, increased security of food and energy supply, and prevention of pollution.

**NKT** is headquartered in Denmark. Some 94% of Group revenue (2013) is, however, generated in other markets and 88% of the workforce is based outside of Denmark.



Visit [www.nkt.dk](http://www.nkt.dk) to learn more about us.

# NKT Group statement

At NKT, CSR is an integral part of **creating value** for our shareholders, customers, employees, and other stakeholders

## **NKT supports the demand for sustainable global development**

At NKT we believe that our largest contribution to a sustainable future lies in developing and manufacturing environmentally friendly products and solutions which also support sustainable applications. This approach adds value to NKT as a company and promotes more sustainable global development. NKT's offerings complement the worldwide trend towards urbanisation and derivative effects such as rising welfare and expansion of infrastructure. NKT similarly supports trends in the energy sector by providing products and expertise which target sustainable production of wind power, reliable, efficient and flexible energy supply, and the need for increased exploitation of existing deepwater oil and gas reserves.

## **Progress on internal goals**

NKT became signatory to the UN Global Compact in 2009, and this initiative remains the key to efforts relating to social responsibility. We closely monitor the development within parameters such as CO<sub>2</sub> emissions, water consumption, work safety, diversity, and anti-corruption, as well as the adherence of our suppliers with the principles of the UN Global Compact.

## **Whistleblower system extended to external stakeholders**

In 2010 we set up a whistleblower system aimed at disclosing any internal irregularities. Over the years a number of incidents have been reported, a small number of which have led to adjustments to our business procedures. We now intend taking our responsible business conduct a step further by inviting external stakeholders to disclose irregularities or inappropriate actions through our whistleblower system. This service is expected to be available by end-2014.

Collectively, these efforts are instrumental in delivering ongoing value creation for all our stakeholders.

*Michael Hedegaard Lyng*  
Group Executive Director & CFO



“  
*We believe that our largest contribution to a sustainable future lies in developing and manufacturing environmentally friendly products and solutions which also support a sustainable application*”



# Group performance

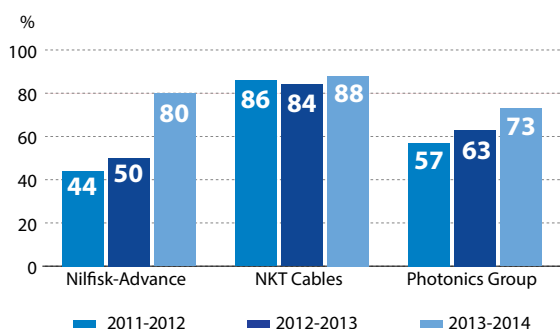
## HUMAN AND LABOUR RIGHTS

NKT is a company with global presence operating in compliance with local laws and regulations and with respect for international rights. Incorporated in numerous policies, this compliance is also an integral part of NKT's due diligence procedures for acquisitions.

### Target for supplier support for UN Global Compact reached in two units

In 2009, NKT introduced the requirement that suppliers representing an annual purchase value above 50,000 EUR had to comply with the ten principles of the UN Global Compact. The target was to obtain acceptance from 80% of the suppliers concerned.

### Suppliers\* accepting the UN Global Compact



\*Annual purchase value above 50,000 EUR

In the period under review Nilfisk-Advance has noted significant growth in supplier acceptance. In Europe and in the US particularly, suppliers who were previously hesitant have accepted the new contractual terms. The UN Global Compact is now an intrinsic part of Nilfisk-Advance's standard contract and the current level of 80% acceptance is therefore expected to further increase. In NKT Cables the acceptance rate has been above 80% for the past three reporting periods.

One reason for the previous disparity in acceptance levels is that NKT's business units differ considerably in terms of supplier base. Whereas NKT Cables has a small number of large suppliers and procurement is concentrated in Europe, Nilfisk-Advance has many small, local suppliers situated around the world. Photonics Group also has small, local suppliers.

### Diversity profile unchanged

NKT is firmly committed to providing equal opportunities for all employees and will not tolerate discrimination or harassment of any kind. However, achieving a diversified workforce must primarily be based on combining optimal competences with appropriate social and cultural skills to realise NKT's business strategy and targets.

NKT monitors the diversity development in terms of age, gender and nationality among senior management. The NKT Group

## Diversity in senior management 2014

	Senior Man.	Age profile			Gender		No. of nationalities
	Total	<40	40-54	>54	Women	Men	(The predominant nationality in %)
NKT Board of Directors*	6	0	3	3	1	5	2 (Danish 83%)
NKT Management	5	3	2	0	0	5	1 (Danish 100%)
Nilfisk-Advance	44	6	32	6	2	42	18 (Danish 45%)
NKT Cables	94	13	64	17	8	86	14 (German 49%)
Photonics Group	13	0	9	4	1	12	4 (Danish 38%)
<b>Total</b>	<b>162</b>	<b>22</b>	<b>110</b>	<b>30</b>	<b>12</b>	<b>150</b>	

\* Elected at the AGM

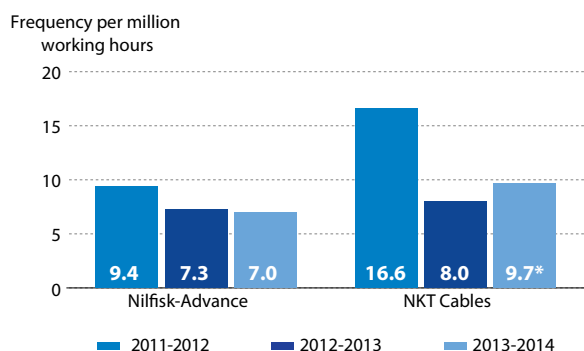
operates in businesses which historically have a preponderance of men and this is still reflected in the fact that only a few women hold senior management or staff positions. The objective for both genders is to be represented among the AGM-elected members of NKT's Board of Directors, with 17% as the target for the under-represented gender. This target was achieved for 2013-2014.

Going forward, NKT will continue to offer equal opportunities for both genders to achieve positions at all levels of management, e.g. by stipulating that both genders must be represented among the candidates for a vacancy and by increased internal focus on employees with management potential.

