



CSR Report

COMMUNICATION ON PROGRESS 2016



INTRODUCTION

I am pleased to confirm that DEIF A/S reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour Rights, Safety & Environment and Anti-Corruption.

DEIF wants to act as a socially responsible and sustainable company. We have always strived to do that – based on our corporate values and policies – but now we endeavor to carry out a more structured global implementation of our CSR activities and our Code of Conduct based on UN's general principles related to how companies work with social responsibility and sustainability.

In this first CSR Report, we describe our actions to integrate the Global Compact and its principles into our business strategy, culture and daily operations. We are also committed to share this information with our stakeholders using our primary channels of communication.

Yours sincerely,



TOKE FOSS
Group CEO



UN GLOBAL COMPACT
COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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DEIF GROUP AND OUR CORE VALUES

Established in Denmark in 1933, today DEIF is a global supplier of green, safe and reliable control solutions for decentralised power production, marine & offshore and wind turbines.

DEIF has since its incorporation acted socially responsible and with an aim to enhance positive impacts – for example through the innovation of new products and services that are beneficial to society and enterprises themselves – and to minimise and prevent negative environmental impacts.

Acting not just in active compliance with the spirit of the law, ethical standards, and international norms in our business dealings, DEIF's goal is to move beyond compliance with a particular emphasis on environmental concerns.

The DEIF Group has sales offices, competence centres and training facilities in 17 key markets in Europe, Asia and the Americas, and distributors in an additional 35 countries and territories. Due to the significant growth of the DEIF Group and the fact that DEIF operates in an increasing number of countries, we focus hard on ensuring that DEIF conducts its activities responsibly, globally.

DEIF's business approach is based on the presumption that culture, practice, ethics and moral standard differ from one country to the next. Despite the differences, our actions and business practices always take their starting point in the DEIF values and Code of Conduct. We want to be recognised for our responsibility, honesty and high integrity in all markets and in everything we do.

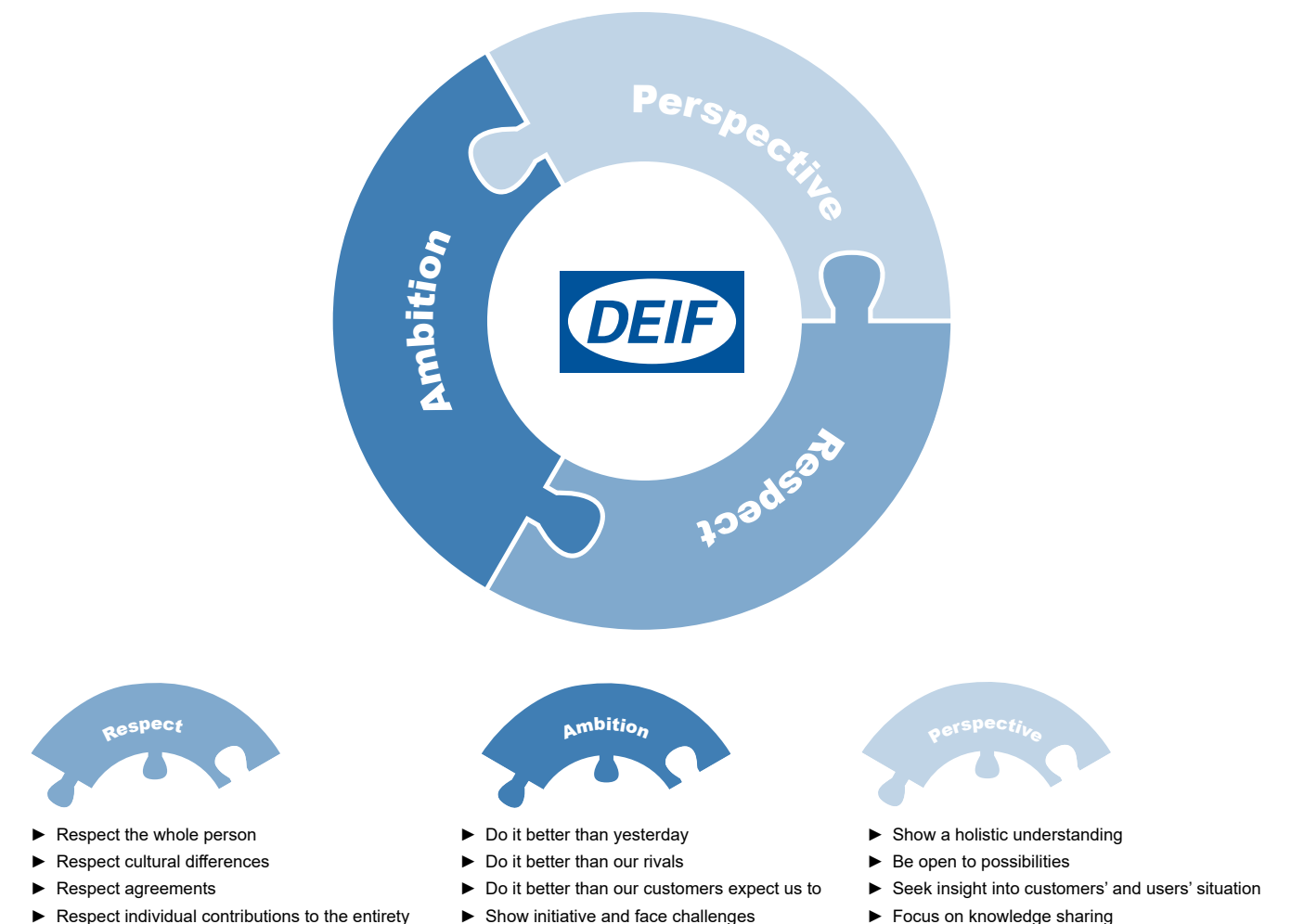
"Our vision is to be the preferred global supplier of green, safe and reliable energy control solutions."

