

POWER YOUR POTENTIAL™

Communication On Progress Report.

2018 - 2019

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.

The past year has been full of development and progress in the company. We are committed to providing customers with the highest-quality products, but at the same time we aspire to the highest standards of social responsibility and ethical conduct. And I'm very proud to see that working with sustainability, human and labour rights, the environment and anti-corruption is not wording on a paper – it's a natural part of our daily work and company culture.

This year we have further shifted the work with these topics from involving mostly the management level towards involving the employees to an even higher degree. And it has been an enlightening process. By engaging the employees, we have managed to come up with new and better solutions to the benefit of the workers as well as the profitability of the company.

At our production facilities in both Thailand and Latvia we are currently in the process of moving to new sites, where we have a very high focus on LEAN optimisation of the production as well as further improving employee working conditions.

As another step in our evolvement we are looking toward a stronger implementation of the SDG's in our company mindset and increasing employee awareness about how their daily work contributes to a reaching a higher purpose.

We are learning every day and still see areas of improvement ahead of us. Being a global company with locations in Denmark, Latvia and Thailand comes with its challenges, and we are committed to making the most of it.

Our goal is to continue being a frontrunner in this area, I reaffirm our support of the 10 principles of UN Global Compact, and I'm looking forward to the journey ahead!

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

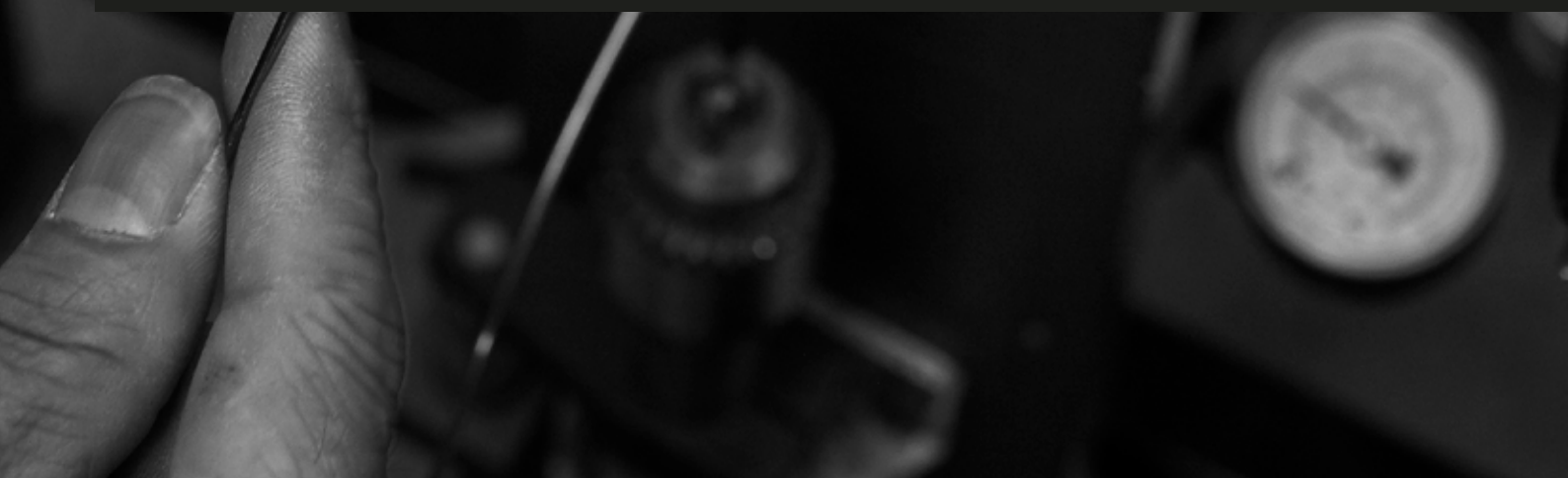




We realise our employees are our greatest assets and strive to comply 100% with all international standards and national rules regarding working hours, salary levels, medical assistance, lightning conditions, working positions etc.

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.

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Human & Labour rights.

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. This year we have improved many physical conditions such as lighting, ventilation and canteen as well as established a local HR department on site.

In both Thailand and Latvia we are moving into new production facilities, where ensuring best possible working conditions have a very high priority.

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 be 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 of non-Conflict Minerals. 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 rely on the information provided by our suppliers regarding their sourcing of minerals. We require that any products and components that we receive from our suppliers, are not considered to be Conflict Minerals originating from the Democratic Republic of Congo.

We do however recognise that the global supply chain is very complex, and the investigation of our supply chain is therefore an ongoing process where we will continue to ensure that Conflict Minerals have no place in our supply chain.

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

This year we have especially been prioritising good working conditions. A local safety officer has been hired at each of our production sites. This strengthens our daily focus on correct handling of dangerous materials as well as ensuring that good working instructions are being followed.

At the Thailand facility we have carried out a mandatory course for all employees with focus on safety and working conditions. 5S and LEAN is introduced and implemented to improve work procedures. In continuation from this an improvement suggestion campaign has been carried from October 2018 – June 2019, with a very high participation rate and a lot of improvement ideas.

This “work smarter not harder” approach is a good example of involving employees at all levels in the company in jointly improving working conditions both generating increased profitability for the company as well as improving working conditions for the employees.

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 and responsibility with the shared purpose of reducing the environmental impact. This is done through the proactive use of general processes and standardized key processes.

There is a clear expectation of all managers to create an environment culture, where continuous improvement is a natural and shared goal. It is expected that all managers work closely with employees and feel a great responsibility towards creating a culture in which the employees are motivated to suggest environmental improvement activities.

The management of Kohsel A/S has an obligation to work towards continuous improvement of the company's environmental system through motivation of the employees and by the use of appropriate checklists.

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 14001 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**

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 by 50%. 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

All websites emit carbon dioxide, both via the power used by the company's servers that host the websites and via visitor's computers and screens. That is why we have chosen to support the CO2 Neutral Website project, because it ensures us that the traffic on our website leaves no negative traces.

Through the project we compensate for our CO2 emission by purchasing CO2 quotas which are then cleared with the Danish Energy Agency.

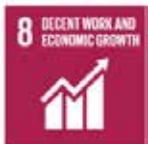
By supporting the project, CO2 Neutral Website project, Kohsel also supports CO2-reducing projects around the world. All the projects are approved by The Gold Standard, supported by WWF, which is the most rigorous certification standard globally for carbon offset projects.



Sustainable Development Goals

We are looking toward a stronger implementation of the SDG's in our company mindset and increasing employee awareness about how their daily work contributes to a reaching a higher purpose.

This is done by the management level referring to the SDG's in their dialogue with both customers and employees, as well as awareness campaigns, where the SDG's are made visible on location.



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.

This year we have launched a new webpage, www.kohsel.com, where our support to global compact is described and the communication on progress report is available.



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 have our own business and production sites across Europe and Asia. With more than 400 employees and 40 years of experience, we deliver high-quality transformers with built-in know-how.

On time. Every time. Anywhere.

CONTACT US

Kohsel A/S
Sønderskovvej 1
DK-8362 Hørning
Denmark
T: +45 87 680 808
E: kohsel@kohsel.dk

www.kohsel.dk