



NKT

Power to life since 1891

CORPORATE SOCIAL RESPONSIBILITY

Report 2017



UN Global Compact

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

NKT A/S, Company Reg. No. 62 72 52 14

nkt.com

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NKT is signatory to the UN Global Compact and this report provides Communication on Progress (COP) for the period 1 January 2017 to 31 December 2017.

“Our vision and commitment are built on responsible and ethical company behaviour”



Letter of commitment

As a global power cable provider connecting the world with high-quality cable solutions we are committed to bringing power to life sustainably and with focus on the regeneration of the environment. Our vision and commitment are built on responsible and ethical company behaviour through our Business Code of Conduct. In 2017 we continued to strengthen our approach to compliance throughout our organization via extensive training for many employees.

2017 was furthermore one of the most transformative years in the history of our company with the acquisition of the ABB Group's high-voltage power cable business. This acquisition complements our strategic vision of driving excellence through everything we do. It also has direct impact on our

organizational structure, business model, and access to the technology which is key to becoming a leading player in the integration of renewable energy into the global power grids.

Following the acquisition, we have given strong focus to integrating the business with our organizational structure and Business Code of Conduct. Our continued participation in the UN Global Compact and now also the Global Compact Nordic Network strengthens and energizes our commitment to working ethically and responsibly while maintaining our business pledge of bringing power to life.

Michael Hedegaard Lyng
President & CEO, NKT

Description of business model

2017 Key figures

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Production sites

NKT designs, manufactures and markets power cables for low-, medium- and high-voltage solutions. We operate globally with a strong position in Europe. In March 2017 we took yet another step in the ongoing transformation of NKT when the acquisition of ABB HV Cables was closed.

The acquisition was a strategic match with our existing business and has made us a global player within on- and offshore high-voltage AC/DC cable systems. With the combined business we are strongly positioned in the growing offshore wind industry and for the development of the interconnector grid globally.

~3,400

Employees

NKT operates in three main business lines: high-voltage cable solutions, low- and medium-voltage cables, and cable accessories and service. With a strong market position across our portfolio we have a clear ambition to become the best power cable company in the eyes of our customers and our people. To make that happen we will drive excellence in everything we do and how we conduct business. A responsible, sustainable, and ethical behaviour are essential to our future success being a naturally part of the foundation on which we implement our current strategy plan EXCELLENCE 2020. The strategy is our roadmap to success with three key targets: customer satisfaction (Net Promoter Score >50%), employee engagement (Employee Engagement Index >80%) and improved financial strength (Return on Capital Employed >13%).

EUR 1,428.9m

Revenue

We own two high-voltage power cable production sites in Germany and Sweden respectively as well as 11 in other European countries. In 2017 our total revenue was EUR 1,428.9m i market prices, corresponding to EUR 1,058m in standard metal prices.

NKT has strong market positions across the portfolio



High-voltage onshore

High-quality supplier with unique products and production capabilities



High-voltage offshore

Acknowledge premium player in offshore wind market



Building wire, LV / MV cables

Leading player in the Nordics, strong position in Central Europe



Railway

Global leader in catenary market with highly innovative products



Service & accessories

Global niche player with high-quality products





Ethical behaviour

For NKT a global mindset is essential and conducting business responsibly is key. We are committed to an ethical behaviour and we embrace a value-based approach to the way we do business.

In an increasingly complex regulatory environment, ensuring compliance is a fundamental challenge, and in 2017 we have continued to update our approach in this respect. We are compliant with applicable laws, regulations and international standards and are striving to meet stakeholder expectations and develop a strong compliance mindset throughout our organization.

In 2017 the acquisition of ABB HV Cables was a key event for our business. Subsequently, a top priority has been to ensure that all new employees and functions are fully integrated within our corporate compliance framework.

Business Code of Conduct

A key part of our compliance approach is our Business Code of Conduct, which describes the fundamental principles and rules governing how all our people should act, both internally and externally in relation to our vendors, business partners and the public.

In 2017 we updated our Business Code of Conduct with information about our whistle-blower hotline. We have also initiated training for relevant employees, including new employees added through the acquisition.