Toke Foss

The overall goal of DEIF is to develop the company's value in the long term, always based on high ethics in relation to our employees, business partners and society. To be the preferred global supplier of green, safe and reliable energy control solutions is central to the DEIF Vision.

Our three values: Respect, Ambition and Perspective have been developed, defined and implemented in a process involving employees from all parts of our global organisation. Thus, the values represent the core characteristics of DEIF globally and the way we work and have been working for eight decades. This is a strong foundation for our CSR approach and activities.

DEIF Core Values





UN GLOBAL COMPACT

– OUR APPROACH TO THE 10 PRINCIPLES

In 2014, we committed ourselves to work according to the ten principles expressed in the UN Global Compact with the same dedication as if we had officially signed the UN Global Compact.

In the summer of 2016, DEIF A/S officially signed up for the UN Global Compact program.

We have defined the major stakeholders, which should guide the direction of our CSR activities - where we want to make a difference

within the natural context of our business: Employees, business partners and the local & global community.

We implement our initiatives in two stages. In the first stage we have focused primarily on implementing the initiatives within the DEIF

organisation to ensure that all employees understand the basic principles of UN Global Compact and ensure the implementation of sustainable solutions throughout the global organisation.

In addition, we have focused on supplier compliance.

The second stage involves more initiatives towards our business partners (suppliers and customers) and subsequently towards the global community.

We expect our suppliers and their sub-suppliers to produce and deliver sustainable

solutions that live up to our principles for ethical business practices.

We continuously evaluate our own business and the business of our partners on the below principles, which establish and describe the ethical and legal standards

we are committed to comply with within the areas of human rights, labour rights, safety and environment, and anti-corruption.

DEIF CODE OF CONDUCT

To ensure a globally aligned perception of DEIF's values and principles, these are laid out in the "DEIF Code of Conduct", expressing our ethical business approach;

»We want to be recognised for our responsibility, honesty and high integrity in all markets and in everything we do.«

The DEIF Code of Conduct covers the areas of human rights, labour rights, safety & environment, and anti-corruption; according to the ten principles expressed in the UN Global Compact.

DEIF Code of Conduct is the fundamental document for our CSR activities and forms the basis for our guidance in

advancing our CSR approach (ambitions and actions). The document was signed by DEIF's international management group during a common CSR event in Denmark. Subsequently, the Code of Conduct has been implemented in all new employment contracts and in local employee handbooks in our subsidiaries.

