

POWER YOUR POTENTIAL™

Communication On Progress Report.

2017 - 2018



POWER YOUR POTENTIAL.

Kohsel is a Scandinavian supplier of customized transformer solutions. We strive to unleash the full potential in transformer design through dedicated engineering and close collaboration.

We are founded in 1969, and today we produce transformer solutions for customers all over the world. Our headquarter is located in Denmark, and we are present with our own business and production sites across Europe and Asia.

Together with our customers' procurement team and construction engineers, we optimize transformer designs to ensure superior performance, reduced thermal loss and weight, as well as minimum costs related to materials used in production.

With more than 440 employees, we have the agility, experience and expertise to effectively prototype and deliver ISO 9001 certified transformer solutions with built-in know-how.

On time. Every time. Anywhere.

 **KOHSEL**
TRANSFORMER SOLUTIONS



CEO Statement.

It is time to recap our company development, and I'm proud to look back at a year of growth – financial, physical and most importantly structural and organizational improvements. Our progress is positive, we are moving in the right direction on the learning curve and we are committed to this journey of increased sustainability. Having recently hired a quality director will enable us to further strengthen our position and development in this area.

Our company has expanded with more than 100 new employees. Onboarding new employees is an essential process, where introducing our products, technical specifications and working methods is a natural part of getting started, but most importantly we want to make sure our company culture is embedded into the growing workforce.

We ensure every single employee understands what we mean by behaving as a respectable company in matters regarding human and labour rights, the environment, anti-corruption and supporting the 10 Global Compact principles. We acknowledge this as an essential part of our business model to continue fulfilling the expectations and requirements of our customers.

An exciting journey of continuous improvement lies ahead of us. Detailed evaluations of our current production processes have revealed many possibilities for adjustments to increase the general efficiency and to continuously improve working conditions for our employees – regardless of whether they are working in Denmark or in our factories in Latvia or Thailand.

I'm very excited for the development we will experience in the coming period, which expectedly will benefit both our customers, our employees, our company and have a positive impact on the environment in general.

**Yours sincerely,
Henrik Sørensen,
CEO / Managing Director**



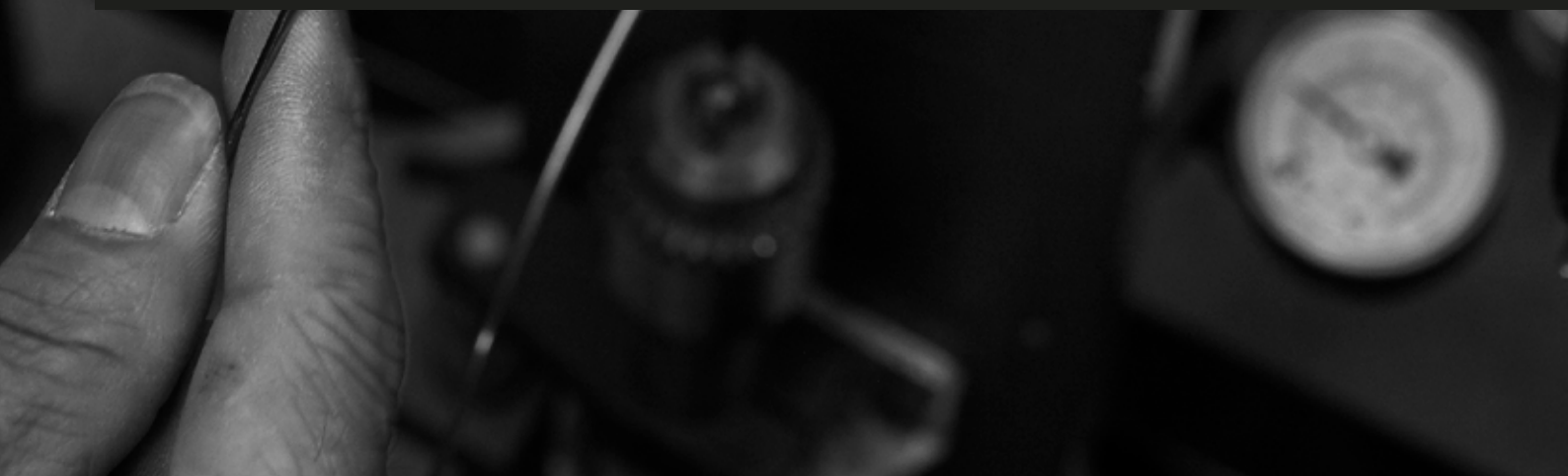


We realise our employees are our greatest assets and strive to comply 100% with all international standards and national rules regarding working hours, salary levels, medical assistance, lightning conditions, working positions etc.

As supplier to global international customers we are and want to remain a trustworthy business partner. Dealing with us means doing business with a company that takes our responsibilities very seriously and recognise that we are responsible for ensuring sound working conditions at all our sites and also ensuring our own sub suppliers and cooperation partners take similar measures.