The Business Code of Conduct describes how we do business across our organization and includes policies for areas such as business integrity, anti-corruption, environment, energy & climate, fair competition, human & labour rights, information security, product compliance & quality, compliance handling and reporting of misconduct.

Anti-corruption & fair competition

NKT refrains from and opposes all forms of bribery and corruption. We abide by the rules of fair competition and have a clear policy for anti-corruption and fair competition which is implemented and communicated company-wide as part of corporate training in our Business Code of Conduct.

In our Business Code of Conduct we clearly state that no employee may directly or indirectly offer, give or take money or anything else of value when doing business to obtain an improper advantage. As stated in the Business Code of Conduct we do not participate in unfair trading or illegal anti-trust activities.

Key risks

Key risks in regard to corruption, bribery and fair competition are primarily linked to our interaction with external vendors, suppliers and business partners in connection with tenders and business agreements. We work to minimize these risks both internally and externally:

Anti-corruption and fair competition is an integral part of internal corporate training in our Business Code of Conduct. It also forms part of our business contracts and Business Code of Conduct for External Vendors & Business Partners in which we expect full compliance from the parties involved.

In 2016 we extended our whistleblower hotline to enable instances of unethical behaviour such as corruption, bribery and unfair competition also to

be reported by external stakeholders. In 2017 we have not received any reports related to corruption, bribery or unfair competition.

Goals and actions 2017 and beyond

Employees exposed to corruption risks to be further trained and equipped to handle risk situations

Outcome

Due to the acquisition of ABB HV Cables, general compliance training was focused on new employees rather than employees specifically exposed to corruption risks

Status

(+)

Future plans, goals and actions

Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees

Targets 2018 and beyond

Further train and equip employees who are exposed to corruption risks to handle risk situations

Update and implement specific guidelines on anti-trust behaviour

Ensure relevant employees are adequately trained

Environment, energy & climate

NKT is committed to keeping environmental impact at a minimum through sustainable business practices and operations.

In NKT, we are committed to developing a long-term sustainable business by continuously reducing the environmental impact of our activities. Our products are designed, manufactured and installed with careful consideration for the environment, utilization of natural resources and energy consumption. We expect all employees to act responsibly and with respect for the environment as stated in our Business Code of Conduct. In 2017, to ensure strong focus on reducing our environmental impact, we further established a QHSE Policy covering quality, health, safety and environment.

Key risks

The key risks with regard to environmental impact relate to chemical spills and emissions from consumption of fossil fuels primarily linked to production and installation of cables and transportation of goods. To reduce these risks, we have clear policies and processes ensuring compliance with our QHSE Policy as well as external regulations. All our production sites – including those newly acquired – operate under an ISO14001-certified environmental management system, and several facilities also have an ISO50001-certified energy management regime. To abide by local laws and regulations we have established a third-party compliance process with an audit conducted annually at each production site, which complements our internal monitoring of regulatory changes locally.

Energy efficiency

In 2017 we recorded a 3% improvement in energy efficiency measured in kWh/tonne cables. This positive result was in line with our objective and was a result of several initiatives including investment in new manufacturing equipment, modernization of compressed air systems and upgrade of lighting.

Energy efficiency has also improved due to more effective utilization of manufacturing equipment based on improved planning and comprehensive LEAN improvements implemented in 2016 and 2017.

The water consumption has decreased 1.3% which is lower than expected. We have not seen the results expected from the projects initiated to reduce our water usage and we are now evaluating the result to ensure future reduction.

In 2018 we will investigate how to establish more precise energy efficiency indicators for our high-voltage cable production sites. This is necessitated by the project-based nature of the high-voltage business causing fluctuations in the energy consumption for cable production when measured in kWh/tonne.

As planned, an Environmental Council was not established in 2017 due to organizational changes and the decision to integrate our environmental, energy and climate reporting within the corporate reporting and monitoring framework. New common methods and monitoring setups have now been developed to ensure compliance with our QHSE Policy.

Data integration and alignment with the acquired sites are still ongoing, and the sites concerned are therefore not represented in the data presented in this section. Relevant data for these sites will figure in our CSR reporting from 2018.

