

COP report 2017

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.

Enabling a Wind Powered Future
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. Furthermore, we are currently developing localised supply chain solutions to support our customers locally in a sustainable manner.

We remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees, environment and anti-corruption.



Kind regards,
Chlinton A. Nielsen
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 four themes.



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.

As we experience and expect future growth and globalization 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 and creates stimulating jobs. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets high ethical standards.

Focus areas

We aim to develop a highly skilled workforce whose contribution is meaningful and appreciated. Our approach includes structured introduction schemes, extensive training and consistent follow-up on performance.

Moreover, we are committed to build a unique global leadership paradigm, which will improve the organisation's ability to execute the growth strategy effectively and continuously challenge the strategy with the aim of unleashing the full potential of our company.

In addition, we will continuously improve our health and safety procedures, including 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 2017, we succeeded in recycling 75.5% of our waste and reducing our electricity consumption by 3.51%. Unfortunately our heating consumption increased by 15%. Going forward we aim at keeping this high level of recycled waste along with maintaining a low level of energy consumption.



Anti-corruption

We are committed never to engage in any form of bribery, corruption, extortion, embezzlement or any illegal method to influence public officials, the judiciary or any other private parties.

Focus areas

We direct our attention to securing that all employees fully understand the importance in following company ethical guidelines despite local culture and practices. In order to ensure commitment from our employees we will have employees sign our Code of Conduct.

New contracts with agents, intermediaries and consultants must include a section on anti-corruption. The contract holder must comply with all applicable laws and regulations along with our Code of Conduct.

Entering new markets we seek to adjust our organisational set-up to ensure dedication and focus based on a local risk assessments.

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.

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 covered by our Code of Conduct, which are included in all contracts with new suppliers.

We will continue 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.

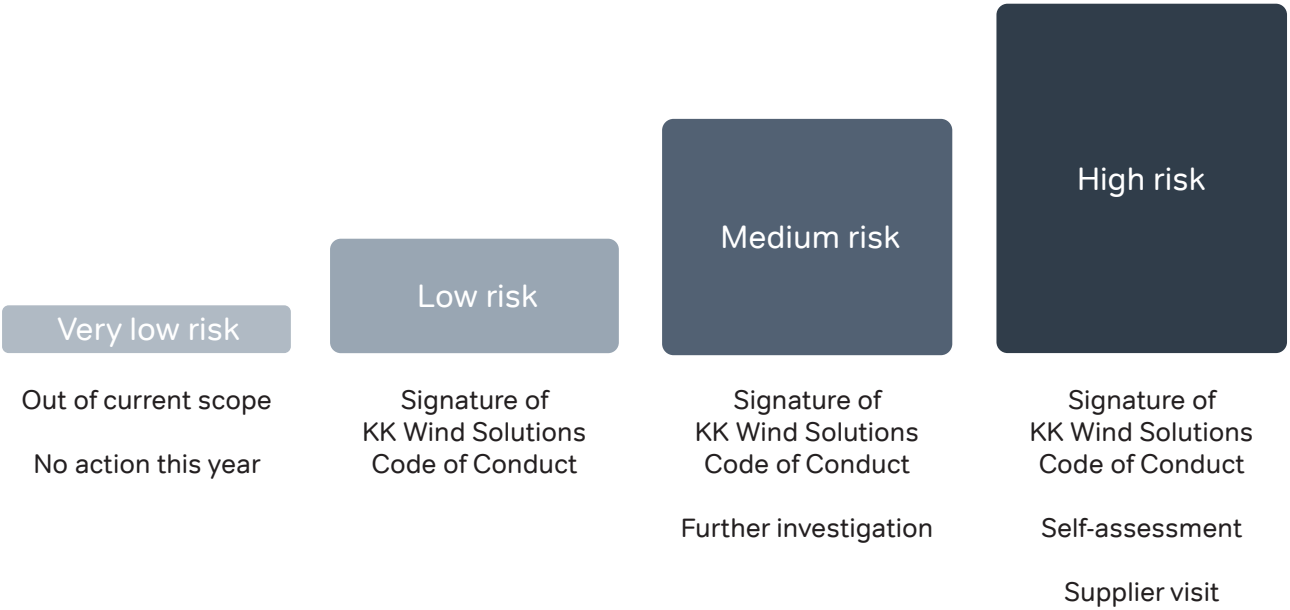


Figure illustrating four different supplier categories that require different actions and levels of attention.

