

CORPORATE **SOCIAL RESPONSIBILITY** REPORT 2014-2015



UN Global Compact
nkt cables wishes to protect the environment, safeguard human and labour rights, and work against corruption



nkt cables statement



“

nkt cables wishes to set standards of excellence in everything it does”

An increasingly urbanised world population is making ever greater demands for mobility, trade, communication and improved living standards. In our globalised and interconnected world, much depends on electrical power. Satisfying these growing demands in a way that is truly sustainable and socially responsible poses a challenge: how do we provide a basis for future growth that does not harm present or future generations? For more than a century **nkt cables** has demonstrated a passion for developing sustainable and socially responsible solutions for infrastructure, transport and construction.

nkt cables acceded to the UN Global Compact in 2011. Being signatory to the UN Global Compact has helped us greatly in expanding the reach and awareness of corporate social responsibility throughout our company. We view our relations with customers, suppliers, communities and other stakeholders through the framework provided by the UN Global Compact.

nkt cables wishes to set standards of excellence in everything it does. We are committed to responsible and ethical behaviour, and as an active corporate citizen we embrace a principled approach to the way we conduct business around the world. Our organisation is committed to upholding the tenets of the UN Global Compact, and the ten principles on human and labour rights, environment and anti-corruption are the foundation for our corporate social responsibility profile. We believe that living by these principles is essential for sustainability, the long-term survival of our business, and the greater good of the global community.

Our participation in the UN Global Compact strengthens and energises our commitment to working ethically and responsibly.

Michael Hedegaard Lyng
President and CEO, **nkt cables**



Knowledge transfer and continuous focus on training is essential to improve safety in nkt cables' workplace

Highlights 2014-2015



Whistleblower system for reporting ethical concerns

NKT's whistleblower system was established to provide a channel for reporting ethical concerns. It is operated by an independent third party to ensure that issues can be raised safely and securely. No major concerns were reported in the period under review.

The system is currently available to all employees and in 2016 it will be extended to vendors and business partners. An awareness campaign will accompany the extension.



Go Green - sustainable product offerings

nkt cables' Go Green strategy is focused on offering products and solutions which reduce CO₂ emissions and feature environmental innovations. As an alternative to their enquiry for a conventional product, customers are offered a Go Green solution that combines ecological and economic advantages based on a total cost of ownership approach. To quantify the advantages in terms of sustainability, **nkt cables** has developed a scoreboard method that can directly compare the difference between both solutions. As a company focused on economic product performance and ecological sustainability, **nkt cables** is a pioneer in its market.

HUMAN AND LABOUR RIGHTS

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

nkt cables conducts regular surveys of its suppliers' commitment to the above 10 principles. The results of the most recent survey revealed that the commitment level among suppliers has continued to increase. In the 2014/2015 reporting period, 90% of the total purchase volume of materials/components used in our products came from suppliers who had pledged binding allegiance to the ten principles. This represents an increase of 2%-points over the previous reporting period. To further promote and increase acceptance of the UN Global Compact among suppliers with purchase value above EUR 50,000, **nkt cables** will in future introduce agreed conditions of purchase that will render suppliers' compliance mandatory for doing business with us.

The improvement and maintenance of safety continues to be given the highest priority at **nkt cables**. A programme was set up in 2013

aiming at eliminating a minimum of 3,000 unsafe situations and behaviours annually, and this goal has been achieved in the last two reporting periods. The annual target for reduction of accidents was achieved in the July 2014 - June 2015 reporting period and continued focus will be placed to maintain attention on this important task.

After the reporting period, our new business strategy, EXCELLENCE 2020, was launched supported by the following vision statement: 'By driving excellence we will be the best power cable company by 2020 in the eyes of our customers and our people.'

A key element of this strategy is 'Safety, People and Organisation', and one target is to achieve a job satisfaction rating of at least 80% by the year 2020. This goal is challenging and ambitious as results from the employee engagement survey conducted at end-2014 revealed a low satisfaction rate. The next survey is planned for early 2016 and will be conducted by an independent external partner.

Goals & actions - Human and labour rights	2014-15		30.06.15
	Target	Achieved	Status
Procurement			
Supplier commitment to the Global Compact by all with purchase value above EUR 50,000	100%	90%	⤴
Occupational injuries			
Improve safety performance towards best-in-class industry standards, defined as a frequency of less than 5 accidents per 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.	<40	32	✓
Frequency per million working hours in the reporting period.	<7.7	5.8	✓
Eliminate the number of unsafe situations and behaviour.	>3,000	3,204	✓
Employees			
Measurement of employee satisfaction by global survey in autumn 2014. Development of action plans based upon the findings.	100%	100%	✓
New goal: Employees trust index >80% by 2020			
Health management			
Provide the resources and management systems to ensure a safe and healthy work environment. All sites to create action plans based on OHSAS 18001 by end-2015 in line with nkt cables ' health & safety policy.	100%	100%	✓

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

ENVIRONMENT

Environmental impact from cable production is relatively small and mainly related to CO₂ consumption and the use of limited natural resources, especially copper.

During the last few years **nkt cables** has successfully implemented multiple initiatives, achieving significant reduction in energy consumption and the utilisation of natural resources.

