

COP report 2016

United Nations Global Compact



We innovate to integrate®

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This report also serves as our annual communication on progress in sustainability, as required by the United Nations Global Compact.

Introduction

KK Wind Solutions is a dedicated greentech company in the renewable energy industry – and as such, sustainability is the core of our company. This Progress Report gives you an overview of our efforts, including overall focus areas and concrete activities as well as our results for the past year and goals for the coming period.

Making wind even more competitive
Developing and manufacturing solutions for the wind industry, the most positive impact we have on sustainability is obtained through our own and our customers’ solutions.

Our core competencies and solutions contribute to sustainable energy production, and together with the rest of the wind industry we are continuously innovating to lower the cost of wind energy making it even more competitive compared to fossil fuels. Part of this work involve close cooperation with universities and industry partners. Furthermore, we aim to be an Industry 4.0 frontrunner introducing automation and intelligent manufacturing in our production.

Environment
At the same time, we are continuously assessing and improving the environmental impacts of our operations. We do this through a product lifetime approach to development, continuous waste reduction in our supply chain and innovative logistics solutions that are both better for the environment and for our customers.

With our strategy work and the growth we have set out for in a developing market, including taking in new customers, we remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees and the environment.



Kind regards,
Tommy G. Jespersen
Chief Executive Officer

The principles of the UN Global Compact (UNGC)

The UNGC outlines ten principles that companies should engage in in order to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Human rights

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

Labour

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

Environment

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

Anti-corruption

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



Our Corporate Social Responsibility framework

Our ambition is to continuously develop and enhance our sustainability actions. To ensure our corporate social responsibility efforts are captured and well explained, we have concentrated our communication on progress around the following three reoccurring themes: Human rights, Employees and Environment.



Human rights

We are committed to the protection of human rights and support the United Nations universal declaration of human rights and the International Labour Organization's declaration on fundamental principles and rights at work.

Focus areas

By regularly conducting risk assessments of our suppliers in compliance with our Code of Conduct, we have ensured an effective integration with the CSR policies. Also, we have integrated appropriate sustainability measures and our Code of Conduct in screening and assessing new suppliers and in finding accessible areas of improvement.

We experience and expect future growth in our service business where we persistently focus on safety and human rights, both in regards to our own and collaboration partners' employees.



Employees

It is our goal to maintain a culture that encourages and supports the development of our employees. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets high ethical standards.

Focus areas

We aim to build a highly skilled workforce with engaged employees whose contribution is meaningful and appreciated. Our approach includes structured introduction schemes, extensive training and consistent follow-up on performance. Furthermore our Employee Engagement Survey is a way for us to focus on what motivates and engages our employees in the daily work.

In addition, we have intensified our health and safety procedures, including improved reporting of 'near misses' and the introduction of new initiatives to stimulate stronger preventative safety awareness in all employees.



Environment

As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop, but also through our actions aimed at managing the business in an ever more responsible manner.

Focus areas

We direct our attention to improving our products and operations across the entire product lifecycle and the supply chain. This includes taking appropriate actions to reduce energy consumption, minimise waste, and increase the share of waste that is recycled.

During 2016, we succeeded in recycling 77% of our waste compared to 73% in 2015. Furthermore, we reduced our electricity consumption by 4.1% and our heating consumption by 8%. Going forward we aim at keeping this high level of recycled waste along with maintaining a low level of energy consumption.



Revising and reinforcing our Code of Conduct



We are committed to the protection of human rights and support the United Nations universal declaration of human rights and the International Labour Organization's declaration on fundamental principles and rights at work.

Status

We continuously work to ensure 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 this implementation. For that reason, we focus first of all on our employees and our suppliers.

We expect our suppliers to respect their employees' human rights and provide them with decent working conditions. Therefore, 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 the Code of Conduct and integrated CSR-measures and our Code of Conduct in the screening and assessment of new suppliers.

Progress

As part of the continued efforts we have evaluated and revised our Code of Conduct to further emphasise the importance of safe working conditions and sound processes in our operations. We also expect our suppliers and their sub-suppliers to follow and ensure the standards.