### Small changes in the level of occupational injuries

NKT business units are dedicated to ensuring a safe and healthy working environment and have set up ambitious targets to reduce occupational injuries. In the previous reporting periods impressive reductions were recorded while the level of injuries in the present period has increased slightly in NKT Cables compared with last year. This is partly due to inclusion of data from an acquired plant in 2013. To further reduce the number of accidents the business units have intensified the number of safety trainings and awareness campaigns. In addition they have increased focus on eliminating unsafe situations or behaviours and on analysing the root causes of incidents registered.

## Occupational injuries causing work absence



One injury has occurred in Photonics Group for the past three years

\* Part of the increase is due to the fact that data from a plant acquired in Sweden in 2013 is now included

## ENVIRONMENT

NKT has a two-fold strategy for reducing environmental impact: Firstly, to develop and supply products that reduce user energy consumption (Nilfisk-Advance) and to support the spread of sustainable energy production (NKT Cables and Photonics Group). And secondly to reduce consumption of resources by NKT's own businesses.

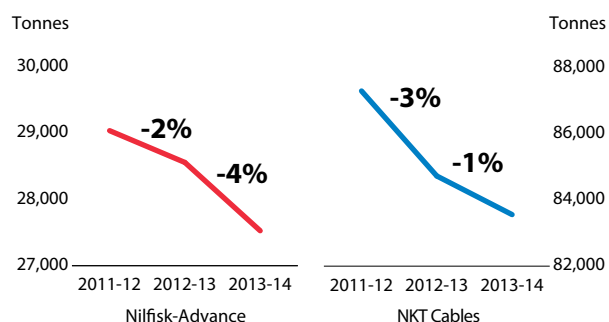
### CO<sub>2</sub> emissions further reduced

Nilfisk-Advance and NKT Cables both continued to record lower CO<sub>2</sub> emissions. The decrease of 4% for Nilfisk-Advance and the 1% reduction in NKT Cables were mainly due to reduced heating consumption and a drop in electricity used.

### Continued decline in water consumption

Installation of a separate water recycling system at its Hungarian plant was a significant contributor to a 10% reduction in water consumption for Nilfisk-Advance. Savings from maintenance of premises were another factor in the reduction. NKT Cables started monitoring the water consumption in 2010, since when the company has recorded a 54% reduction in use of tap water per tonne cable. Use of secondary water, installation of a cooling compressor for recirculation purposes and repair of leakages were some of the major reasons for the considerable decrease.

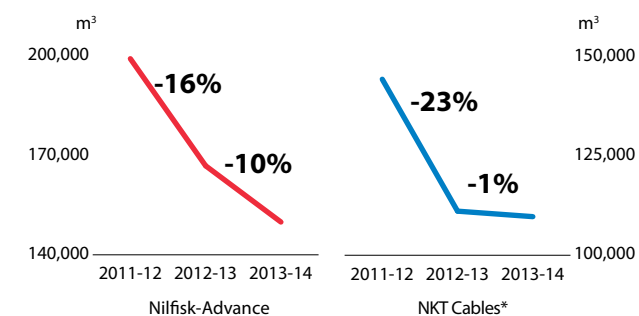
## CO<sub>2</sub> emissions (Scope 1+2)



CO<sub>2</sub> emissions from Photonics Group are insignificant  
Scope 1: Energy consumption for heating  
Scope 2: Energy consumption for production



## Water consumption



Photonics Group does not register water consumption.

\* Water consumption from a plant in Sweden, acquired in 2013 is not included.

## ANTI-CORRUPTION

NKT has business operations worldwide, including areas where corrupt practices have used to exist and to some extent still do. Some of the business units are also active in sectors where cartels have operated. It is therefore crucial for NKT's credibility to be a strong advocate of fair competition and lawful practices.

### Internal compliance

The managers of all NKT entities complete an annual Statement of Representation, which includes an extensive anti-corruption review. Any findings relating to potentially corruptive practices, such as cartels, money laundering, bribery and facilitation payments must be reported in the statement. The managers also state whether necessary actions are taken to ensure that employees in contact with external partners are aware of and trained in NKT's anti-corruption policy. No cases of corruption were registered in the present reporting period while one case of misuse of company assets was registered.

### Whistleblower system to include external stakeholders

In 2010, NKT set up an internal whistleblower system with the aim of disclosing any internal irregularities. The system is maintained by an external provider and all employees can anonymously report any serious concerns about irregularities or inappropriate actions. Reports may be submitted in a number of languages and in writing or orally. None of the reports submitted for 2013-2014 have led to material adjustments in business procedures.

NKT has decided to take its responsibility for sound business conduct a step further, and as of end-2014 external stakeholders will be invited to disclose any irregularities through the whistleblower system. Access to the system will be available at [www.nkt.dk](http://www.nkt.dk) and on the business units' websites.

### Appeal against European Commission decision

On 2 April 2014 NKT received a fine of 29 mDKK following an investigation conducted by the European Commission into alleged price-fixing activities in the high-voltage power cable industry, cf. Company Announcement No. 8 2014. NKT disagrees with the Commission's decision and therefore lodged an appeal in Q2 2014.

# Nilfisk-Advance statement

Our company has existed for more than a century, and there is no doubt in our minds that **respect and proactive behaviour** when it comes to sustainability **are essential** to a company's long term prospects.



“

*We wish to head the industry by setting high business standards”*

**Our Green Meets Clean promise to our customers:**

**We lower** your total cost of operation and maximise your return on investment by developing products that use less energy, water and detergent.

**We develop** products with improved environmental performance and thereby enhance your capacity for delivering sustainable cleaning services as a customer.

**We respond** to the need for sustainable cleaning and develop new opportunities for you to create lasting value for you, your employees and owners.

As one of the world's leading manufacturers of professional cleaning equipment, we wish to head the industry by setting high business standards.

Sustainability and responsibility are crucial to achieving our ambition of becoming our customers' preferred choice. As a part of this ambition, we were first in our industry to become signatory to the UN Global Compact. By acting as a responsible business partner we can create a long-term advantage for both our customers and ourselves.