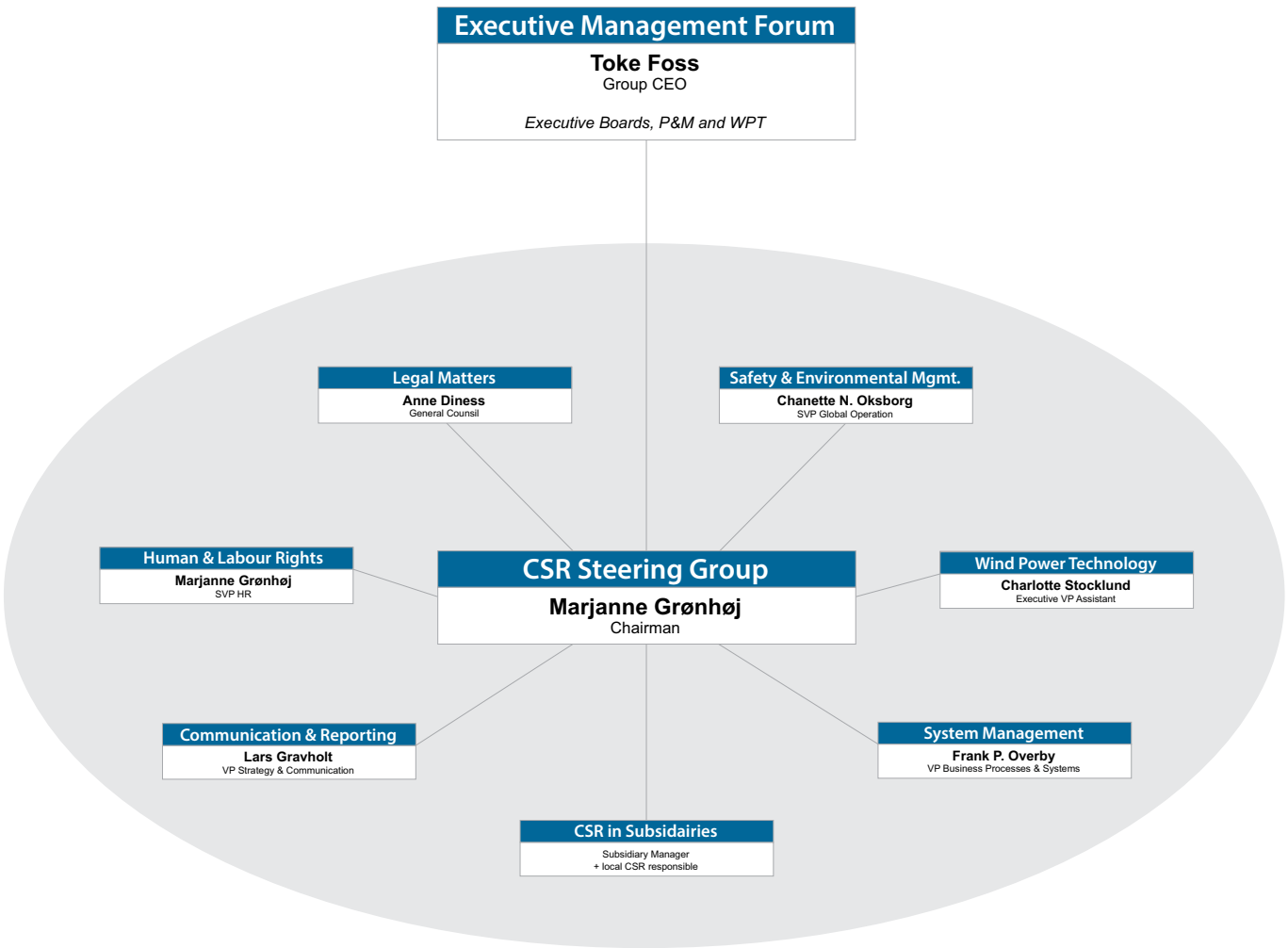


CSR organisation

DEIF’s Executive Management Board has appointed a cross-functional CSR Steering Group, which is responsible for planning, coordination, execution and follow-up upon CSR activities in the DEIF Group.

To monitor our progress within the agreed initiatives, the CSR Steering Group will create a governance overview of the person/function responsible for each action and the person/function responsible for following up on these actions. Consequently, in addition to the members of the Steering Group, a number of employees will be appointed and included in the governance overview, thus ensuring that all KPI’s and actions are defined, monitored and reported back to the CSR Steering Group (part of the “CSR Governance”) on a regular basis.

Further, all managers are responsible for continuous follow-up and improvements on CSR within their area of responsibility – among others based on structured discussions of CSR experiences and dilemmas. CSR experiences, initiatives and improvements will be reported annually to the CSR Steering Group, whereas CSR-dilemmas are discussed on an ad hoc basis.



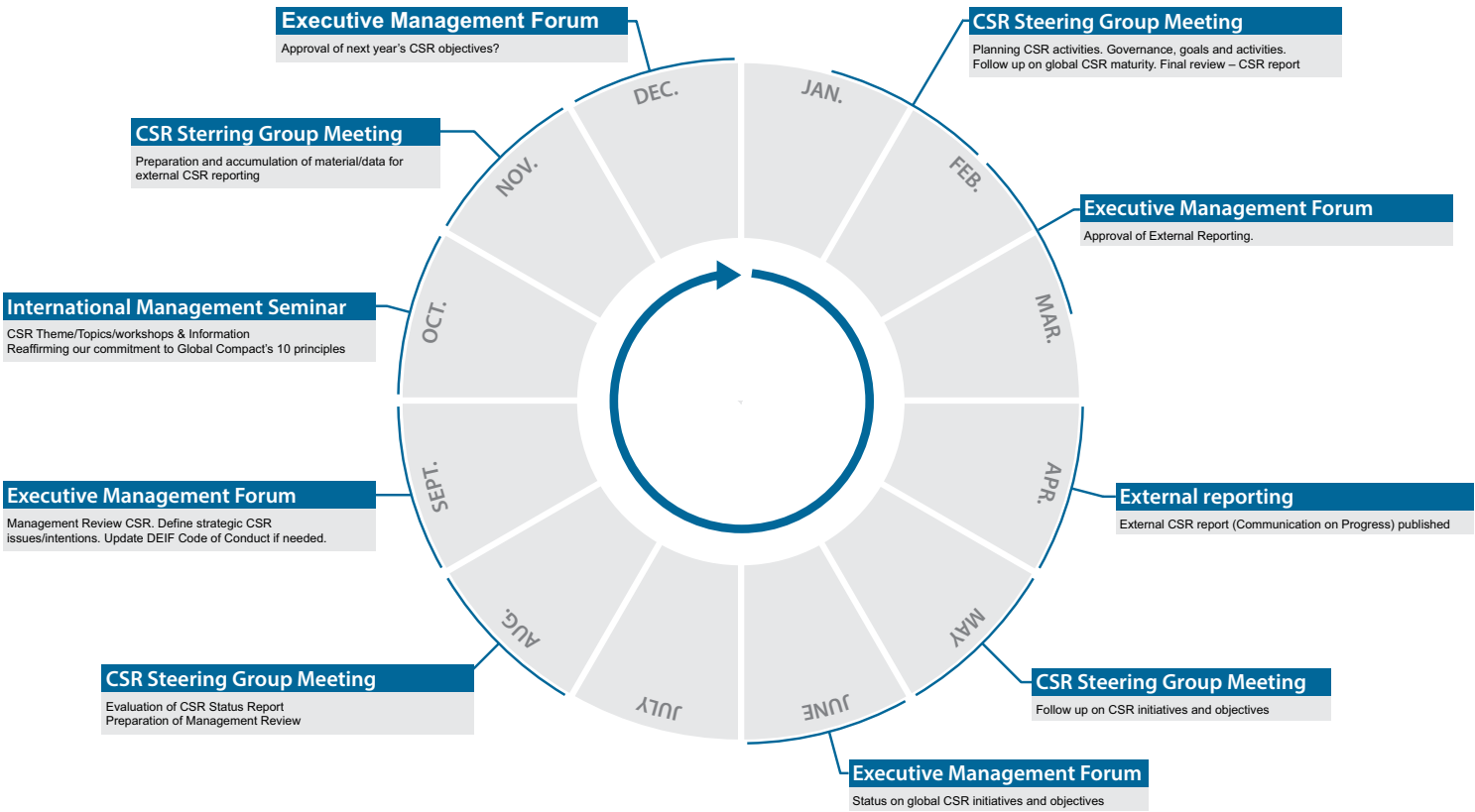
CSR Management System Integration

The DEIF Code of Conduct’s focus areas (human rights, labour rights, safety & environment and anti-corruption) will – to the extent possible - be managed under existing organisational structures within the DEIF Group, e.g. Health, Safety & Environment (HSE) and Human Resource Development. Correspondingly, we will train our internal audit team to also conduct audits within the CSR area.