Our Code of Conduct covers the following:

- Legal compliance
- Human and labour rights
- Health and safety
- Business ethics
- Environment

A significant part of our CSR footprint comes from our supply chain, and we are committed to ensure that our suppliers uphold the same standards as we put forward. Consequently, all expectations towards suppliers within this area are part not only of our Code of Conduct, but are also included in all contracts with new suppliers. We have initiated a program to secure commitment from suppliers to our Code of Conduct in which we recognise the importance of clear communication of expectations and cooperation with suppliers.

All existing suppliers are continuously being rated through a number of risk parameters. These parameters have helped to prioritize the efforts in screening our supplier base. The parameters are based on the 10 principles from UN Global Compact and include human rights, environment, labour rights and anti-corruption.

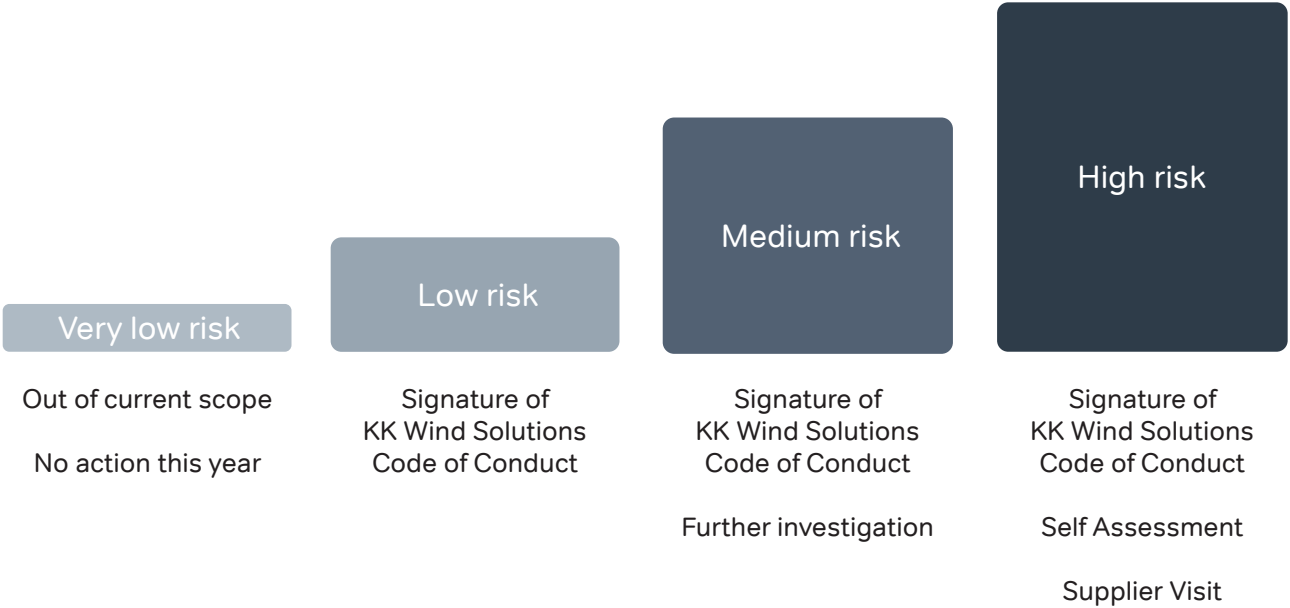


Figure illustrating four different supplier categories that require different actions and levels of attention.

During 2016 we have ensured that all suppliers in the medium or high risk categories sign our Code of Conduct or prove that they live up to the same high standards.

We have visited suppliers currently in the high risk category. New suppliers delivering components in the low to high risk category have also signed our Code of Conduct or proven similar standards during own programs, audits or self-assessments. We have integrated the principles for ethical sourcing into the KK Wind Solution assessment and audit tool.

This way all medium to high risk suppliers will automatically be assessed and prioritized on ethical matters in the same way as quality is assessed and prioritized. The Code of Conduct has been integrated as an appendix to our contract template.