Goals and actions 2017	Outcome	Status
Improve total energy efficiency in kWh/tonne by 2% (target 597 kWh/tonne) compared with 2016	3% (593 kWh/tonne)	+
Reduce water consumption by 2% compared with 2016	1.3% reduction	÷
Increase material utilization by 0.2%-points to 97% in 2017	97%	+
Establish an Environmental Council to accelerate efficiency efforts	Not established	÷

Goals and actions 2018	Target
Improve total energy efficiency in kWh/tonne by 2% compared with 2017	581 kWh/tonne
Reduce water consumption by 2% compared with 2017	86,334 m ³
Increase material utilization by 0.2%-points compared with 2017 (97%)	97.2%



The NKT recycling center

1,205

Tonnes recycled copper

The NKT recycling center in Stenlille, Denmark, is unique in the cable industry. This facility each year processes large quantities of cable scrap originating both from our own production sites and from customers. The quantities are steadily increasing and reflect society's growing focus on the re-use of scarce resources. The recycling centre plays a key part in our ambition to limit environmental impact.

539

Tonnes recycled aluminium

Stenlille recycling centre at a glance

Amounts in tonnes	2016	2017
Total weight of processed cable	2,012	2,365
Total weight of cable received from customers	118	175
Recycled copper	754	1,205
Recycled aluminium	461	539
Recycled PEX	514	652
Recycled PVC	101	130
Received halogen-free flame retardants	44	40

NKT Victoria – reducing our environmental impact

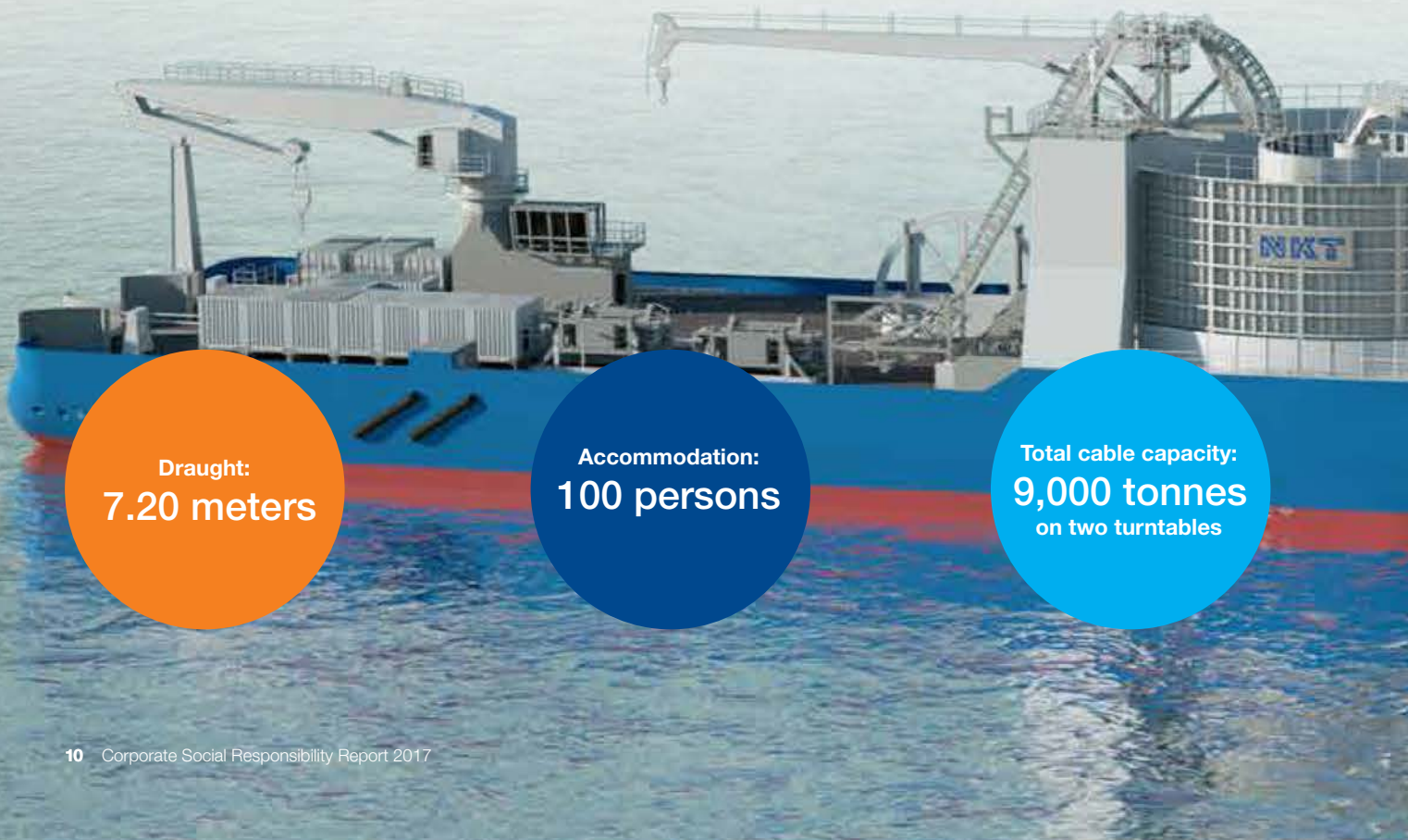
In 2017 we commissioned our purpose-built cable laying vessel, NKT Victoria. She introduced a new level of advanced operational technologies and energy efficiency reducing our environmental impact from offshore cable operations.