CSR monitoring and follow-up

CSR self-assessments were conducted in 2016, constituting an important part of the subsequent selection of specific CSR objectives. Such self-assessments will be performed on a regular basis. These will contribute to a continued CSR progression. Further, all members of the International Management will periodically sign a written commitment to the DEIF Code of Conduct.

The CSR Steering Group has created the below CSR Annual Cycle of Work as a tool to ensure that relevant CSR activities are conducted in a structured and reoccurring way.





GLOBAL IMPLEMENTATION

First year activities

In 2016, (and starting in 2015), DEIF has primarily focused on the establishment of a CSR organisation and on the implementation of CSR awareness and commitment among the employees of the DEIF Group. We have experienced a high degree of involvement and commitment throughout the organisation. The initiatives include the following:

- CSR principles have been communicated to the International Management (IMS) in October 2015 with a view to enable a global rollout in all DEIF's subsidiaries, based on a "train the trainer" concept. To facilitate anchoring, a workshop based on CSR dilemma cases was conducted.
- All members of the International Management have signed a written commitment to the DEIF Code of Conduct, and a signed "commitment" poster is displayed in all subsidiaries.
- DEIF's Code of Conduct was presented on an information meeting on 20. October 2015 for all employees in DEIF A/S (headquarter).
- DEIF Code of Conduct has been included as part of employment contracts for new employees in DEIF A/S, and all new employees is being introduced to the Code of Conduct and dilemma cases.
- Communication on DEIF Code of Conduct and workshops based on dilemma cases have been conducted in all subsidiaries and departments during 2016.
- Local management in all subsidiaries have signed the DEIF Code of Conduct and included it in local employee handbooks.
- DEIF Code of Conduct has been communicated on the DEIF intranet (InSite).
- Information about DEIF's Code of Conduct has been integrated in relevant external communication materials, such as websites, profile brochures and company presentations.
- An internal DEIF Code of Conduct leaflet with guidelines and Q&A's has been developed and shared with all employees globally. The leaflet serves as a tool to get more detailed information and guidance when CSR dilemmas occur.
- Self-assessments for DEIF A/S (headquarter), DEIF APAC (Singapore) and DEIF China have been conducted.
- A set of CSR objectives has been developed with involvement of the international management (workshop).

AMBITIONS, OBJECTIVES AND ACTIVITIES

In late 2016 the CSR Steering Group and Executive Management Board identified a number of objectives within each of the following four CSR areas: Management, Human & Labour Rights, Safety & Environment and Anti-Corruption. These are the primary objectives we will follow-up upon during 2017.

On the following pages is a brief presentation of our CSR ambitions, the activities conducted in 2016 and our plans for 2017 within the four CSR areas.

CSR Management

To manage our global CSR performance and implement our Code of Conduct, we have conducted the following activities through 2016.

This being our first year as a member of the UN Global Compact, many activities in 2016 have centered around building up a CSR organisation, generating CSR awareness in our global organisation and identifying the areas on which we should focus our CSR activities in the following years.

Ambition

We want to ensure a high degree of awareness of and commitment to our Code of Conduct and CSR objectives throughout the global DEIF organisation. Further, we want to secure continuous improvements within all CSR areas through a structured CSR approach.

Achievements and activities 2016

- The international management has started to put more focus on CSR risk-assessment, kicking off with a workshop in Denmark in 2016.
- Communication on DEIF Code of Conduct and workshops based on dilemma cases have been conducted in all subsidiaries and departments during 2016.
- DEIF Code of Conduct has been included as part of employment contracts for new employees in DEIF A/S, and all new employees are being introduced to the Code of Conduct and dilemma cases.
- An internal DEIF Code of Conduct leaflet with guidelines and Q&A's has been developed and shared with all employees globally
- Information about DEIF's Code of Conduct has been integrated in relevant external communication materials, such as websites, profile brochures and company presentations.
- Self-assessments for DEIF A/S (headquarter), DEIF APAC (Singapore) and DEIF China have been conducted
- Learnings from the self-assessments have been implemented in our objectives for 2017.
- Since 2015 CSR has been part of all supplier contracts
- In 2016 all active suppliers have received a letter from DEIF in which we asked them to confirm that they adhere to the 10 principles



»From 2016 all new employees are being introduced to our Code of Conduct, including dilemma cases, and they receive a leaflet on CSR guidelines and Q&A's.«

PLANS FOR 2017

In 2017, we will put special focus on five essential areas:

1 Implementation of structured risk-assessment

We want to implement a more structured risk-assessment of new business opportunities to ensure full compliance with our Code of Conduct. By evaluating risks, opportunities and the impact of our decisions in a structured and methodical way, we secure that new initiatives are always assessed and compliant with our Code of Conduct principles. In 2017 we want to conduct a GAP-analysis to identify any relevant situations in which we do not deploy a CSR evaluation. Subsequently, we will establish which tools should be used to conduct a structured risk management assessment from a CSR perspective. Amongst others, we will assess whether a CSR evaluation should be included in all business case evaluations. The relevant CSR risk assessments will be implemented in 2017.