New objectives

New objectives for 2017 is to perform or plan for physical assessment or audit including the 10 principles at all non-European first tier suppliers doing direct manufacturing for KK Wind Solutions.

Supporting people in need



We support various causes throughout the year. Among others, we support a Children's home in Poland on a continuous basis. In addition to this, we have provided financial support for Team Rynkeby and for Danmarks Indsamlingen as well as for the establishment of a hospital in the local region of our headquarters.

Tommy G. Jespersen, CEO, KK Wind Solutions



Continued focus on health and safety



It is our goal to maintain a culture that encourages and supports the development of our employees. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets high ethical standards.

Status

In the past year, we have maintained the OHSAS18001 certification. This certification ensures our commitment to continuous implementation and improvement of the way we manage our health and safety systems. However, we see a need for increasing our focus on creating safety awareness as part of our corporate culture and behaviour.

Progress

In the previous year, KK Wind Solution A/S' target was to have maximum absence of 4.5% for blue collars and 2.5% for white collars, and no working accidents requiring statutory reporting. However, employee absence was reported at 7.17% for blue collars and 2.19% for white collars, while unfortunately 4.3 working accidents per 1 million work hours were registered. We continuously use risk analyses to prevent further accidents.

New objectives

In the coming year, we will continue our effort to embed a strong safety awareness mindset amongst employees, with the aim of achieving zero accidents throughout the whole company. As a concrete action, each manager must conduct one safety walk every second month and immediate corrective actions for any near-miss must be performed within one day. Also, we are going to evaluate the effect of a mobile platform used by our technicians to provide input related to accident prevention.

Hence, we continue to focus on both health and safety issues across all departments.



A unique identity, culture and leadership will differentiate us

With the launch of KK Wind Solutions' strategy for 2014-2017, the management team communicated a clearly defined direction for the company supported by concrete strategic targets and actions. Implementing this strategy, we have for the past year focused especially on creating a unique identity, unique culture and a unique leadership.

Put into a new framework, these parameters will help us achieve our goals towards our vision Enable a Wind Powered Future.