Social responsibility audits

We recognise the global situation and are aware that Thailand is our most vulnerable location regarding worker conditions, and this site is our primary focus. Last year we started conducting SMETA audits carried out by an external international auditing company, SGS. During an implementation phase two SMETA audits were carried out during 2017 and moving forward we will make one yearly audit. These audits will provide us with an action plan and structural platform to systematically certify continuous development and improvement in this area.



Human & Labour rights.

To mentioned a few of the improvements as an outcome of the audits:

- Established an updated CSR-policy covering all areas of the ETI requirements
- Special health check is offered to employees who work with harmful chemicals
- Improved first-aid situation by hiring one full time nurse at professional level and establishing a first aid room with one patient bed and medical supplies
- Improved fire-alarm system with electrical back-up system

This setup will fulfil our customers audits, standards and requirements concerning sustainability and human conditions, and enable us to globally standardise and ensure that the products we sell are always made in safe working conditions, at fair rates of pay and respecting the human rights of those involved in production.

Our goal is to ensure that we comply with all international and local laws and requirements. We are 100% committed to taking care of our employees and treat all our employees at least as well as can expected.

Sub Supplier audits

It is not sufficient that we ourselves are playing by the book, we also have a responsibility to ensure our cooperation partners are doing the same. In our business segment an important part of the supply chain transparency lies in verifying the use on non-Conflict Materials. Moving forward we will further strengthen and systemise our internal sub supplier audits to safeguard our entire value chain with regards to human and labour rights. Our goal is to be able to provide firm documentation that all our suppliers are living up to our standards and expectations.

Conflict Minerals

We do support human rights and wish to contribute to transparency in the supply chain. We have looked into our supply chain to ensure that our suppliers exercise appropriate conduct and are not in any way related to the use of tin, tantalum, tungsten and gold (3TG), originating from the Democratic Republic of Congo (DRC), Republic of Congo, Central African Republic (CAR), South Sudan, Rwanda, Uganda, Zambia, Angola, Burundi and Tanzania – also known as Conflict Minerals.

We do however recognize that the global supply chain is very complex, and the investigation of our supply chain is therefore an ongoing process, where we will keep on ensuring that Conflict Minerals are not related to our supply chain. We rely on the information provided by our suppliers regarding their sourcing of these materials. We expect that any products and components, we receive from our suppliers, are not considered to be Conflict Minerals.

Safety

Safety is a key concern for Kohsel, and a description about how to handle situations regarding safety, fire, safe workwear, handling of dangerous materials etc. is made available in an employee handbook. We always follow manufacturer guidelines when dealing with dangerous materials or equipment and all employees receive proper training.

Working Environment

- High safety when working
- High security and firesafety at our factories
- Training in production and safety
- High quality working light
- Focus on sustainable development in waste management

Environment.

We promote a culture encouraging all our employees to feel responsible and be motivated for suggesting environmental improvement activities. Our environmental system is a management system that focuses on goals, policies, responsibility with the shared purpose to reduce the environmental impact. This is done through the proactive use of general processes and standardised key processes.

ISO 14001

Our environmental system was DS/EN 14001:2015 certified in Denmark in 2016 and in Latvia in 2017. In Thailand we work along the principles of ISO 140001 and are working towards a certification, which most likely will be realised alongside setting up new facilities in Thailand in the coming years.

Waste handling

Proper waste handling is a part of our ISO 14001 system, and we sort our waste according to the categories made available in the different countries. Residual waste from copper and steel is collected and returned for melting and recycling. Also in our design process we optimise the use of different metals to minimise waste as much as possible.




Choice of materials

As a production company we are very strict in our choice of materials. Kohsel is committed to providing customers with the highest quality products, but also aspires to the highest standards of social responsibility and ethical conduct.

We have integrated the choice of materials into the design phase, meaning already when designing new products, we consider factors like durability, recycling opportunities etc. Also regarding packaging, we strive not to use foam rubber, flamingo and plastic, but instead use carton or wooden pallets that are reusable. In close cooperation with our customers we setup recycling processes whenever possible.

Materials:

- **All suppliers operate according to international laws and regulations**
 - **No supplier use conflict materials in their supply chain**
 - **All RoHS applied materials**
 - **All REACH applied materials**
 - **All materials outside the negative list**
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Environmentally friendly buildings

We wish to minimise our environmental footprint and are committed to making our buildings and facilities as environmentally friendly as possible.

In 2016 we evaluated our facilities in Denmark regarding environmental improvements. Based on this we have exchanged all windows and the roof to improve the energy efficiency of the building. A new heating system has been installed to better regulate the heat during opening and closing hours, which has lowered the heat consumption. For the moment, we do not have any further plans for environmental improvements in Denmark.

We are currently in the process of testing an optimal factory workflow and working conditions, and are currently gathering know-how and experience, in order to be able to design new well-functioning facilities in both Thailand and Latvia in the years to come. We are willing to make the right investments regarding environment, energy efficiency and working conditions. Also we aim at making the buildings CO2 neutral.