2 Communication of our CSR activities

We want to communicate our CSR activities in a structured way, both internally and externally. By ensuring a structured internal and external communication of our CSR activities, we secure ongoing anchoring and CSR focus within our organisation and provide external stakeholders with relevant information. In 2017, we will complete our first external CSR reporting as of April 2017. The report should be published on our websites and intranet, and shall comply with the guidelines of UN's "Communication on Progress". Further, we want to set up a CSR page on our intranet (InSite) to make our goals, CSR activities, roles and responsibilities visible and easily accessible to all employees in the DEIF Group.

3 Targeted supplier management

We want to develop a structured approach to evaluate our suppliers in relation to our Code of Conduct principles. Further, we want to

follow-up on the letters sent to our suppliers during 2016. In case of nonconformity or lack of response among our top 30 suppliers a follow-up will be conducted. As for suppliers from non-EU countries, visits during 2017 will be scheduled. Selected employees from our subsidiaries will receive training to enable them to carry out audits, which in time will allow us to audit a larger percentage of our suppliers globally.

4 Governance

We want to establish a clear governance structure for all CSR activities by ensuring clear roles and division of responsibility in relation to continued follow-up on CSR objectives. Amongst others, we will complete and implement a governance overview linked to our objectives in 2017. As such, the responsibility for each objective will be given to one of the members of the CSR Steering Group. He or she will be responsible for identifying the resources and activities necessary to reach the objective. A time plan will be produced and the remainder of the CSR Steering Group will play the part as "sounding board" and assist in reaching the respective objectives.

5 Continuous assessment

We want to conduct continuous self-assessments to ensure progress. Through yearly self-assessments we want to secure follow-up on the impact of our CSR activities to enable identification of future CSR activities to be carried out. The yearly self-assessments are to be conducted based on UN's evaluation criteria for selected areas. In 2017, the self-assessments will be carried out in DEIF A/S (Denmark) and selected subsidiaries. These self-assessments will help us identify any areas with particular room for improvement and secure the transparency and basis for decision necessary for ongoing identification of future focus areas and objectives.

Human and labour rights

We support and respect the protection of internationally proclaimed human rights and make sure that we do not in any way contribute to the violation of human rights.

DEIF as well as our suppliers must protect employees against physical, sexual or mental abuse of any kind. DEIF upholds freedom of association and recognises the right to collective bargaining. We respect and comply with relevant labour regulation in the countries where we do business.

Ambition

DEIF is an international company and strives for diversity in the organisation. We want to provide equal opportunities for people regardless of race, gender, age, religion and political conviction. We want to ensure compliance with UN's Guiding principles on Business and Human Rights (UNPGs).

Achievements and activities 2016

- We take pride in developing our people and conduct annual development dialogues with all our employees.
- All major suppliers and partners have been asked to sign and commit to DEIF's Code of Conduct.
- 6 audits have been conducted with selected suppliers. 2 non-conformities have been identified and corrective actions and follow-up have been planned.
- DEIF makes a big effort to take on interns during or after their studies. In 2016 DEIF had 11 interns. Five of these were subsequently awarded with permanent employment contracts. The past 10 years, DEIF have educated approximately 60 young people within administration (Finance, HR, Shipping and logistics, Marketing, IT and electronics).
- Guidance has been offered to 9th grade pupils from various schools in Skive. We guide them in career planning and opportunities in cooperation with Jobcenter Skive.
- DEIF sponsored an IT Camp for young women at Aalborg University, Denmark and conducted a workshop during the camp highlighting the need and the possibilities for women within our industry.
- Further we have hosted events for e.g. marine engineer students in order for them to explore the job opportunities in a company like DEIF.

PLANS FOR 2017

In 2017, we will put special focus on the following three areas:

1 Women in leadership positions

We want to secure equal rights for people in general and therefore we commit ourselves to define and execute on global targets for women in leadership positions. We want to make an extra effort to employ more women at all management levels. The number of women in leadership positions must, at all management levels, increase towards 2020.

In 2016 the total share of women in leadership positions in the DEIF Group was 17.2 %, the share being slightly higher on executive level (17.8 %).

2 The Society

At DEIF we find it extremely important and rewarding to contribute positively to the local areas in which we operate. We want to be involved in and contribute to a positive development of society through increased cooperation

with educational institutions. As the majority of our employees are employed through our Danish legal entity, this is where we can make the highest impact. Thus, for 2017, we have chosen to focus on our Danish entity, and it is our aim that the percentage of trainees and apprentices must, as a minimum, remain at 4.5% in Denmark - regardless if the total number of employees is expected to grow in the years to come.

3 Business and Human Rights

We want to ensure compliance with UN's Guiding principles on Business and Human Rights (UNPGs). To secure compliance, areas of non-conformity should be identified. Subsequently, we want to initiate and implement improvements on defined areas linked to UN's Guiding principles on Business and Human Rights (UNPGs) in a DEIF context.

"Over the years, DEIF has been a lighthouse in our local business community, leading the way amongst others when it comes to offering young people educational opportunities and a good start in their working life"

Peder Chr. Kirkegaard
Mayor of Skive



Foto: Altinget.dk

Safety and environment

DEIF and our suppliers place the safety of employees before everything else, and it is our stated goal to have zero work-related injuries. We expect our customers to provide a safe working environment that prevents accidents and do not expose our employees to health & safety risks when working on the customer's site.

We want to increase the level of safety and environmental protection by continuous measurements and improvements, and we take a sustainable and 'green' approach in all matters of business.

DEIF develops energy-efficient products and solutions that reduce fuel consumption, cut emissions and costly maintenance intervals. It is central to DEIF's green vision that new product developments, specifications and designs meet and exceed a number of strict self-imposed targets.

Ambition

We want to be a safe workplace for everyone working for us or visiting us. We want to be recognised for being a green company that delivers environmentally optimised solutions which at the same time meets the customers' expectations to performance, reduced costs and availability.