The UN Global Compact sets high standards for how companies should act: Respect human rights, say no to bribery and take care of the environment. We as a company have always had high standards which are in line with those of the UN Global Compact, and we are convinced that committing to this agenda will help us develop our business in a positive direction and at the same time meet the growing demand from customers for sustainable and more efficient products and offerings. As examples, our whistleblower system, our annual Statement of Representation and our Code of Ethics are all initiatives that help us uphold high business standards.

Our sustainability strategy is termed Green Meets Clean. In 2013, we launched a revised version of this strategy to further improve our sustainability efforts, focus on innovative product development, green operations and increased collaboration on recyclability. Green Meets Clean is our pledge to both ourselves and our customers to dedicate our activities to offering cleaning solutions that are efficient and improve the sustainability of the industry. It is also our pledge to continuously work to improve our environmental footprint as a company.

Our Communication on Progress Report contains data and status on goals and initiatives launched by Nilfisk-Advance. The data show that we have improved our performance in many areas and there is much to be proud of. We consider the results achieved to be a significant stepping stone on our path to becoming an even more sustainable company.

*Jonas Persson*  
CEO, Nilfisk-Advance



# Nilfisk-Advance

## Highlights 2013-2014

*Nilfisk-Advance employees assembling consumer high-pressure washers and vacuum-cleaners in our ISO9001 and 14001 certified factory in Suzhou, China.*

**green**  
meets  
**clean**

### Sustainability concept

Nilfisk-Advance continuously works to improve its products. New products must provide equal or enhanced cleaning efficiency and feature environmental improvements in at least one of four focus areas: Energy consumption, water consumption, use of detergents and disposal.

Both we and our customers see significant potential in developing cleaning solutions with improved environmental performance.

We wish to be a leading player in this development: Our approach is titled *Green Meets Clean*.



### Award to Nilfisk-Advance partner for cradle-to-grave responsibility

In May 2014, European Cleaning Machines Recycling (ECMR) was a proud winner of ISSA Interclean's Innovation Award in the Cleaning Management category.

Nilfisk-Advance donates life-expired equipment to ECMR, which strips out all useful components. ECMR works to ISO 26000, the international CSR guidelines.

Nilfisk-Advance is a partner of ECMR and was the company's leading contributor, donating approximately 20% of its machine intake in 2013.



### Collaboration with universities on recycling

Given the scarcity of resources and a rising, global middle class, we believe that recycling will be increasingly important in our industry. We therefore collaborate with a number of Danish universities on life-cycle analyses to better understand the impact of our equipment in all steps of the value chain.

Together with the University of Southern Denmark (SDU), Nilfisk-Advance is now examining the possibilities for further recycling of its products - an initiative which will meet the increasing customer demand for products manufactured as sustainably as possible.

## HUMAN AND LABOUR RIGHTS

We consider it essential that all our employees are assured of good and fair working conditions, and we are committed to setting an example in the countries where we operate. As a global company we operate in parts of the world that have a long tradition of respect for individual rights, and also in areas where these rights may be less highly prioritised.

Our approach on human and labour rights is defined and globally communicated through the Nilfisk-Advance Code of Ethics and the Business Integrity Principles introduced in 2012. The subject of human and labour rights is also a mandatory agenda component at local business board meetings at least once a year.

We are firmly committed to providing equal opportunities to our employees and will not tolerate discrimination or harassment based on religion, race, colour, gender, age, sexual orientation, political orientation, birth right or other status. We have therefore established a system for reporting cases of discrimination in our whistleblower system. No incidents were reported in the COP 2013-14 period.

Achieving our business goals is dependent on having a dedicated workforce, an inspiring working environment and being able to continuously foster new talent. To ensure dialogue and promote commitment and engagement, our Employee Engagement Survey was launched globally in 2012 and has now been conducted for three consecutive years. To support the development of our organisation and our leaders, 200 of our managers were selected for a comprehensive leadership training programme to ensure the continued development of our talent.


The next step, which is about to commence, is the provision of training to 300 of our leaders next in line.

### 2013-14 Employee Engagement Survey

**45** countries      **4,930** respondents      **91%** response rate

Based on the results from the global Engagement Surveys, key focus areas such as knowledge of the future direction of Nilfisk-Advance, employee recognition and strong customer focus have been identified as main drivers for creating an even more attractive workplace regardless of location and for ensuring that our people have the opportunity to achieve their full potential.

Our customers want to be sure that the products we supply have been produced in a responsible way. And we are committed to ensuring that not only we, but also our suppliers, conform to our standards and observe the principles of the UN Global Compact. These principles are now fully integrated in our standard supplier contracts, which achieved an 80% signature rate, an improvement of 30% points compared to last year. Although the end-2015 target of 80% has already been reached we will continue our efforts in this area.

 Goals & actions - Human and labour rights	2013-14		30.06.14
	Target	Achieved	Status
<b>Management</b>			
All local managements have been informed of our policies, have issued their comments, and have endorsed the policy.	100%	100%	✓
Zero tolerance of acts of discrimination of any kind and hence no cases to be reported.	100%	100%	✓
We will foster talent so that skilled employees have the opportunity to achieve their full potential. With the 2015 target being a score of index 77 on the internal leadership assessment.	Index 77	Index 74	(✓)
<b>Derived goal:</b> To conduct global Employee Engagement Survey and set Employee Engagement targets Index.	100%	100%	✓
<b>Procurement</b>			
80% of procurement (above 50,000 EUR in value) to be supplied by partners who have agreed to abide by the principles of the UN Global Compact by end-2015.	80%	80%	✓
<b>Occupational injuries</b>			
Improving performance with a short-term goal of a frequency less than 5.5 accidents per 1 million working hours. The long term goal is zero accidents.	<5.5	7.0	(✓)
<b>Labour rights</b>			
Our Code of Ethics is an integral part of Nilfisk-Advance's M&A due diligence process and any non-conformities are reported.	100%	100%	✓

÷ Not accomplished      (✓) Partly accomplished or behind schedule      ✓ Accomplished or on track

## ENVIRONMENT

We view environmental sustainability as an element of sound business practice. If we can reduce our consumption of resources it will not only benefit the environment but also our customers and Nilfisk-Advance financially. Green Meets Clean is Nilfisk-Advance's environmental approach to developing new products for our customers.