- CO₂ emissions from Scope 1&2 relative to output were reduced compared with the last reporting period by 6%, while absolute emissions were reduced by 3% and totalled 81,180 tonnes.
- Power consumption was 891 MWh lower than last year, clearly exceeding the target of a reduction of 340 MWh, while the reduction target for natural gas consumption was not achieved
- Water consumption was reduced by a further 8,900 m³ and a new reduction target will be defined in the beginning of 2016.

Copper is an essential material for the manufacture of cables. As a result of initiatives related to the DRIVE efficiency improvement programme, which was launched early 2014, a change in our material utilisation trend was recorded. After the utilisation

efficiency remained unchanged for several years, we achieved an improvement from 94.8% to 95.6%, but still below the target of 96.3% by the end of the present reporting period. The overall target of 96.6% is therefore a challenge, and the target year has been redefined as 2020 with the aim of continuing the focus on improvements in the manufacturing processes.

nkt cables has more than 55 years of experience with recycling of both its own production scrap, such as metals and plastic, and worn-out leads and cables from our customers. **nkt cables** is one of the few cable manufacturers operating a complete recycling of specific cables and our facility is certified in accordance with the ISO 14001 standard.

The ISO 50001 Energy Management System was implemented at the plant in Nordenham, Germany, making it easier for us to integrate our energy management into our overall efforts to improve quality and environmental management.

2014-2015 performances show a need for further changes in terms of the development of solutions, as well as the need for an increase in capital spending to secure ambitious innovations for environment-friendly activities. The first effects of the revised environmental strategy are expected to be visible in 2016.

Goals & actions - Environment	2014-15		30.06.15
	Target	Achieved	Status
CO₂ emissions			
CO ₂ emissions from comfort heating reduced by more than 40% compared with 2010.	>40%	46.5%	✓
CO ₂ emissions reduction (Scope1+2) versus 2013-2014 results.	2%	3%	✓
Reduce consumption of natural gas by end-2015.	490 MWh	380 MWh	÷
New goal: Reduce consumption of natural gas by another 150 MWh by end-2016.			
Reduce power consumption by end-2015.	340 MWh	891 MWh	✓
New goal: Reduce power consumption by another 500 MWh by end-2016.			
Implement ISO 50001 Energy Management System at plant in Nordenham, Germany.	100%	100%	✓
Material utilisation efficiency			
Increase efficiency by 0.1% yearly, i.e. to 96.3% in 2015 Target redefined: Increase efficiency by 0.2% yearly, i.e. to 96.6% in 2020.	96.3%	95.6%	÷
Water			
Save 5,000 m ³ drinking water by end-June 2015. A 2013-acquired plant in Sweden will be included in a new baseline for 2016.	>5,000 m ³	8,900 m ³	✓

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

ANTI-CORRUPTION

At **nkt cables** we are fully committed to being a reputable partner and employer wherever we do business. The NKT Group's code of conduct allied to the continuous development of our compliance policies helps us to achieve these goals by striving for fair and responsible practices throughout our company.

We believe that acting responsibly and fairly are critical to ensuring long-term success for ourselves and our business partners. Our code of conduct sets out common standards for business ethics and for our everyday conduct.

Code of conduct and compliance

nkt cables' commitment to good business ethics and compliance with international regulations and internal policies is anchored in our code of conduct and other internal corporate guidelines. These directives outline the fundamental requirements for how **nkt cables** operates and set out the ethical standards expected of all our employees and our business partners.

We are continuously developing training materials, and during 2016 we expect to add further training and new reporting procedures to foster transparency and improve our compliance performance.

To ensure a streamlined and aligned process, the further training of employees has been postponed and incorporated in future training.

The model form contract has been developed and implementation of the clauses is in progress.

Also in 2016 **nkt cables** expects to implement a new software system to support and optimise the NKT Group's proactive efforts to identify, assess and minimise risks related to business conduct and compliance. When fully implemented, the system will ensure and document our employees' knowledge of compliance guidelines.

Whistleblower system

The NKT Group's whistleblower system enables employees to report activities that may involve criminal conduct or violations of our company policies. It consists of a website and phone hotline which are managed by an independent third party to ensure the highest level of security and confidentiality. During 2016 the whistleblower system will be widened so that also vendors and business partners may report possible criminal activities or other irregularities in relation to **nkt cables**. An awareness campaign concerning this new feature of the whistleblower system will be launched in 2016.



Goals & actions - Anti-corruption

	2014-15 Target	Achieved	30.06.15 Status
Anti-corruption			
New goal: Provide access to NKT whistleblower system for vendors and business partners associated with nkt cables .			
Include anti-corruption and competition law as part of legal training programmes.	100%	50%	÷
Develop a model form contract including clear statements regarding anti-bribery.	100%	80%	÷
New goal: Kick-off an awareness campaign about the NKT Group's whistleblower system and access to the system for vendors and business partners.			
New goal: Develop a compliance mindset throughout the organisation through awareness campaigns.			

÷ Not accomplished

(✓) Partly accomplished or behind schedule

✓ Accomplished or on track

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