Achievements and activities 2016

- We continuously conduct safety training, instruction and supervision for all colleagues and only instructed people are allowed to carry out the tasks.
- All DEIF employees working on-site are trained to make a health & safety assessment of the site and it is his/her duty to refuse any work that may compromise his/her health & safety.
- We carry out annual audits to make sure that we comply with our policy at all times.
- We have worked actively to reduce the use of chemicals and harmful substances in DEIF - in products, production, buildings and cleaning activities. For chemicals that have not yet been substituted, we always ensure that the correct personal protective equipment be used by our employees. When developing new products, we strive to avoid chemicals and potentially harmful substances altogether.
- A global HSE structure, including objectives and reporting, was implemented in 70% of DEIF's subsidiaries. The purpose was to secure local HSE (Health, Safety & Environment) involvement in all DEIF companies.
- DEIF Asia Pacific received a "BisSafe Level 3" certification
- Nearby accident registered as awareness increase and improved on a global scale in our SCP system
- Internal and external environmental audits according to ISO 14001 conducted
- Recertification for ISO 14001 obtained.
- Waste separation optimised with input from external consultant
- WPT relocated from offices heated by electricity to new offices with intelligent climate control, and heating by DEIF aqua thermal storage system
- HSE information screen established in headquarter, Skive.

PLANS FOR 2017

In 2017, we will put special focus on the following two areas:

1

Green company

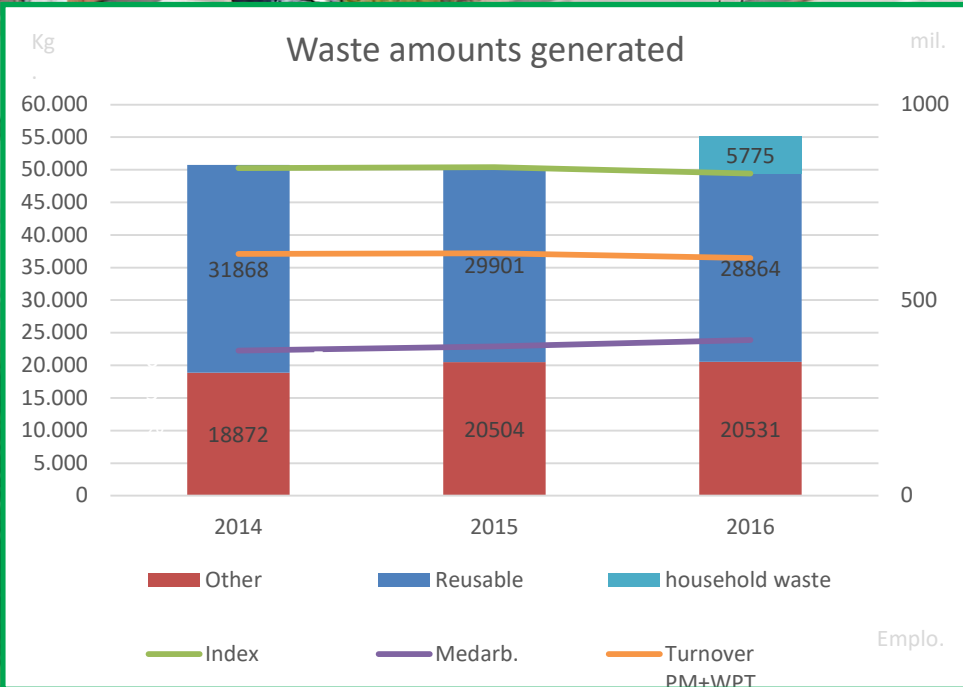
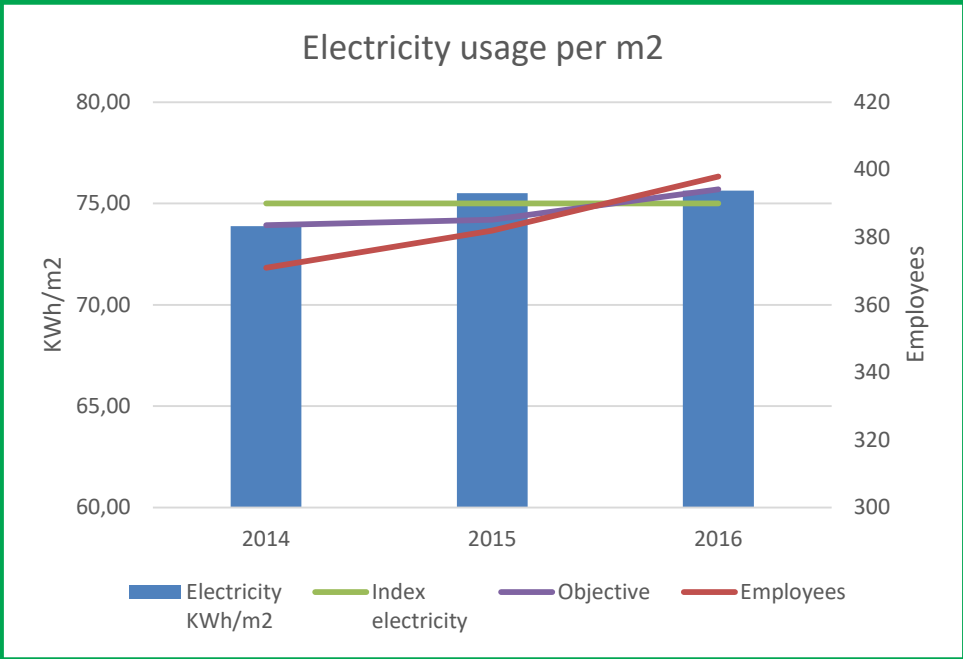
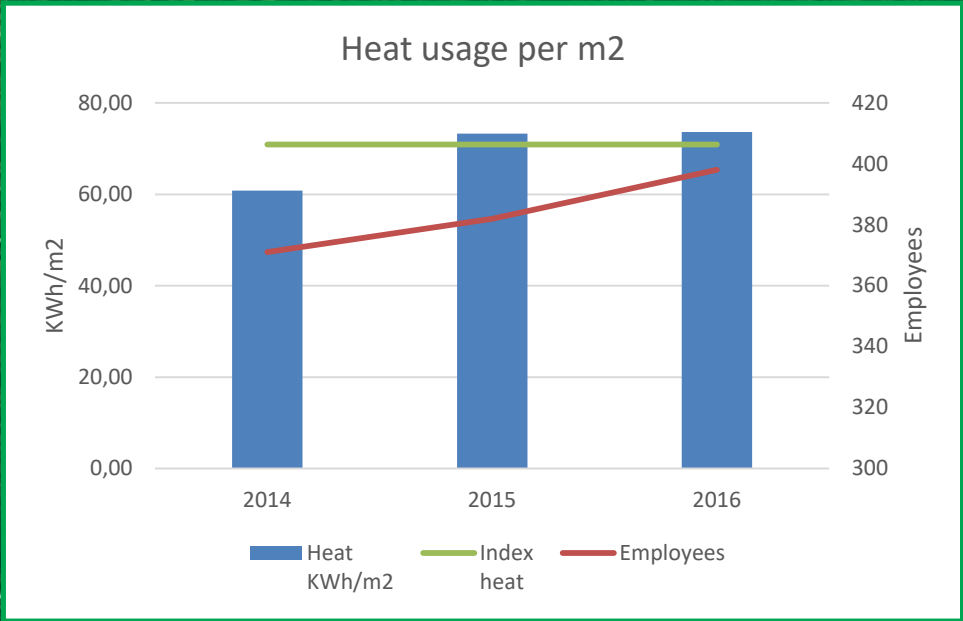
We want to develop a strategy for which role to play in the global green transformation in 2017 and beyond and start executing on the defined objectives and targets. Amongst others, targets have been identified within the area of heat consumption, reduction of non-recyclable waste and power consumption.