NKT Victoria is one of the world's most energy-efficient cable laying vessels, and she plays a key part in our ambition to consistently minimize environmental impact arising from our offshore operations. The fuel consumption of NKT Victoria is

significantly lower than for equivalent vessels due to a unique combination of technologies, including power-fromshore solution, Azipod propulsion units, energy storage for marine applications, and specially designed on-board DC grid.

The electrical power-fromshore connection can be maintained while loading cable aboard, keeping the diesel generators off creating a unique advantage which enables more energy efficient operation.

While at sea the vessel's diesel exhaust is cleaned by selective catalytic reduction (SCR), which is recognized as one of the most fuel-efficient technologies available



Draught:
7.20 meters

Accommodation:
100 persons

Total cable capacity:
9,000 tonnes
on two turntables

for reducing diesel engine emissions. NKT Victoria is also equipped with Tier 3 approved engines operating on sulphurfree fuel.

Safety on board

Safety is a core company value and focus area for NKT and our partners and customers. With NKT Victoria we have a custom-built vessel designed to meet the industry's highest safety standards and keep personnel, partners and customers safe during offshore operations and while in transit. A host of onboard features enable optimized operational planning, ensuring safe and efficient operation on the high seas. Stringent offshore safety requirements

are implemented through the installation of sophisticated rollreduction technologies that minimize the effects of harsh sea conditions.

DP3 (dynamic positioning) system technology ensures uninterrupted operation in all eventualities, including fire and flooding containment protecting all passengers.

Part of the ABB business acquisition, NKT Victoria now plays a key part in our high-voltage turnkey solution portfolio, which includes everything from cable system design, production and installation to service.



Ship of the Year 2017

NKT Victoria was proclaimed Ship of the Year 2017 in Norway in recognition of her innovative, technological and sustainability capabilities

Length:
140 meters

Breadth:
29.60 meter

Human & labour rights

A healthy, safe, secure, and diverse working environment is fundamental to the continued growth of NKT. We consider our people key to successful customer relations and we strive to treat all individuals with respect and dignity.

As stated in our Human & Labour Rights policy we are committed to delivering a working environment based on respect, engagement and safety. To honour this policy, appropriate systems and processes have been introduced with specific targets in key areas.

Key risks

At NKT, principal risks in terms of human and labour rights relate to employee safety in terms of occupational injuries and accidents. To mitigate these risks, we have clear processes and policies in place. Safety is a key priority and we are continuously monitoring and improving safety standards across our organization. Risks relating to forced and child labour are not considered material as we mainly operate in low-risk countries. A key element in risk prevention is our whistle-blower hotline which is open for both employees and external partners.

Organizational structure

In 2017 we transformed the corporate organization in NKT due to the integration of the acquired business. The ambition of the new organization is to support the key targets of the EXCELLENCE 2020 strategy plan. In regard to organizational changes we collaborate with relevant work councils.