Cleaning equipment naturally consumes energy, water and sometimes detergents. Designing future equipment which can clean to the same high standard, but uses less resources, is therefore our foremost challenge. This is therefore also the area in which we can make the greatest possible environmental impact.

The environmental impact of future products is a high priority consideration in our technology development platform: Customer Focused Technology Development. 71% of all new products launched by Nilfisk-Advance in the reporting period under review feature an environmental improvement in at

least one of the four focus areas: Energy consumption, water consumption, use of detergents and disposal.

In collaboration with Technical University of Denmark (DTU) we have created a life-cycle analysis of a few of our products in order to better identify and understand the environmental footprint of products.

Our own consumption of resources is another focus area. Our production units continuously strive to minimise environmental impact by use of low-energy light, natural light, internal wells and other initiatives. We also closely monitor our energy consumption and related CO<sub>2</sub> emissions.

For the present reporting period Nilfisk-Advance achieved a 4% reduction in CO<sub>2</sub> emissions normalised to revenue, which is an important second step in achieving our overall CO<sub>2</sub> emission reduction target of 8% over three years; 2013-2015. This goal was set in 2013 as a part of the sustainability strategy review.

Goals & actions - Environment	2013-14		30.06.14
	Target	Achieved	Status
<b>Product development</b>			
New products feature sustainability improvements in at least one and preferably more of the following four areas: Energy consumption, water consumption, use of detergents and disposal.	75%	71%	(✓)
<b>CO<sub>2</sub> emissions</b>			
8% reduction over 2013-2015, equivalent of ~4% annually.	4%	4%	✓
<b>Product environmental footprint</b>			
Actively participate in industry-related activities, boards and committees to push for agreement on industry standard for measuring environmental performance of products.	100%	100%	✓

÷ Not accomplished

(✓) Partly accomplished or behind schedule

✓ Accomplished or on track



### Auto Booster 5M

*Nilfisk-Advance has introduced a new series of stationary high pressure washers with the choice of up to three detergents and five programmes from light to intensive cleaning. With these adjustable settings any cleaning requirement can be met while water and energy consumption is reduced.*


## ANTI-CORRUPTION

As a global company doing business in all parts of the world, Nilfisk-Advance is committed to combat the negative effect that corruption has on fair competition and the development of a stable society. Based on the Transparency International Corruption Perceptions Index ([www.transparency.org](http://www.transparency.org)) we have identified areas of the world where business integrity issues are most likely to occur.

In order to support our activities in the domain of business integrity, our position is set out in the Nilfisk-Advance Code of Ethics. To further support these efforts a set of Business Integrity Principles has been introduced which guides all Nilfisk-Advance employees on what to do and what not to do in specific circumstances and situations.

To ensure management commitment and to promote our anti-corruption agenda the local managements in all Nilfisk-Advance entities are obliged to personally sign a Statement of Representation on the UN Global Compact principles. The individual Statements are then consolidated and signed by the CEO of Nilfisk-Advance. The Statement of Representation receives significant attention from all parties. The findings for 2013-2014 revealed no major concerns.

Nilfisk-Advance furthermore has a global whistleblower system which enables employees to anonymously report corruption and other unlawful incidents which are subsequently dealt with by an independent party. All reported cases receive the utmost attention, being discussed and dealt with by the Group Management of Nilfisk-Advance and NKT.

 Goals & actions - Anti-corruption	2013-14		30.06.14
	Target	Achieved	Status
<b>Management</b>			
Local managements have been informed of our policies, have issued their comments and have endorsed our policies.	100%	100%	✓
<b>Anti-corruption</b>			
No reported corruption or cartel cases.	0%	0%	✓
Ensure employees are knowledgeable regarding how to act in accordance with Nilfisk-Advance expectations on business integrity issues.	100%	100%	✓
Apply risk management in growth markets on business integrity issues.	100%	20%	÷
<div>÷ Not accomplished</div> <div>✓ (✓) Partly accomplished or behind schedule</div> <div>✓ Accomplished or on track</div>			



*One of our many professional and trained service technicians inspecting a **SW900 sweeper** for a routine check.*



# NKT Cables statement

In the long history of our company, **Corporate Social Responsibility** has always been an implicit and explicit part of how we do business to **achieve sustainable success**

As an active corporate citizen, NKT Cables has a clear philosophy and conviction about our social responsibilities. With strict adherence to our CSR principles and the framework of the UN Global Compact, we take our commitment towards high ethical standards seriously wherever we seek to do business and to abide by all local laws and regulations and respect the rights of all individuals. Accordingly, we continue to train our employees and promote awareness of our zero-tolerance attitude towards non-compliance with laws and regulations. To underline this commitment, we ask the management of the units in the countries and regions of our activities to sign an annual Statement of Representation confirming adherence to the 10 principles of the UN Global Compact.

Along with our participation to the UN Global Compact charter we continuously work to increase the awareness of the importance of CSR and we constantly develop new objectives to improve our performance in this respect. We keep in our focus the pursuit of the reduction of energy, water and material consumption as well as the emissions of our production facilities. Against this background we continue to invest in the development and improvement of our products and relevant production standards. Furthermore, we pursue a safe and accident-free working environment.

With regard to our objectives we have achieved good progress in many areas, but we know that we can and need to do more. We are convinced that financial success, social responsibility and protection of the environment are fully interlinked and essential for long-term sustainability. We want our business partners to choose NKT Cables as their partner because of our commitment to high ethical standards for the human interaction in and around our company as well as because of the high standards for the quality of our products and services.

*Marc van't Noordende*  
CEO, NKT Cables



“  
*NKT Cables is an active corporate citizen of the global society with a clear and firm philosophy and conviction about our social responsibilities”*



# NKT Cables

## Highlights 2013-2014

*Hands-on experience with installation trials*



### First Safety Buddy Award

With view to maintaining focus on safety, an annual Safety Buddy Award was established in 2013. At a ceremony in Cologne attended by an audience that included the CEO of NKT Cables and the 10 winners of the local Safety Buddy Awards, a special trophy was presented to the first Group Award winner, Vaclav Hajny, from the Kladno site in the Czech Republic.



