

POWER YOUR POTENTIAL™

Communication On Progress Report.

2019 - 2020

LET'S POWER YOUR POTENTIAL.

At Kohsel, we consider ourselves to be more than a supplier. We are a dedicated partner that helps customers like you develop their businesses. By working closely together, we design customized transformer solutions that allow you to power your full potential. We strive to unleash the full potential of transformer design through dedicated engineering and close collaboration.

We were founded in 1969 and today we produce transformer solutions for customers all over the world. Our corporate headquarters is located in Denmark, and we also have our own business and production sites in Thailand and Latvia.

Our quality management system has been ISO 9001 certified since 1995.

With close to 600 employees, we have the agility, experience and expertise to effectively prototype and deliver high-quality transformers and chokes with built-in know-how.

On-time delivery and flexibility define the way we do business. It is essential for us to deliver the right quality and quantity at the right time to the right customer. Anywhere in the world.

On time. Every time. Anywhere.

 **KOHSEL**
TRANSFORMER SOLUTIONS



CEO Statement.

Looking back on the past year we are proud to say that we have taken our work with sustainability, human and labour rights, the environment and anti-corruption even further. At the same time, we have serviced our existing and new customers with quality products delivered on time.

At our factories we have finalized the move into new and modern facilities. With the move we have ensured that our employees have safe and up-to-date working conditions and at the same time we have secured an efficient production setup.

In the design of the factories we have focused on the environment and future environmental footprint and by the end of 2020 we will be ISO 14001 certified in all 3 locations.

At our factory in Thailand we are preparing for a SMETA audit. Our focus is always to offer a good work environment for our employees and by letting a third party audit our work environment we are able to present evidence of our achievements to our customers.


In 2020 we have implemented routines and procedures to secure our production against the COVID 19 virus. In all locations we are following local government recommendations, maintaining a high level of control and providing training for all our employees on a regular basis.

We have continued to involve our employees in the development of our company over the year. LEAN is an important tool in our daily work to improve efficiency as well as reducing costs and material and energy consumption.

With our new facilities, we look forward to taking our support of the principles of the United Nations Global Compact initiative to the next level.

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





We know that 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, lighting conditions, employment positions etc.

As a 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 its responsibilities very seriously. We recognise that we are responsible for ensuring healthy working conditions at all our sites and also ensuring that our own suppliers and cooperation partners take similar measures.



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 facilities. We have also established a local HR department on site.

In both Thailand and Latvia we have moved into new production facilities, where ensuring the best possible working conditions has 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 treating all our employees well.

Supplier Audits

It is not sufficient that we ourselves maintain high standards, we also have a responsibility to ensure that our cooperation partners do the same. In our business segment an important part of supply chain transparency is the verification of the use of non-conflict materials. Moving forward we are further strengthening and systemising our internal supplier audits to safeguard our entire value chain with regard to human and labour rights. Our goal is to be able to provide solid documentation that all our suppliers live 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 it.



Safety

Safety is a key concern for Kohsel, and we make guidelines for handling situations involving safety, fire, safe workwear, dangerous materials etc. 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 fire safety at our factories
- Training in production and safety
- High-quality lighting in the workplace
- Focus on sustainable development in waste management

We have prioritised good working conditions in our new facilities. Local safety officers have been hired at each of our production sites. This strengthens our daily focus on the correct handling of dangerous materials as well as ensuring that safe working instructions are 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 has been introduced and implemented to improve work procedures. Building on this, an improvement suggestion campaign has been implemented from October 2018. The results of this program have been very positive and we have made many improvements in cooperation with our employees.

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

A large-scale photograph of a wind turbine's tower and blades against a cloudy sky. The tower is a light grey, and the blades are a darker grey. The sky is filled with soft, white clouds. The overall tone is professional and clean.

Environment.

We promote a culture in which all our employees are encouraged to feel responsible and motivated to suggest environmental improvement activities.

Our Environmental System is a management system that focuses on goals, policies and responsibility with the shared purpose of reducing environmental impact. This is done through the proactive use of general processes and standardized key processes.

There is a clear expectation of all managers that they must create an environmentally conscious culture where continuous improvement is a natural and shared goal. It is expected that all managers work closely with employees and feel a significant responsibility for creating a culture in which 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 check-lists.

3R

Our organization in Thailand has focused on reduction and recycling of materials and waste throughout the year. To systemize this work, we have worked in accordance with the guidelines in the 3R program (Reduce, Reuse, Recycle) and as a result of our work we have been certified Level 3. Our goal is to be certified Level 5 in 2022.

ISO 14001

Our environmental system was DS/EN 14001:2015 certified in Denmark in 2016 and in Latvia in 2017. In Thailand we work in accordance with ISO 140001 principles and are working towards certification in the end of 2020.

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. In our design process we also optimise the use of metals and materials 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 that when designing new products, we already consider factors like durability, recycling opportunities etc. In our packaging we strive to avoid the use of foam rubber, expanded polystyrene and plastic, and instead use cardboard or wooden pallets that are reusable. We setup recycling processes in close collaboration with our customers 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 the design and building our new factories our focus has been on using the most up-to-date systems and equipment to reduce our power consumption and make our production as energy-efficient as possible. For example, all lighting in our new factories is based on LED technology.

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 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 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.



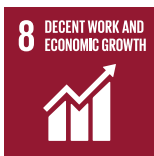
Sustainable Development Goals

We are looking toward a stronger implementation of SDGs in our company mindset and increasing employee awareness about how their daily work contributes to achieving a higher purpose.

To achieve this, management level refers to the SDGs in their dialogue with both customers and employees. Awareness campaigns also ensure that SDGs are visible on location.



We focus on reducing our energy consumption in our production and in our administration. In close cooperation with our customers we develop energy-efficient components for sustainable energy production.



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 that a large part of working with UN Global Compact is the internal communication process itself. This means making everyone aware of how we as a company interpret the principles, how we work with matters related to sustainability and what kind of behaviour we expect as a company. We do this by thorough introductions for new employees, visible posters and statements, regular information meetings with employees and, most importantly, making it an integral part of our day-to-day business culture.

Once a year we review our company's strategic foundation. The policies, codes of conduct and principles outlined below are our current official guidelines, and we present and emphasise them for all employees, customers, suppliers and other relevant stakeholders.



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 markets and society. This is done by showing responsibility towards the people involved in the manufacture of our products.

We follow these principles:

Child Labour

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

Discrimination

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

Forced Labour

We do not tolerate forced or involuntary labour.

Working Environment

We support the fundamental human right to healthy working conditions.

Environment

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

Working Hours and Salary

We recognise the need for a healthy balance between working time and leisure time for all employees. Unless national law dictates otherwise, maximum working time is 48 hours per week plus maximum 12 hours overtime work. Except in extraordinary circumstances, all workers have the right to at least one day off in any period of seven days. Salaries for overtime work must 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 barriers to sustainable development and 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 train our management and employees to handle possible borderline situations. Our organisational culture is built upon high ethical standards.

The below 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 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**





KOHSEL
TRANSFORMER SOLUTIONS

โครงการวิจัยที่ปลอดภัย
ระบบไฟฟ้าแรงดัน 100%

POWER YOUR POTENTIAL™

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 +500 employees and 50 years of experience, we deliver high-quality transformers with built-in know-how.

On time. Every time. Anywhere.

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