Engaged and committed people

Over the past year we have introduced a new leadership model designed to equip our leaders with the necessary mind- and skillset needed to deliver on company expectations. The focus of the programmes is to ensure that NKT leaders effectively drive and develop performance through motivated and engaged employees.

A further initiative to strengthen our employee engagement is a performance management system designed to ensure that all employees are aware of the expectations which exist with regard to their position in the company creating the foundation for engagement, individual development and organizational growth.

Employee engagement is a key target in EXCELLENCE 2020 with a goal of reaching an Employee Engagement Index of more than 80% by 2020. In 2017 we established a baseline for employee engagement for the new organization, with a re-designed survey focusing on engagement, performance and leadership quality. This affects our KPI and we now track our employee engagement in an Employee Engagement Index instead of the Employee Trust Index used in recent years.

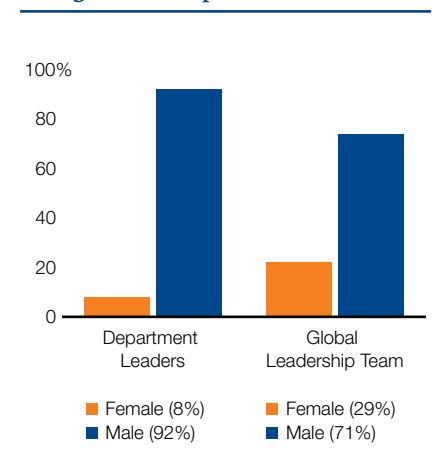
Diversity

As stated in our Human & Labour Rights Policy we are committed to providing equal opportunity to all employees and we will not tolerate discrimination or harassment of any kind. We strive to promote diversity, and we firmly believe that a diverse organization provides the best platform for developing competencies and results in the company. NKT is committed to ensure that, whenever possible, more equal gender representation is promoted without compromising on basic qualifications in terms of professional skills and personal competencies.

The senior leadership level of NKT consists of a total of 46 persons comprising eight nationalities. The

age distribution is fairly even with the majority in the 40-55 age group. Regarding gender diversity within department leaders 92% is male which equals the share of last year. In the Global Leadership Team we see a slight increase in female representatives compared with last year.

NKT gender composition



Strengthening our safety culture

At NKT, managing risks to the safety of our people is a core area of focus, and we are continuously monitoring and improving safety standards across our organization through safety policies, processes and initiatives. We have introduced certified safety management systems, such as OHSAS 18001, to improve our processes, monitor our progress and build a strong corporate safety culture with the overall ambition of eliminating accidents. As a key element in this we have defined a list of Life Saving Principles dedicated to driving safety across all organizational levels.

The Life Saving Principles provide a practical guide to specific measures for improving safety. They play a central part in the future development of our safety culture as a complement to our QHSE policy and safety programmes. During the year under review we also launched a number of dedicated campaigns and initiatives to prevent some of the most common safety issues such as Slips & Trips Prevention and Knives Elimination Programme.

In 2017 we have seen positive results from the focus on strengthening our safety culture. Over the year more than 3.000 unsafe situations were recorded and eliminated, and our Lost Time Severity Rate* decreased by 24% on 2016. We have also registered a reduction in our Lost Time Accident Rate**. We have designed several company-wide initiatives such as the Life Saving Principles and a Safety Buddy Award to promote and strengthen our safety culture ensuring further reductions in our Lost Time Severity Rate and Lost Time Accident Rate.

Safety first is a core company value and we are determined to continue our work to ensure a strong safety culture in our organization through training and facilitation of our QHSE Policy and the Life Saving Principles. To initiate and drive employee engagement and create risk awareness and a safety focused mindset we have decided to join the international program Safety Culture Ladder. Furthermore, we will continue to identify and implement systematic improvements of the working conditions in our organization including machinery and facilities.

Data privacy

We have a plan to ensure compliance with privacy under the upcoming General Data Protection Regulation (GDPR). We are working to implement adequate measures such as organizing various data privacy assessments and action planning, raising awareness, and carrying out training of our people and relevant partners.