### New distributor and agency contracts

In order to further prevent potential bribery and corruptive practices in connection with purchasing, new distributor and agency contracts have been formulated. These contracts also incorporate acceptance by the supplier of the principles of the UN Global Compact.

The revised contracts were introduced in 2013 as standard for new agreements while existing agreements will be replaced by the new contracts when renegotiated.



### 20 energy saving projects launched

Energy saving is one of the components in a comprehensive programme with the aim of increasing efficiency and improving profit ability in NKT Cables. Consequently, 20 energy projects are currently in progress.

Some of the saving targets for the period 2014 to 2015 included a 340 MWh reduction of electricity and a 490 MWh reduction of natural gas - generating in total a reduction in CO<sub>2</sub> emissions of about 270 tonnes per year.



## HUMAN AND LABOUR RIGHTS

Respecting human and labour rights is fundamental to our business. NKT Cables has established ethical guidelines, and our local management teams in all countries are asked to sign a Statement of Representation affirming adherence to the principles of the UN Global Compact.

NKT Cables conducts surveys on a regular basis regarding the position of our suppliers on these 10 principles, and the results of the last survey showed that the commitment level among suppliers had increased to 88%. In order to further facilitate and increase the acceptance of the UN Global Compact, NKT Cables is to roll out new general conditions of purchase which will make suppliers' compliance mandatory for doing business. NKT Cables thus continuously monitors its goals with regard to human and labour rights and ensures that the fundamental principles are known and followed throughout the company and also by its suppliers.

All accidents have causes. Removing these causes reduces accidents, and a programme was set up in 2013 aimed at eliminating a minimum of 3,000 dangerous situations and behaviours annually. This goal was reached in the reporting period under review. Despite these efforts the targeted 25% annual reduction in accidents was not achieved in the period. Very sadly one fatality occurred in August, after the end of the reporting period. A root cause analysis was instituted to identify any shortcomings in the safety risk assessments.

We value a diverse workforce and we firmly believe that not only does offering international career opportunities, talent management programmes and training opportunities make NKT Cables an attractive workplace but that a skilled and highly motivated workforce is a prerequisite to a continued success of our business. We conduct worldwide Engagement Surveys on a regular basis to measure employee satisfaction and to identify

areas for improvement. Our Meet-the-Board initiative introduced in 2012 has proven very valuable for opening discussions between employees and Group Management.

## ENVIRONMENT

Environmental impact from cable production is relatively small and mainly related to CO<sub>2</sub> consumption and use of limited resources, especially copper.


Looking at our carbon footprint, 83.8% is attributable to suppliers of raw materials, whereas 2% is direct emissions (Scope 1) from our sites, and 14.2% is related to our power consumption (Scope 2). The development in carbon footprint allocation is a mirror of the improvements made since last year's reporting:

- CO<sub>2</sub> emissions from heating have been reduced by 17% - or 4% when adjusted for climate.
- CO<sub>2</sub> emissions from production have been reduced by 11% per tonne of cable.

The 50001 Energy Management System was implemented at the Cologne plant and is planned for introduction at another German plant in Nordenham.

Copper is an essential part of manufacturing cables. The potential for savings lies in optimising material utilisation and reducing insulation thickness. The material utilisation rate has been stable for several years, but as the target of 96.2% is challenged, continuous focus is required. A number of slim-line cables have been developed, reducing the amount of plastics used for insulation.

In addition to goals for reducing CO<sub>2</sub> emissions, NKT Cables is engaged in fostering research and development relating

 <b>Goals &amp; actions - Human and labour rights</b>	<b>2013-14</b>		<b>30.06.14</b>
	<b>Target</b>	<b>Achieved</b>	<b>Status</b>
<b>Procurement</b>			
Based on results of the last survey, a further improvement in supplier commitment to the Global Compact will be targeted.	100%	88%	✓
Supplier compliance with Global Compact principles incorporated as standard item in new purchasing contracts and a mandatory condition for doing business.	100%	100%	✓
<b>Occupational injuries</b>			
Improve safety performance towards best-in-class industry standards, defined as a frequency of less than 5 accidents per 1 million working hours. Starting point 2010: Number of accidents 131, frequency 22.6. Annual target is a 25% reduction.			
Number of accidents in the reporting period.	<53	58	÷
Frequency per million working hours in the reporting period.	<8.8	9.7	
Eliminate the number of unsafe situations and behaviour.	>3,000	3,976	✓
<b>Employees</b>			
<b>New goal:</b> Measurement of employee satisfaction by conducting a global survey in the autumn 2014. Development of action plans based upon the findings.			
<b>Health management</b>			
Provide the resources and management systems to ensure a safe and healthy work environment. All sites are to create action plans based on OHSAS 18001 by end-2014 in line with NKT Cables' health & safety policy.	100%	100%	✓

÷ Not accomplished

(✓) Partly accomplished or behind schedule

✓ Accomplished or on track



## Goals & actions - Environment

	2013-14 Target	2013-14 Achieved	30.06.14 Status
<b>CO<sub>2</sub> emissions</b>			
CO <sub>2</sub> emission from comfort heating reduced more by more than 40% compared with 2010.	>42%	44%	✓
Optimise machinery energy consumption. Ongoing measurements followed by data analysis will lead to definition of specific goals. An action plan is defined in the period under review.	100%	100%	✓
Reduce consumption of natural gas by 500 MWh by end-2014.	500 MWh	1,930 MWh	✓
<b>New goal:</b> Reduce consumption of natural gas by another 490 MWh by end-2015.			
Reduce power consumption by 1,000 MWh by end-2014.	1,000 MWh	794 MWh	(✓)
<b>New goal:</b> Reduce power consumption by another 340 MWh by end-2015.			
<b>New goal:</b> Implement ISO 50001 Energy Management System at plant in Nordenham, Germany.			
<b>Material utilisation efficiency</b>			
Increase efficiency by 0.1% yearly, i.e. to 96.2% in 2014.	96.2%	94.8%	÷
<b>Water</b>			
Save 5,000 m <sup>3</sup> drinking water by end-2014. A 2013-acquired plant in Sweden is not included.	>5,000 m <sup>3</sup>	1,433 m <sup>3</sup>	÷