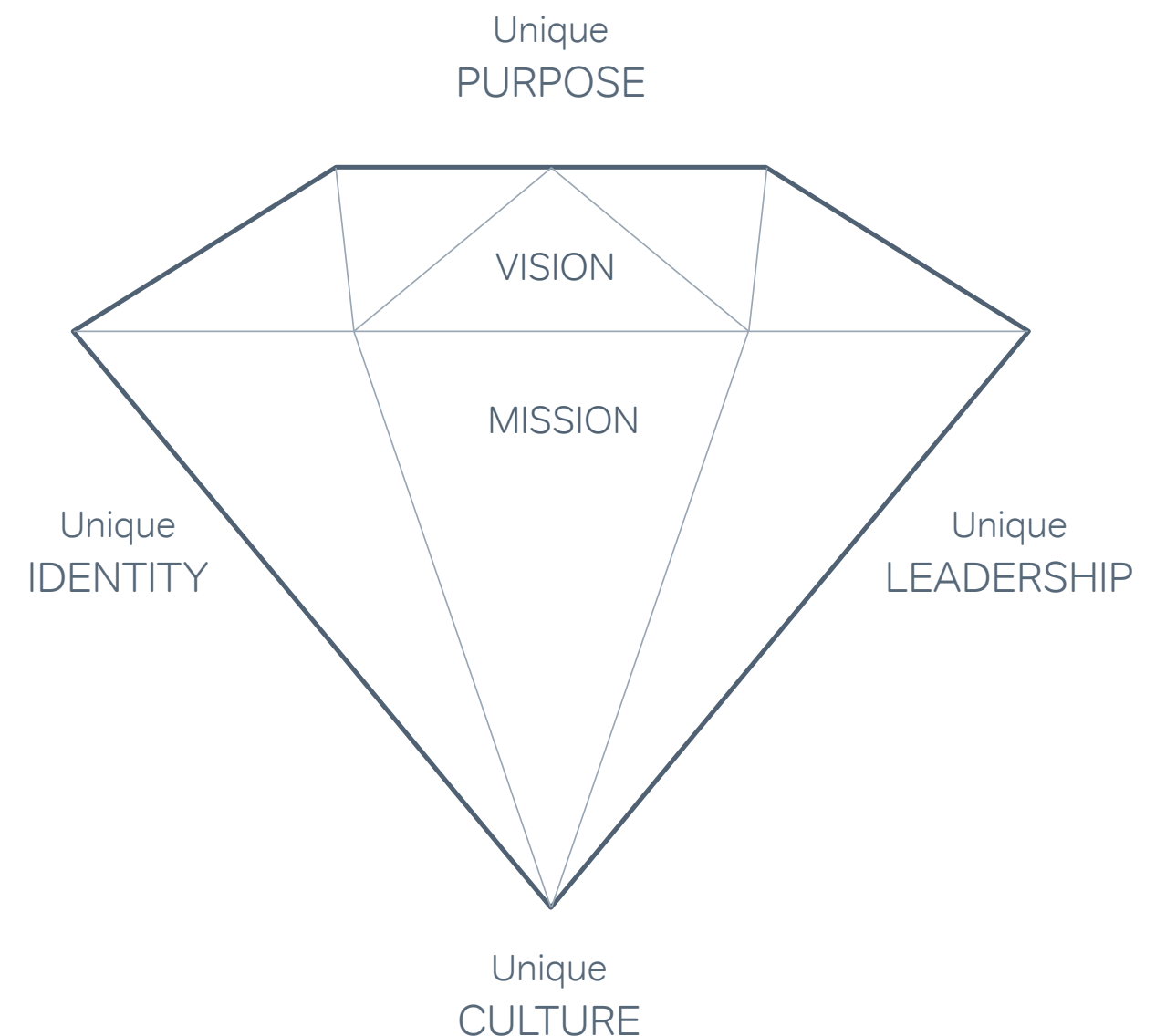
It takes a strong differentiation factor to create a sustainable business. Therefore, we have developed a framework that builds on and reinforces our uniqueness. The framework, which we call the KK Business Model Diamond is founded on the DNA of KK Wind Solutions and our aspirations. It is meant to set the direction of the company and inspire the work and behaviour of the entire organisation.

The four cornerstones of the Business Model Diamond are going to drive and accelerate our strategic actions. And as we sincerely want to make a difference to society, we have as our unique purpose to make Wind Power Impact.

Making wind power impact on an everyday basis is our way of living our vision Enable a Wind Powered Future. But it doesn't come by itself. It requires a certain approach to the work we do; we work in an agile manner with high integrity and responsibility. With this approach, we pride ourselves of making solutions close to magic, hence we've adopted our nickname Wind Power Wizards as our unique corporate identity.

The Wind Power Wizards culture is a culture of Breaking Boundaries to Exceed Expectations. However, we don't break boundaries for the fun of it. We break boundaries to exceed the expectations of wind energy. In order to exceed, we listen to our customers before we innovate and integrate our solutions with them.

Our ambitious culture depends on dedicated leadership. Our unique leadership is defined by the fact that we wish to empower all employees to lead transformation. We expect all our employees to show leadership in their work when they engage with our customers and create and deliver new solutions.



We believe that working by this framework and involving our employees actively will enable us to achieve our vision to the benefit of a more sustainable future.

Tommy G. Jespersen, CEO, KK Wind Solutions

Lower energy consumption and increased recycling



As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop but also through our actions aimed at managing the business in an ever more responsible manner.

Status

Our production facilities are certified according to the international environmental standard ISO14001, which ensures systematic organisation and documentation of internal environmental procedures.

For wind to be a viable alternative to traditional fossil fuels, it has to be competitive. At KK Wind Solutions, we contribute to advancing the wind industry by continuously improving our products and working with product development that contributes to the optimisation of renewable energy. Furthermore, we are working in partnership to extend the lifetime expectancy of wind turbines.

Progress

In the past year, our focus has been on continuing to reduce the environmental impact by reducing energy consumption for heating by 8.0% and electricity by 4.1%, and by increasing the share of waste that is recycled to 77%.