During 2017 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.

Furthermore, we have assessed suppliers in the high and medium 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.

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.

New objectives

In 2018 we will increase focus on child labour, health and safety at suppliers and their sub-suppliers. If we discover or suspect any non-compliances with our Code of Conduct or insufficient focus on health and safety, we will block the approval and use of that supplier.

In order to ensure the commitment from our employees, we will initiate a new procedure for signing the Code of Conduct. In 2018 all employees in our Indian facility and Global strategic sourcing will sign our Code of Conduct. Later this procedure will be implemented in our global HR process to include all employees.

Supporting people in need

When establishing a new production facility in India in 2017, we decided to help the local community by providing financial support for the Sree Siddaganga Math.

Sree Siddaganga Math, situated 65 kilometres outside Bengaluru, is running 150 educational institutions including a school for the blind, deaf and physically disabled, starting from kindergarten to college.

The Math provides educational and humanitarian services for 10,000 students and free meals to about 3,000 pilgrims on a daily basis, which is truly remarkable.

The Math provides free education and lodging without any discrimination of caste, religion, sex or geographical origin.



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

Chlinton A. Nielsen, 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 sustained the OHSAS18001 certification. This certification ensures our commitment to continuous implementation and improvement of the way we manage our health and safety systems. Moreover, safety awareness has become deeply embedded in our corporate culture and behaviours.

Progress

Our target is to have maximum absence of 4.5% for blue collars and 2.5% for white collars, and no working accidents requiring statutory reporting. In 2017, employee absence was reported at 5.1% for blue collars and 2.71% for white collars, while unfortunately 4.9 working accidents per 1 million work hours were registered. We continuously use risk analysis to prevent further accidents.

During 2017 we launched an internal safety campaign based on The Dirty Dozen concept developed by the aviation industry.

The campaign was targeted employees working in an around wind turbines to further increase safety awareness and behaviour, as a supplement to the mandatory safety training and courses.

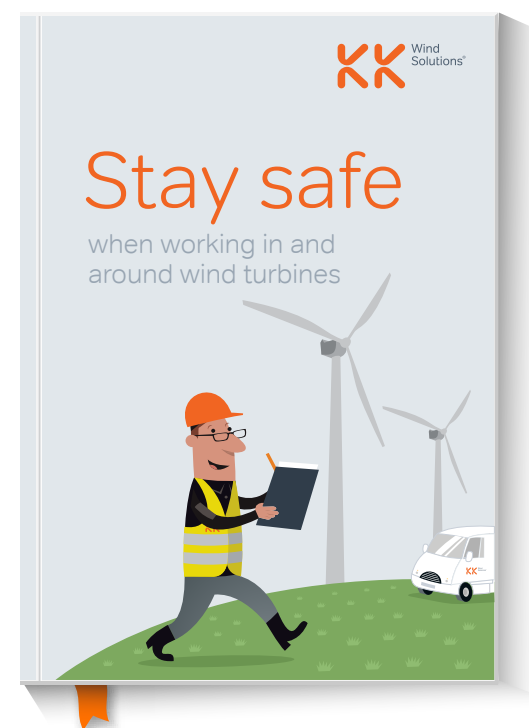
The campaign included, safety meetings, posters and a practical handbook for field technicians as illustrated to the right.

New objectives

In the coming year, we will continue our effort to embed a strong safety awareness mindset, with the aim of achieving zero accidents throughout the whole company.

As a concrete action, each manager must conduct safety walks and immediate corrective actions for any near-miss must be performed within one day. Also, we are taking new technologies in use to make it easier to stay safe and to share knowledge with colleagues.

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



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 a 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 developing new innovative solutions that contributes to the optimisation of wind energy. Furthermore, we are working in partnership to extend lifetime and reduce cost of wind turbines.