÷ Not accomplished

(✓) Partly accomplished or behind schedule

✓ Accomplished or on track

to renewable energy and knowhow in this field. In 2011, NKT Cables was the prime mover in sponsoring the Offshore Wind Studies Programme and the Wind Energy Research Centre at the Ozzietzky University Oldenburg in Northern Germany. The programme offers knowhow relating to the engineering of sustainable power production and creates common ground for all parties and professions within the energy sector. By sponsoring and sending our employees to this programme, our goal is to strengthen a further expansion of the sustainable energy sector.

taking immediate corrective action. NKT Cables also engages in transparent business relations with partners who undertake to respect the principles of the UN Global Compact. As part of a continuous awareness campaign, these principles, rules and guidelines are communicated throughout the company, and training sessions are held in compliance with laws and regulations.

In addition, a code of conduct has been implemented in order to provide all employees involved in Group purchasing activities with guidelines for compliance with our corporate governance and to prevent possible bribery and corruptive practices in connection with procurement.

## ANTI-CORRUPTION

NKT Cables is committed to conducting its business in a manner which allows the company to make positive contributions to society and ensures compliance with national and international laws and regulations in a manner that is consistent with principles of integrity, honesty, respect - and also internal policies.

Acting with integrity is the central requirement for sustainable success and a maxim that we follow in our daily business. If these guidelines are violated, NKT Cables is committed to

### Compliance awareness campaign and employee training

Our awareness campaign continued in the period under review, increasing the attention of our employees on compliance, anti-corruption, facilitation payments and NKT Cables' policies. Training sessions are continued with a view to instilling permanent employee awareness of these matters.



## Goals & actions - Anti-corruption

	2013-14 Target	2013-14 Achieved	30.06.14 Status
<b>Anti-corruption</b>			
Explicit communication to be established and understood by all employees and business partners. An awareness campaign started in 2012 using a variety of tools and forums.	100%	70%	✓
More training sessions are planned in order to instil permanent awareness in employees. Train relevant employees in anti-corruption and competition law topics.	100%	25%	(✓)
<b>New goal:</b> Develop a model form of contract that includes clear statements regarding anti-corruption.			
<b>Facilitation payments</b>			
Ban on facilitation payments. Communication on non-acceptance of facilitation payments is part of the awareness campaign.	100%	100%	✓

÷ Not accomplished

(✓) Partly accomplished or behind schedule

✓ Accomplished or on track

# Photonics Group statement

We consider a **sustainable development** of our planet **important** and we are proud that our efforts support better living conditions for future generations



“

*Human and labour rights and anti-corruption are priority issues for Photonics Group"*

Photonics Group's products and solutions are instrumental in enabling the development of new applications that lead to better and more efficient use of energy resources, new and improved tools for early detection of diseases, and better systems for human safety and for protecting high-value assets. These are solutions and applications that contribute to a better and more sustainable development of our planet.

Our customers are leading global professionals. They - and the end users of their products - are increasingly demanding more environmentally friendly products and an assurance that these products are manufactured in a safe and responsible manner. Of course, these expectations also extend to the materials and components we receive from our suppliers. We in turn therefore make similar demands on our supply chain and business partners for the responsible provision of goods and services.

As designers and manufacturers of high-performance products it is vital that we can attract and retain skilled and committed employees and provide them with an incentive to do their best. Accordingly, continuous dialogue is maintained with our employees on the company's developments, goals and performance. A positive working environment is also important and we are therefore dedicated to offering our employees a good, stimulating and challenging workplace.

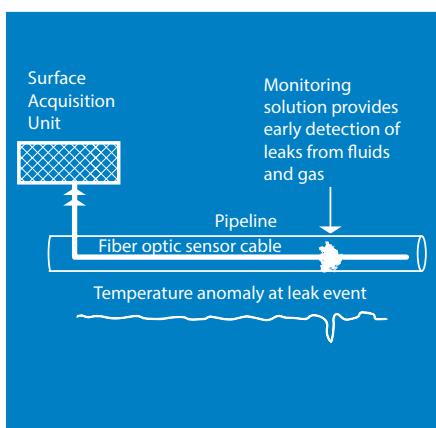
Our products are marketed and sold with a reputation for high quality and represent significant input in the form of R&D and investment. For us it is therefore of paramount importance that the players in our industry compete on fair terms, and we will tolerate no form of bribery or other acts contributing to unfair competition. Human and labour rights and anti-corruption are thus priority issues for Photonics Group. NKT, our parent company, is a signatory to the UN Global Compact, underlining our commitment to responsibility and to promoting sustainable global development. Photonics Group wholeheartedly supports this initiative.

*Søren Isaksen*  
Chairman, Photonics Group

# Photonics Group

## Highlights 2013-2014

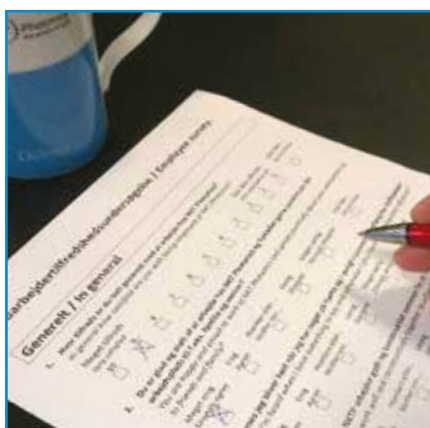
*Photonics Group products support metro tunnel surveillance*



### Detection of leaks in oil and gas pipelines

Many new oil and gas pipelines are planned in the years ahead and the risk of leaks in pipelines which pass close to residential or environmentally sensitive areas is a major public concern.

Photonics Group has started a new business in North America, FiOPS (Fiber Optic Pipeline Solutions), designed to address these risks by providing complete surveillance solutions, including installation of cables along the pipelines, monitoring and warning equipment, etc.



### Employee Engagement Survey in all entities

For a number of years Employee Engagement Surveys have been conducted in the Danish business unit of Photonics Group.