2

Safe Workplace

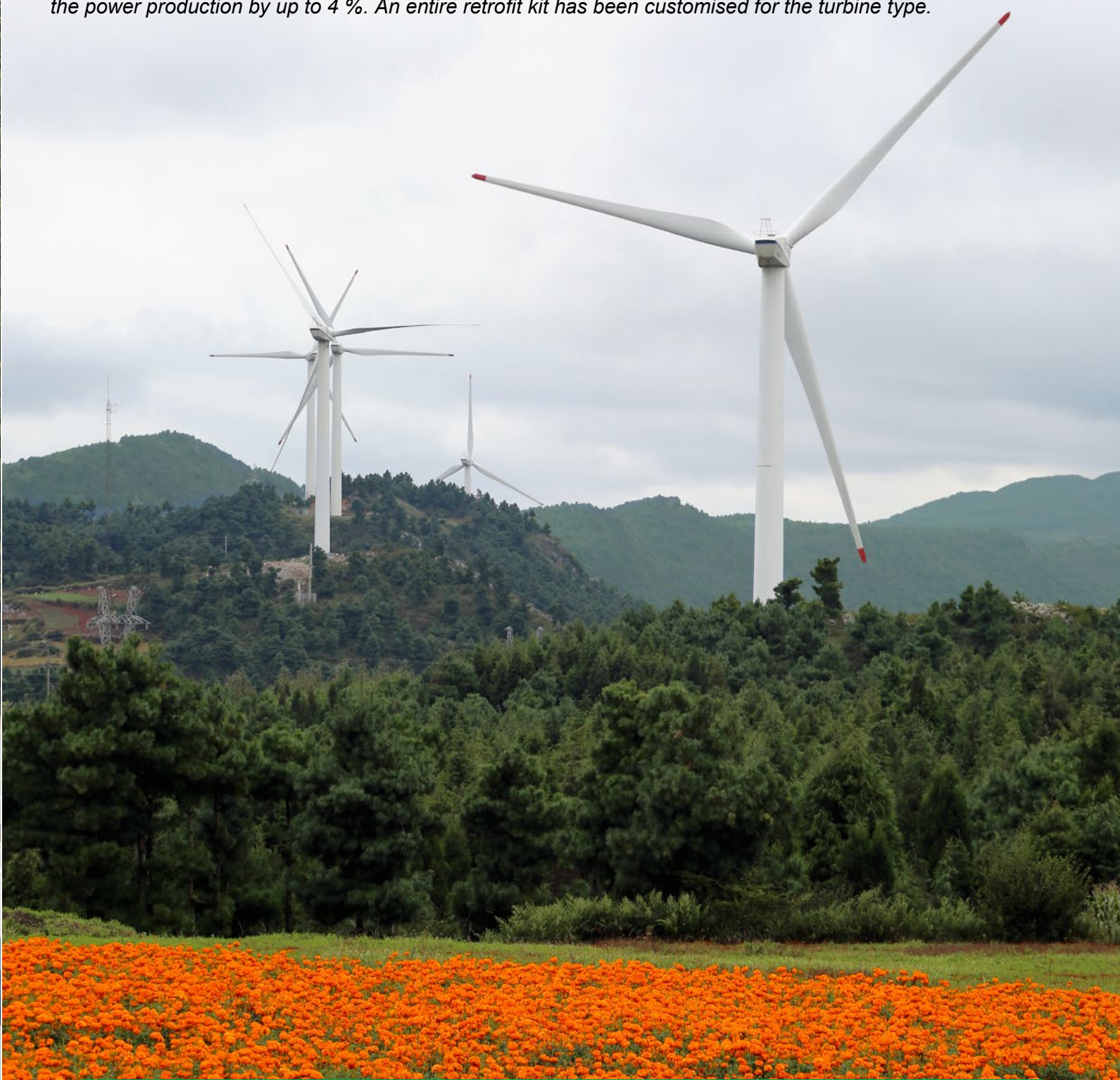
We want to have zero work-related injuries. We want to increase the level of safety by using the categorisation of accidents and almost accidents made in 2016 as basis for securing continuous improvements. Further, we want to conduct safety training of selected administrative employees outside Denmark and implement the new HSE structure in the remaining 30% of DEIF's subsidiaries.