Progress

In the past year, our focus has been on continuing to reduce the environmental impact by reducing electricity consumption by 3.51%, and by increasing the share of waste that is recycled to 75.5%. To achieve that, we have monitored and adjusted the energy consumption and reduced 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 new employees.

New objectives

KK Wind Solutions remains committed to further reducing the environmental impact of the company's operations. New products are expected to be added to the portfolio, however, the target for recyclable waste remains at the current high level.

Furthermore, we are currently developing localised supply chain solutions to support our customers locally in a more sustainable manner. We believe that local pop-up factories closer to our end customers, can reduce our total environmental impact and benefit our customers and the local societies.

93%

We have recycled and partially recycled 93,5% of our waste.



Feature story:

Reducing fluctuations in wind power by 90%

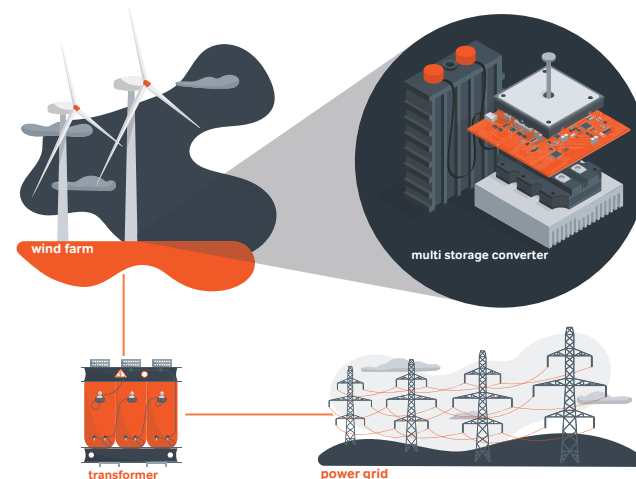
KK Wind Solutions enters into new groundbreaking project which will ensure stable energy from wind turbines with an integrated energy storage solution.

“As the wind blows ...” - so goes a famous saying, referring to the unpredictability of a situation. Although the saying is typically used in a transposed meaning, it is read very literally by wind turbine producers and energy researchers. Sometimes the wind drives wind turbines faster than we can consume energy - other times the wind does not blow at all. Therefore, a storage solution for wind turbines is in high demand.

A promising solution consists in storing the energy locally in the individual wind turbine. Energy storage only needs to account for about 8% of the wind park capacity to eliminate almost 90% of fluctuations in energy production.