The survey has now been modified to meet the needs and requirements of all entities, and a Photonics Group-wide survey is scheduled for the upcoming reporting period.



### Awareness of whistleblower system

Photonics Group has recently registered a misuse of company assets. While colleagues had noticed indications that some procedures were not in line with the company policy, they were in a position where it was difficult to verify or address the issue. Although the option of reporting the misuse through the whistleblower system was present, they did not make use of it. Therefore a new campaign will be launched to increase employee awareness of the whistleblower system and to make everyone comfortable with its use.

## HUMAN AND LABOUR RIGHTS

Photonics Group has sales offices on an international scale, sells its products globally and buys components and services worldwide. In this context we need to ensure that respect for human and labour rights is and remains an integral part of how we run our business.

Historically, our focus was to ensure that we conducted our business correctly. Now, our focus is to ensure that, throughout the production chain to customer delivery, all our products are manufactured responsibly and without infringing the rights of the individual. These same demands are also made on our suppliers. Our sights are primarily set on companies who supply us with large and stable volumes; our target is to achieve 80% compliance with the UN Global Compact among these companies. This target has been achieved by one of our three business units in the past year, and overall compliance has improved from 63% to 73% during the present reporting period.

A safe and healthy working environment is also important. Very high light intensities are often used in the development and manufacture of our lasers, and this can cause eye damage in case of accident or careless equipment handling. As well as detailed work instructions we therefore take numerous precautions, such as eye protection, screening and alarm systems.


We operate in a global and very competitive high-tech business environment and employee engagement is therefore vital to our performance. Employee Engagement Surveys, which previously covered some 50% of our personnel, have now been extended to all Photonics Group entities. A Photonics Group Employee Engagement Survey is planned for the upcoming reporting period.

## ENVIRONMENT

Photonics Group's environmental footprint is insignificant in production terms. The principal environmental impact relates to the use of our products.

Many of our products find application in solutions aimed at improving either environmental conditions, supply of goods, personal safety or human living conditions. Examples include fire detection in tunnels, efficient use of high-voltage cables, safe use of oil and gas pipelines, quality control of food, development of new and improved medicines and diagnosis of diseases. Demands for greater environmental accountability, increased security and improved living conditions are thus important drivers in our business development and support our investments in the photonics field.

As a manufacturer of electro-optical products and production equipment we use relatively small raw material volumes in our products. Almost all our products incorporate and use electrical components, and new products are designed to comply with the directive to restrict the use of hazardous substances in electronic and electrical equipment (RoHS Directive) and similar regulations.

 <b>Goals &amp; actions - Human and labour rights</b>	<b>2013-14</b>		<b>30.06.14</b>
	<b>Target</b>	<b>Achieved</b>	<b>Status</b>
<b>Procurement</b>			
80% of procurement (above 50,000 EUR in value) is to be supplied by partners who have agreed to abide by the principles of UN Global Compact.	80%	73%	(✓)
Development of a monitoring plan, based on inspections, to check the extent to which the conduct of our suppliers supporting the UN Global Compact conforms to the agreed criteria. <b>Delayed - new target date:</b> 30.06.2015.	100%		
<b>Occupational injuries</b>			
No injuries causing work absence to be registered in the reporting period under review.	0%	0%	✓
Eye tests conducted every two years reveal no eye injuries caused by working with high light intensities.	100%	100%	✓
<b>New goal:</b> No injuries causing work absence in the next reporting period.			
<b>New goal:</b> No eye injuries caused by working with high light intensities to be recorded in the next reporting period			
<b>Employee engagement</b>			
Employee engagement to be measured in all business areas and action plans to be prepared on the basis of the results. <b>Delayed - new target date:</b> 30.06.2015.	100%		

÷ Not accomplished

(✓) Partly accomplished or behind schedule

✓ Accomplished or on track





## Goals & actions - Environment

	2013-14 Target	2013-14 Achieved	30.06.14 Status
<b>CO<sub>2</sub> emissions</b>			
15% reduction in CO <sub>2</sub> intensity* relative to level at 30.06.2011 (25.2 tonnes of CO <sub>2</sub> /mEUR) planned to be achieved by 30.06.2014. This reduction has been achieved one year ahead of schedule.	15%	16%	✓
<b>Transition to unleaded products</b>			
All products must comply with the RoHS Directive by 30.06.2013 (all new product designs completed or in development are now in compliance with the directive).	100%	100%	✓
* CO <sub>2</sub> intensity is defined as CO <sub>2</sub> emissions from Scope 1+2 activities relative to output.			
÷ Not accomplished	(✓) Partly accomplished or behind schedule	✓ Accomplished or on track	

## ANTI-CORRUPTION

We consider corruption to be a problem for the international community. As a company with global activities we operate in parts of the world where corruption and facilitation payments are very rare, and in other areas where they are a regular occurrence.

We wish to compete on fair and honest terms. We will not tolerate our employees being involved in corruption or accepting facilitation payments. The only exception to this rule is if our employees are exposed to situations where their safety is threatened. We have therefore developed a programme for training all employees in our anti-corruption policy. The structure of this programme was presented to the management group in

June 2013 and with the target to train all employees within the next year. The training has been conducted in most entities, but the task remains to be completed.

Photonics Group has registered no instances of corruption during the present reporting period. As in the previous period, however, we have experienced that our policy on facilitation payments has caused considerable delays in obtaining product approvals and that such delays have meant loss of orders. Our patience has paid off in the sense that approval has eventually been granted in such cases.