To achieve that, we have monitored and adjusted the heating consumption and reduced the electricity consumption where possible.

To further raise the awareness of environmental issues, more information about environmental practices and behaviours has been added to the introduction process for the new employees.

New objectives

KK Wind Solutions remains committed to further reducing the environmental impact of the company's operations. We will continue to investigate how we can replace lead-acid batteries with a more environmentally friendly type and we will aim at keeping energy consumption at the same low level as in 2016.

New products are expected to be added to the portfolio, however, the target for recyclable waste remains at the current level.

77%

We have exceeded our target by recycling 77% of our waste



Feature story:

Game changing monitoring technology

KK Wind Solutions has developed, tested and patented a new technology for monitoring converters, -a technology which has the potential of becoming a big game changer in terms of lowering the cost of wind energy to the benefit of a more sustainable future.

Power electronics converters are known to be a major contributor to down time for wind turbines. However, with KK Wind Solutions' new technology, the converter monitoring unit (CMU), the wind industry faces new opportunities for obtaining high predictability on emerging failures.

The CMU is a measurement device that can monitor the state of health of the IGBTs (Power Modules) in a wind turbine converter. This new technology enables a higher degree of condition-based maintenance instead of corrective maintenance, which will lower the operational expenses.

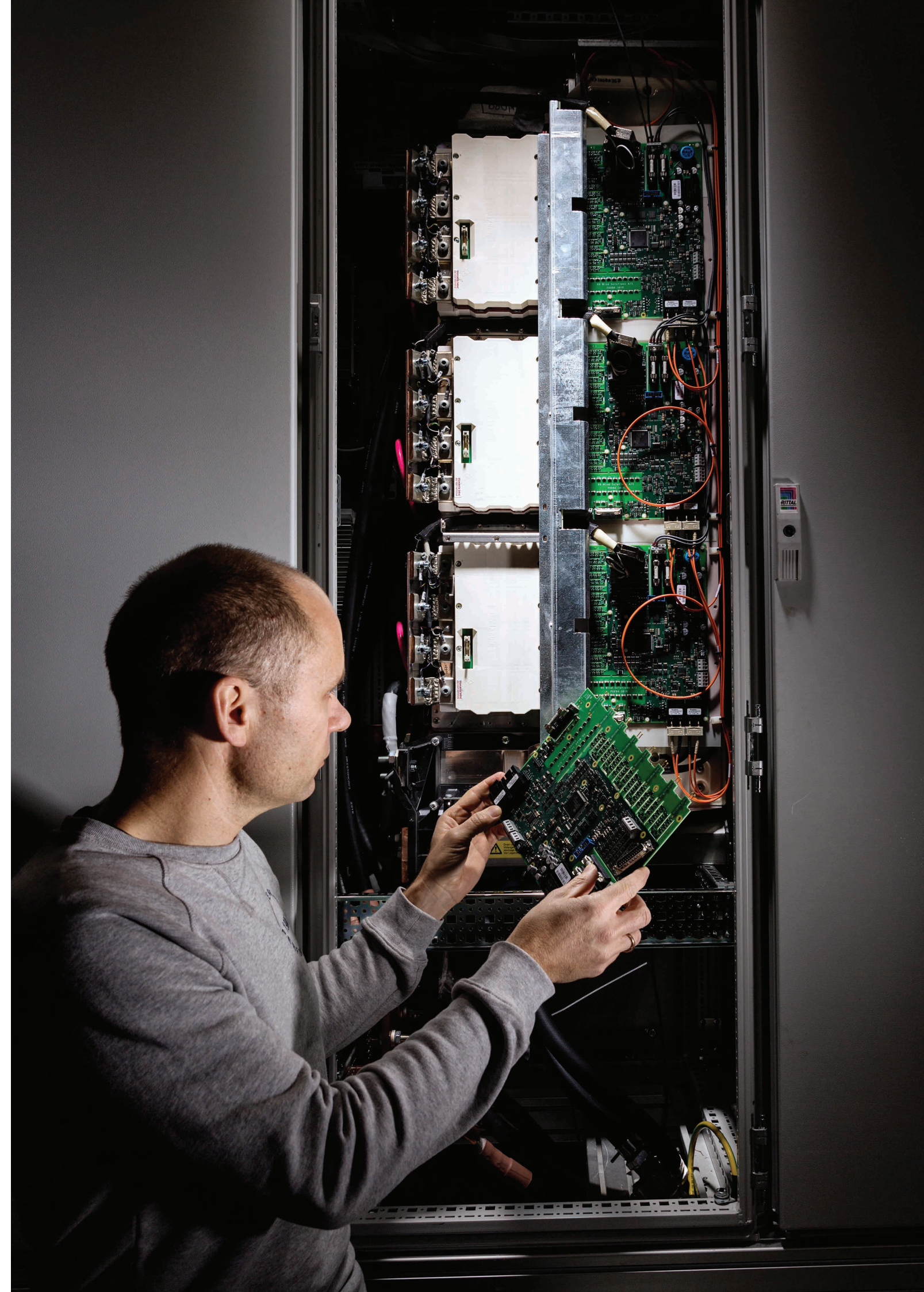
This is especially important within offshore operation, where unscheduled turbine maintenance represents a critical matter with its complicated logistics and limited weather windows.