The DEIF Group's headquarters in Skive, Denmark, boasts an advanced and comprehensive green energy system that includes a carbon neutral Aqua Thermal Storage System, a micro CHP plant and a comprehensive Energy Optimisation System that spots and eliminates energy waste.



CASE: YANGMEISHAN

Yangmeishan 100 MW wind park exists in 2400-2800 m. altitude in China's Yunnan province. The wind park consists of 66 MD77 turbines, upgraded with DEIF's advanced control system solution to increase the power production by up to 4 %. An entire retrofit kit has been customised for the turbine type.



"We are proud to be part of upgrading these wind parks. This park is secured to run for at least another 20 years delivering by up to 4% more power. With an adequate and fast power control, the accumulated green power produced will sum up to an important and significant value, financially as well as for the environment. This is our as well as the owners' target."

Christian Nielsen
CEO, WPT, DEIF A/S





CASE: GREEN HYBRID TEA IN RWANDA

In rapidly developing countries like Rwanda, electricity supply from the grid is often not sufficient so companies often use diesel generators. Cooperating with DEIF, OneShore has engineered a hybrid solar system for the Sorwathe Tea Factory which utilises power from the grid, factory diesel generators and the photovoltaic plant.

'Aiming to reduce the factory's carbon footprint by saving 22,000 kg of CO₂ emissions annually, the PV diesel-hybrid solution also reduces cost for diesel and grid electricity.', Philipp Kunze, Managing Director of OneShore Energy, explains'.

A central element of the system is the DEIF Automatic Sustainable Controller which enables the intelligent integration of the 50 kWp photovoltaic plant and the optimal operation of the diesel generators with a 1.7 MVA capacity. Because the use of grid electricity and diesel can be reduced, significant cost savings are achieved for Sorwathe.

»This solution reduces CO₂ emissions by nearly 22,000 kilograms per year.«

Philipp Kunze
Managing Director
OneShore Energy



Anti-corruption

DEIF refrains from corruption, bribery, extortion and use of other methods that may create conflicts of interest related to our business.

We request DEIF colleagues only to accept or give minor gifts and only to participate in meetings, events, etc. that are within the scope of normal business practices. If in doubt about issues concerning gifts and entertainment, the individual employee should consult his/her manager for clarification.

Any decisions, actions or behavior compromising DEIF's stance on anti-corruption will have consequences for the employee(s) involved. Our contracts are always prepared in accordance with applicable laws and regulations, and we take care to ensure that our contracts with suppliers, consultants and other cooperation partners include sections on anti-corruption. DEIF has a zero-tolerance policy for corruption, bribery and extortion.

Ambition

We will not participate in any kind of corruption.

Achievements and activities 2016

- We have developed a check and balance system over transactions. This information is checked and controlled by Group Finance and ultimately our CEO.
- DEIF has not been involved in any legal cases, rulings or other events related to corruption and bribery.
- Our books and accounts are subjected to statutory external audit annually. These audits are used as one of the methods of identifying any suspicious payments, which could be related to bribery or corrupt behavior. There has been no such incident reported in the period.
- Commitment regarding anti-corruption has been received from employees in new contracts and employee handbook.
- Dilemma cases on corruption have been discussed with all employees globally.
- Guidelines regarding anti-corruption have been defined and distributed globally.

PLANS FOR 2017

In 2017, we will put special focus on the following area:

1 Continuous avoidance of corruption

We want to secure that all employees in the global DEIF Group continuously refrain from engaging in any corrupt activities. In order to do so, we want to develop an e-learning course

for relevant employees on anti-corruption and ensure that all relevant employees have accomplished the e-learning module before end of 2018.



CASE: POWERING AID TO THE THIRD WORLD

Just 2.3 doctors per 1,000 people (33.3 in Europe). And up to 69 % of all citizens living on \$ 2 or less a day. Those are the conditions in Sub-Saharan Africa. So, for most, healthcare is not an option, simply because it is physically or financially out of reach. As a result, a large proportion of the 85 % of African children expected to need surgical treatment before the age of 15 remain untreated, leading to complications, lifelong disability or death.

DEIF and Mercy Ships agree that a ship is the most efficient hospital platform in this region

where clean water, electricity, medical facilities and personnel is limited or non-existing. Since more than 50 % of the world's population live within 100 miles of the coast, we can reach more people who need care too. More impact for less money.

Cooperating with Mercy Ships is one of the ways DEIF offers charity help to the global community by doing what we do best. Delivering our brand promise: Power Efficiency.

»With the revamped power control solution from DEIF, our surgeons no longer fear blackouts during surgery«

Jens-Erik Engelbrecht
CEO & MSDK board member
Mercy Ships





DEIF A/S

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