## Goals & actions - Anti-corruption

	2013-14 Target	2013-14 Achieved	30.06.14 Status
<b>Anti-corruption</b>			
Develop a programme by 30.06.2013 for training all employees in our anti-corruption policy.	100%	100%	✓
Train all relevant employees in our anti-corruption policy relative to their specific job functions before 30.06.2014. <b>Goal redefined</b> to integrate a documented standard procedure for training. Deadline 30.06.2015.	100%		
<b>Facilitation payments</b>			
Non-acceptance of facilitation payments. No facilitation payments to be reported.	0	0	✓
<b>Agents and distributors</b>			
All agents and distributors have been informed of our Fair Trade Policy.	100%	100%	✓
Risk assessment of business areas and regions in which we operate, and active follow-up on employees, agents and distributors in high-risk areas by 30.06.2014. <b>Goal redefined</b> to include a formalised and documented assessment. Deadline 30.06.2015.			
÷ Not accomplished	(✓) Partly accomplished or behind schedule	✓ Accomplished or on track	



# Reporting principles

**NKT's reporting system consists of four main elements** which form the basis for monitoring progress on Corporate Social Responsibility

The four main elements are:

1. A whistleblower system, maintained by an external provider, which allows all NKT employees to raise concerns about seemingly inappropriate conduct, events or circumstances. Reporting may be done anonymously and in a number of languages. At end-2014 the system is expected to be available for external stakeholders.
2. A data collection system where various Key Performance Indicators (KPI's) are registered, covering parameters such as occupational injuries, fuel and energy consumption, CO<sub>2</sub> emissions from travel and transport, utilisation of raw materials, and irregularities such as environmental spills and fines. The business units are responsible for the data collection and for the KPI quality. NKT Group Finance is responsible for data consolidation.
3. An annual Statement of Representation on Corporate Social Responsibility, signed by all local managers in the business unit, certifying that they are familiar with and actively working to advance the principles of the UN Global Compact.
4. A special reporting scheme where the business units annually report on issues such as diversity in senior management and R&D efforts in relation to sustainability.

The reporting system and the Statement of Representation both embrace around 100 legal entities worldwide.

## Reporting methodology

Based on the methodology proposed by the Global Reporting Initiative (GRI) an assessment of the materiality of the GRI indicators has been carried out. The methodology remains unchanged from previous reports, and NKT has chosen to assess a total of 19 GRI, G3.1 indicators. An overview is available on page 22.

## Data reliability

The majority of data is estimated to be sound. CO<sub>2</sub> emission data for transport of goods is still subject to some uncertainty. To focus efforts on areas under the company's control, the data for Nilfisk-Advance solely covers transport of goods from the company factories to distribution centres.

Nilfisk-Advance and Photonics Group use the NKT Group's data collection system. NKT Cables have used a similar reporting system internally for a number of years and no discrepancies have been observed between the systems. The reporting system deployed by NKT Cables is actually more elaborate than the NKT Group's system, and is believed by NKT to generate even more accurate reporting.

## Auditing

The present report was not audited by an independent auditor.

## Statement of Representation

**NKT BOARD OF DIRECTORS**

**NKT GROUP EXECUTIVE DIRECTOR**

**CEO BUSINESS UNIT**

**ENTITY MANAGER**

*NKT wishes to ensure that CSR is an integral element in the daily activities of all business units and entities. Annually, all entity managers (around 100) draft and sign a Statement of Representation detailing the progress made on all UN Global Compact principles within the entity concerned.*

*Each Statement of Representation is submitted to the CEO of the relevant business unit who signs a Statement on behalf of the unit as a whole. Ultimately, NKT's Group Executive Director signs a Statement of Representation for the entire Group and the Board of Directors is informed of the conclusions.*

# GRI indicators

The Global Reporting Initiative (GRI) is a comprehensive sustainability reporting framework which enables all organisations to **measure** and **report** their economic, environmental, social and governance performance - **the four key areas** of sustainability

The NKT business units report on parameters inspired by the GRI indicators is listed below. Not all parameters are elaborated upon in the present report, but data used in other contexts.

GRI, G3.1 indicators	GRI parameters*	Nilfisk-Advance	NKT Cables	Photonics Group
<b>Human Rights</b>				
Investment and Procurement practices	HR1, HR2, HR3	✓	✓	✓
Non-discrimination	HR4	✓	✓	✓
Freedom of association and collective bargaining	HR5	✓	✓	✓
Child, forced or compulsory labour	HR6, HR7	✓	✓	✓
<b>Labour Practices &amp; Decent Work</b>				
Employment	LA1		✓	✓
Occupational health & safety	LA7	✓	✓	✓
Diversity and Equal Opportunities	LA13	✓	✓	✓
<b>Environment</b>				
Materials	EN1, EN2	✓	✓	
Energy	EN3, EN4, EN5, EN6, EN7	✓	✓	✓
Water	EN8	✓	✓	
Emissions, Effluents and Waste	EN16, EN17, EN18, EN23, EN24	✓	✓	✓
Product and Services	EN26		✓	✓
Compliance	EN28	✓	✓	✓
Transport	EN29	✓	✓	✓
<b>Anti-corruption</b>				
Local Community	SO1, SO9		✓	✓
Anti-corruption	SO2, SO3, SO4	✓	✓	✓
Public Policy	SO5, SO6	✓		✓
Anti-Competitive Behaviour	SO7	✓	✓	✓
Compliance	SO8	✓	✓	✓

\* In-depth descriptions are available on page 23.

# GRI, G3.1

## - Appendix

### Human Rights

HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	EN7	Initiatives to reduce indirect energy consumption and reductions achieved
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken	EN8	Total water withdrawal by source
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	EN16	Total direct and indirect greenhouse gas emissions by weight
HR4	Total number of incidents of discrimination and actions taken	EN17	Other relevant indirect greenhouse gas emissions by weight
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	EN23	Total number and volume of significant spills
HR7	Operations or significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally
		EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation
		EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
		EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce

### Labour Practices & Decent Work

LA1	Total workforce by employment type, employment contract, and region broken down by gender
LA7	Rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities by region and by gender
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

### Environment

EN1	Materials used by weight or volume
EN2	Percentage of materials used that are recycled input materials
EN3	Direct energy consumption by primary energy source
EN4	Indirect energy consumption by primary source Non-renewable energy source
EN5	Energy saved due to conservation and efficiency improvements
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives

### Anti-corruption

SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes. Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting
SO2	Percentage and total number of business units analysed for risks related to corruption
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures
SO4	Actions taken in response to incidents of corruption
SO5	Public policy positions and participation in public policy development and lobbying
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
SO9	Operations with significant potential or actual negative impacts on local communities