Reporting according to the UK Modern Slavery Act

Our Human & Labour Rights Policy clearly states that we reject any form of forced labour and do not condone the hiring of child labour. At NKT, employees have contracts of employment and are trained in our Human & Labour Rights Policy and are committed to continuously identifying and mitigating potential violations. We do not consider the risk of forced and child labour to be material as we mainly operate in low-risk countries.

NKT business partners are expected to comply with the principles set out in our Global Third Party Compliance Policy and Code of Conduct for Vendors & Business Partners, which also include our supplier policy on Human & Labour Rights. In 2017, work was carried out on an improved supplier qualification process that will ensure that our suppliers comply with the above policy and code of conduct.

Goals and actions 2017	Outcome	Status
Increase Employee Trust Index >46%	56%	+
Reduce the number of unsafe situations and behaviours >2,300	>3,200	+
Reduce the Lost Time Accident Rate by 30% compared with 2016. Target <0.77	0.76	+
Reduce the Lost Time Accident Severity Rate by 9% compared with 2016. Target <29.	22	+

Future plans, goals and actions	Target 2018 and beyond
Increase Employee Engagement Index >80% in 2020	>63% (baseline 2017)
Leadership development	All 243 leaders in the targeted group to complete the Leadership Pipeline programme
Leadership development	Start a leadership programme dedicated to front-end leaders at our production sites
Decentralized leadership programme	Create leadership programme for leaders of decentralized teams
People Performance Management	Ensure full use of the PPM-system across the organization to drive engagement and performance
Reduce the number of unsafe situations and behaviours	>3,200
Reduce the Lost Time Accident Rate compared with 2017 (0.76)	<0.70
Reduce the Lost Time Accident Severity Rate compared with 2017 (22)	<22
Data privacy	Develop programme to ensure GDPR compliance

* Lost Time Severity Rate describes the number of lost work days experienced per 100 workers.

** Lost Time Accident Rate is a standardized way to measure and compare accident frequency in organizations.

Vendors and business partners

At NKT we expect and require our major business partners to fully comply with all applicable laws, regulations and international requirements, as well as our Global Policy for Third Party Compliance and Business Code of Conduct for Vendors & Business Partners.

We are constantly seeking to improve transparency in our vendor network, and in 2017 we began implementing a cloud-based procurement system to handle our suppliers and vendors globally. The system strengthens transparency in the vendor value chain, enabling us to monitor compliance with CSR requirements and the Global Policy and Business Code of Conduct referred to above. This global facility significantly reduces the risk of interaction with vendors not complying with established policies, rules and regulations.

As part of our procurement process, new business partners are assessed against expectations set out in our Business Code of Conduct for Vendors and our Global Policy for Third Party Compliance, while existing business relationships are reassessed regularly.

Activities in relation to our assessment and evaluation approach include selfassessment questionnaires, interviews, desktop review, audits and/ or any other relevant measures.

From 2018 we no longer operate with a specific target of vendors adopting the

principles of the UN Global Compact due to the implementation of our new procurement system ensuring transparency in vendor compliance with our Business Code of Conduct for Vendors & Business Partners and Global Policy for Third Party Compliance.

Goals and actions beyond	Outcome	Status
Increase number of suppliers (with procurement value >EUR 50,000) adopting the UN Global Compact principles to more than 95%	Due to the implementation of the new procurement system we do not have sufficient data for this target	÷
Review and update our third-party compliance processes in relation to anti-corruption	Anti-corruption is included in the updated procurement process and is also part of the Business Code of Conduct for External Vendors & Business Partners	+

Future plan, goals and actions	Goals and actions 2018 and beyond
Keep focus on improvement of transparency and vendor compliance	<ul style="list-style-type: none"> Full implementation of new cloud-based procurement system All new suppliers to go through the registration process
Minimise the risk of direct or indirect participation in corruption	Review and update our third-party compliance processes in relation to anti-corruption

Whistle-blower hotline

NKT has a whistle-blower process which can be used anonymously when legally possible by both internal and external stakeholders to report unethical behaviour via a special hotline.

In 2017, all reports received from the hotline were acted upon in accordance with established procedures. We

have run internal campaigns targeting all employees to create awareness of the whistle-blower process and the opportunity it offers.

The whistle-blower hotline is also part of our Business Code of Conduct in which training has been provided for relevant employees.



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