The CMU is developed by KK Wind Solutions in cooperation with Aalborg University. A technology cooperation agreement between KK Wind Solutions, Aalborg University and DONG Wind Energy is going to ensure that the technology is brought successfully to the market.



Our expectations for the CMU's future impact on the industry are extremely high. We believe there is a big potential in the CMU technology – and that it could significantly reduce some of the expensive failures known on wind turbines today, thus contribute to lowering cost of wind power in the future.

René Balle, CTO/CCO, KK Wind Solutions



Feature story:

Ready for Industry 4.0 revolution

With new automation in the production, KK Wind Solutions has taken the first steps into Industry 4.0 also known as the fourth industrial revolution.

KK Wind Solutions' first robotic manufacturing facility, installed summer 2016 in Szczecin, Poland, is part of a strategy of staying ahead of the game by ensuring both high quality and high traceability at competitive prices.

The robot line will be used to manufacture electrical panels for wind turbines and the next phase of a robot line is already underway with the newest technology for combined man-machine cooperation. All with the aim of continued innovation within lean manufacturing for costs to be reduced and for all partners involved in the production process to access latest data at any time and from anywhere.

Creating customer convenience

Not only will the introduction of automation to the workflow bring down the need for manual work and enable higher output and increased quality, - industry 4.0 will also result in new ways of cooperating in the entire value chain with increased value creation for customers. With industry 4.0 technology, KK Wind Solutions furthermore aims at turning big data into smart information for the benefit of the customers.

"It is our ambition to invent intelligent and smart solutions which are able to perform self-monitoring action – thus enabling a much higher degree of predictive maintenance for higher reliability. We also want our customers to be able to go online and check which phase the ordered product is in – from sourcing to production to delivery - just like we know it from online ordering of BtC products. More transparency. Simple as that," says Thomas R. Olsen, Head of Global Supply Chain.

Industry 4.0 means acceleration

In the very near future, the industry 4.0 will also become part of the design workflow at KK Wind Solutions.

"Basically, when customers send us a parts list, we will be able to import the information into software, which very quickly transforms the data to something we can use for our design thus it will shorten the design phase considerably," Thomas R. Olsen says.

Even though KK is working on a three-year plan, this is not a process that will eventually stop.



"Industry 4.0 – the new industrial revolution creates new business models based on disruption. It is a very natural development, but it involves a transformation dilemma. Things move so fast that people have a hard time adapting to the new methods. However, if we do not take the lead, someone else will."

Thomas R. Olsen, Head of Global Supply Chain, KK Wind Solutions





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About KK Wind Solutions

Building on more than 35 years of experience in electrical systems for wind, KK Wind Solutions' capabilities span development of state-of-the-art technologies, high quality lean manufacturing, cost-efficient supply chain solutions and flexible service of turbines.