CO2 neutral website

We have chosen to support the CO2 neutral website project to ensure that the traffic on our website doesn't leave any negative traces. All websites emit carbon dioxide, both via the power used by the company's servers that host the websites and via the visitor's computers and screens. Through the project we compensate for our CO2 emission by purchasing CO2-quotas, which is afterwards cleared with the Danish Energy Agency. The same will apply for our new upcoming website.

By supporting the project, CO2 Neutral Website, Kohsel also supports CO2-reducing projects around the world. All the projects are approved by The Gold Standard, supported by WWF, which is the most rigorous certification standard globally for carbon offset projects.



Sustainable Development Goals

In our effort to becoming a company even more focused on sustainability, we will in the coming period start to work more explicitly with the sustainable development goals. As a company we will mainly focus on:



Decent work and economic growth lies in the heart of our company. We are dedicated to creating the best possible products and creating growth while ensuring sound working conditions for our labour force.



Waste handling is very central to our production set-up, we take use of non-conflict minerals very seriously and already in the design phase we consider possible waste and recycling opportunities.



All our activities should impact the climate as little as possible and we always strive to minimise our footprint.



We need partners to achieve our goals, and likewise we are interested in teaming up with relevant cooperation partners to improve global conditions.

Environment.

Communication

We acknowledge a large part of working with global compact is the internal communication process itself. Making everyone aware of how we as a company are interpreting the principles, how we are working with matters related to sustainability and what kind of behaviour we expect as a company. We do this by thorough introduction to new employees, visual posters and statements, regular information meetings with employees and most importantly it's a part of our day-to-day business culture.

Once a year our company's strategic foundation is reviewed and below mentioned politics, code-of-conducts and principles are our current official guidelines, which we introduce and emphasize for all employees, customers, suppliers and other relevant stakeholders.

Further more we are currently working on updating our official webpage, where the new version will have a higher emphasis on all things related to sustainability, global compact and SDG's.

A black and white photograph of a young woman with long dark hair, smiling at the camera. She is wearing a light-colored t-shirt and is working on a breadboard with electronic components. Her hands are visible, holding a small component. The background is a workshop or laboratory with shelves and equipment. A semi-transparent dark grey box is overlaid on the right side of the image, containing the title and a paragraph of text. A solid red horizontal bar is at the bottom of the image.

Sustainability Code of Conduct.

Our core values support a strong commitment to economic, environmental and socially sustainable development. We strongly believe that it is in the mutual interest of both Kohsel and our suppliers to meet the present and future requirements of the markets and society. This is done by demonstrating responsibility towards the people taking part in the manufacture our products.

We follow these principles:

Child Labour

We respect the children's right to development and education. Therefore we do not support child labour, meaning that we do not use children as a work force in production.

Discrimination

We respect cultural differences and do not want to cooperate with suppliers who practice discrimination at work by race, religion, age, nationality, or sexual orientation.

Forced Labour

We don't tolerate forced or involuntary labour.

Working Environment

We support the fundamental human right to have sound working conditions.

Environment

Through our environmental policy, we aim to reduce the negative environmental impact.

Working Hours and Salary

We recognise the need for a sound balance between working time and leisure time for all employees. Unless the national law is different, the maximum working time is 48 hours per week plus maximum 12 hours overtime work. Except in extraordinary circumstances, all workers have the right to have at least one day off in a period of seven days. Salaries for overtime work shall be in accordance with the law.

The Right to Organise and Collective Bargaining

We respect the employees' right to organise and to collective bargaining.

Corruption

Corruption and bribery are recognized as some of the barriers for sustainable development and a barrier to free trade. We do not accept these practices and therefore do not offer or accept any kind of undue payment. Our financial systems are set up to control and ensure transparency of all monetary transactions and we regularly educate our management and employees to handle possible borderline situations. Our organisational culture is built upon high ethical standards.

The above principles are a key part of our organisational culture. This code-of-conduct is available on our website and all new employees are introduced to it. Also, we recognise our responsibility as a contractor and have prepared an even more specific code-of-conduct guiding our sub suppliers. Aligning these sustainability principles is a key priority when engaging in cooperation with new suppliers, and our purchase vision guides our choice of suppliers.

Purchase vision:

- We have long term relationship with our suppliers
- We have suppliers that are promoting a sustainable development
- We demand that suppliers operates according to international laws and regulations
- We only contract with suppliers that signs our Code of Conduct
- We only contract with suppliers that are in compliance with our negative list for Hazardous Substances





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Kohsel is a Scandinavian supplier of customized transformer solutions for customers all over the world. Our mission is to unleash your full potential in transformer design.

We are headquartered in Denmark and present with our own business and production sites across Europe and Asia. With more than 300 employees and 40 years of experience, we deliver high quality transformers with built-in know-how.

On time. Every time. Anywhere.

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