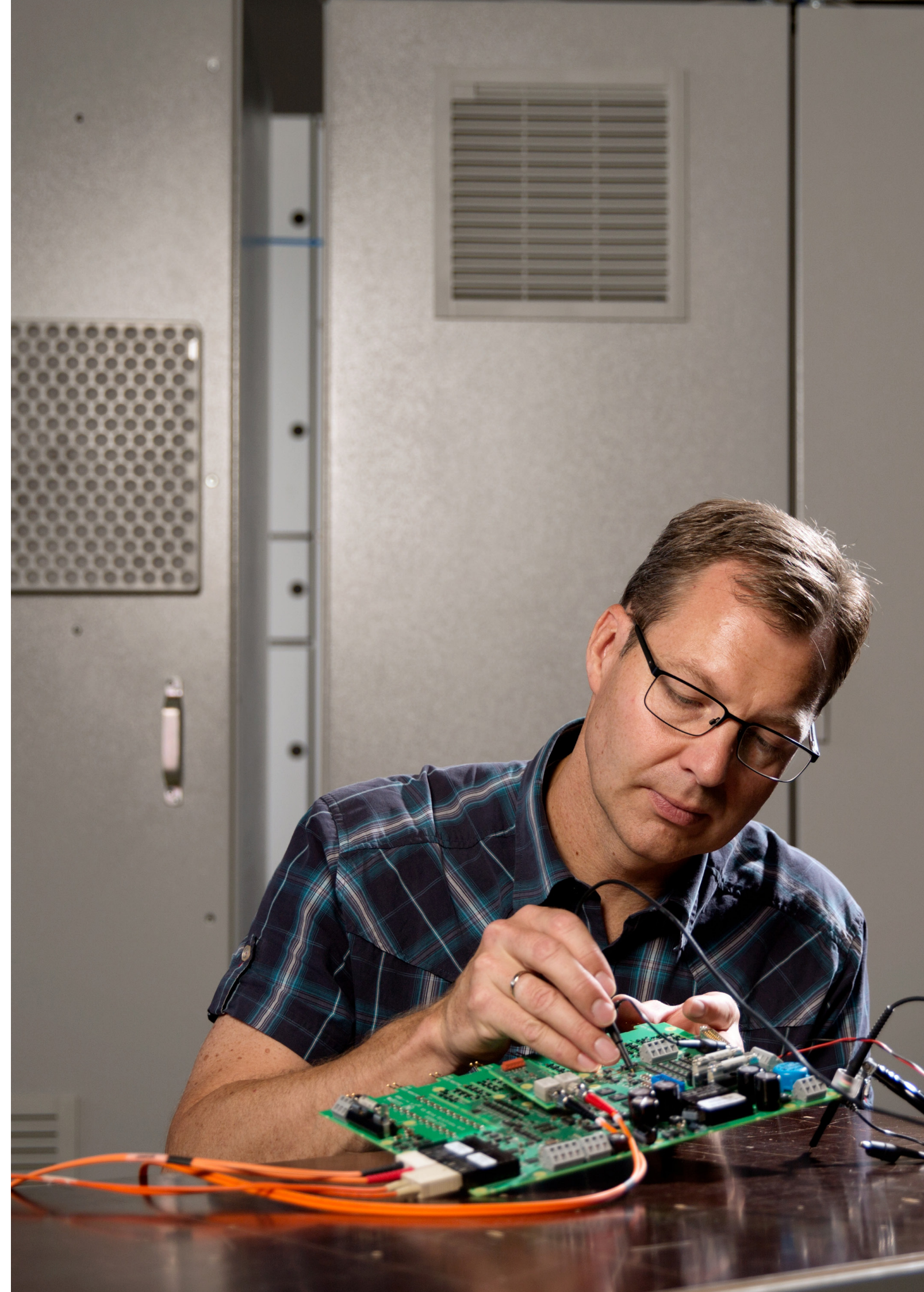
The purpose of the project is to develop a new modular battery storage solution, which is integrated into the wind turbine itself. The solution will be based on a combination of state-of-the-art battery technology and software algorithms that enable monitoring and control of the batteries. This new storage solution will significantly lower CAPEX and OPEX, while remaining scalability and flexibility from a modularized design.

The project is a collaboration between KK Wind Solutions, Vestas, PowerCon and Aalborg University, which together will reach a new milestone in Danish wind turbine innovation. In addition, the project will contribute to the achievement of climate policy goals by increasing the share and utilization of wind energy.



The potential for a cost-effective energy storage solution in wind turbines is enormous. With such technology, we will be able to make wind turbines an active and constant energy source, which will accelerate the competitiveness of wind energy to new heights.

Kristoffer Qvist Nielsen, Head of Global R&D, KK Wind Solutions.



A strong stand against corruption



We are committed never to engage in any form of bribery, corruption, extortion or embezzlement, or any illegal method to influence public officials, the judiciary or private parties.

Status

Our Code of Conduct ensures our commitment to continuously focus on running our business in an ethical and responsible manner.

However, we see a need for increasing our focus on keeping a very high ethical level as we become an increasingly globalised company. Excellent standards is an essential part of our corporate culture and behaviour.

Progress

In the past year, our target was to have zero corruption incidents. We have not registered any form of breach on our Code of Conduct in connection with corruption, extortion or bribery.

To ensure that all employees fully understand the importance of following our Code of Conduct this has special attention when onboarding new employees.

New objectives

KK Wind Solutions remains committed never to engage in any form of corruption, extortion or bribery. We will continue to investigate best possible ways of keeping a culture with very high ethical standards and zero tolerance towards corruption.





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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.