

POWER YOUR POTENTIAL™

Communication On Progress Report.

2021 - 2022

WE DON'T OFFER A PRODUCT, BUT A DEVOTED PARTNERSHIP.

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 customised inductive solutions that allow you to power your full potential. We strive to unleash the full potential of inductive components through dedicated engineering and close collaboration.

We were founded in 1969 and today we produce inductive components for customers all over the world. Our corporate head office 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. Our organisation in Denmark has been ISO 14001 certified since 2016, and our entire organisation has been certified since 2019.

With more than 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.



CEO STATEMENT.

In 2021 we have continued our strong focus on sustainability, the environment, human and labor rights as well as anti-corruption. All the while securing the health and safety of our employees in all locations during the COVID-19 pandemic. This has been achieved by way of following government recommendations and establishing procedures to control the spread of the virus within our facilities.

The disruptions in global supply chains have posed significant challenges during the year, but I am pleased to conclude that our employees have relentlessly worked to secure deliveries to our customers and thus a high level of customer satisfaction.

Both the COVID-19 pandemic and the following disruptions in the global supply chains have challenged the everyday work for all employees, but we have managed to handle both with great satisfaction. All employees have played a role in ensuring this, and I want to express my sincere gratitude to all.

Looking ahead to 2022, the Kohsel Group will pursue a re-certification of our ISO 9001 and ISO 14001 management systems in all three locations, Denmark, Latvia and Thailand. Kohsel Thailand has achieved Platinum certification as proof of its conformity with the Thailand Occupational Health and Safety Management Standard (T-OSH). Additionally, we will prepare for certification according to ISO 45001 during 2022.

At Kohsel we make conscious choices every day. For us it's not about being the best, it's about trying our best. We continuously work to do more and do better across all operations, and we will continue our work with finding solutions to innovate and advance our company in a more sustainable direction.

I am looking forward to the journey ahead.

**Sincerely,
Jan Ellegaard
Chief Executive Officer**

PEOPLE.

We believe that our employees are our greatest assets, and that motivated and healthy employees make a difference.

It is always our goal to comply 100% with all international standards and national regulations regarding working hours, salary levels, medical assistance, lighting conditions, employment positions etc.

As a supplier to 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 that our own suppliers and cooperation partners take similar measures.

Human & labour rights

We are aware that Thailand is our potentially most vulnerable location regarding working conditions. That is why we are proud of our Sedex membership and that our site in Thailand has passed a SMETA audit. By commissioning a third-party audit of our work environment, we are able to deliver documentation of our achievements to our customers. Our local HR department in Thailand plays a key role in ensuring the best possible conditions for employees.

Our organisations in Thailand and Latvia can both offer employees brand new facilities to work in, including ergonomic lighting, optimal ventilation and a canteen.



SMETA

Sedex is one of the world's leading social audit providers, working to improve working conditions, health and safety, environmental practices and business ethics in global supply chains. As a Sedex member, Kohsel is committed to being a responsible business, sourcing responsibly and improving ethical standards and working conditions. Our production site in Thailand has been assessed by a third-party SMETA audit.

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 field of business, an important part of supply chain transparency is the verification of non-conflict minerals. Moving forward, we are further strengthening and systemising our internal supplier audits to safeguard our entire value chain regarding 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.



PEOPLE.

Safety

Safety is a key concern for Kohsel. Our employee handbook contains guidelines for handling situations involving safety, fire, safe workwear, dangerous materials etc. We always follow manufacturer guidelines when dealing with dangerous materials or equipment, and all employees receive proper training.

Working environment

We have prioritised good working conditions in our new facilities in both Latvia and Thailand. Local safety officers have been hired at each of our production sites. This strengthens our daily focus on the correct handling of dangerous materials and ensures that safe working instructions are followed.

At the Thailand facility, all employees are required to complete a training course in safety and working conditions. Today, 5S and LEAN are a natural part of their work.

Working environment principles:

- 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

Work smarter not harder

The 'work smarter not harder' approach is a key element in the way we work at Kohsel – improving working conditions for the employees while generating higher profits for the company. In collaboration with employees and local safety officers, we have implemented initiatives to improve working conditions – initiatives that promote a smarter way of working.

COVID-19.

Fortunately, the COVID-19 pandemic is behind us, and even through many things are different compared to one year ago, some things are still the same like the healthy hygiene routines, which we have maintained at all sites.

Early in 2020, we implemented procedures and written and video guidelines to protect our people from the COVID-19 virus. Today, our comprehensive procedures and guidelines includes our COVID-19 best practices, based on what we have learnt from our experiences.

The health and safety of our employees is a top priority, and we will continue to follow local governmental recommendations for the handling of the COVID-19 virus.





ENVIRONMENT.

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

Our environmental management system focuses on goals, policies and responsibilities with the shared purpose of reducing environmental impact. This is done through the proactive use of general processes and standardised 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 employee motivation and the use of appropriate checklists.

ISO 14001

Our environmental system was DS/EN 14001:2015 certified in Denmark in 2016, in Latvia in 2017 and in Thailand in 2019.

Reduce, Reuse, Recycle

Our production site in Thailand has an ongoing focus on reducing and recycling materials and waste. To systemise these efforts, we follow the guidelines of the 3R program – Reduce, Reuse, Recycle. Today, we have reached Level 3 certification. Our goal is to gradually reach the third level, 3R+.

Green Industry

Thailand has created a classification system to help the nation's industrial sector develop sustainable processes and activities. It's called Green Industry.

Our production site in Thailand reached Green Industry Level 3 in April 2021 and was awarded a certificate from the Ministry of Industry, Thailand. The Green Industry Level 3 Certificate is given to a company that has established, implemented, maintained and continually improved its environmental management system according to national or international standards.

The Green Industry certification system has five levels. Our goal is eventually to step up to level 5.

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.

ENVIRONMENT.

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, while aspiring 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 uses 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 of 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 servers that host them and via visitors' computers and screens. This is why we have chosen to support the CO₂ Neutral Website project, which ensures the traffic on our website leaves no negative traces.

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

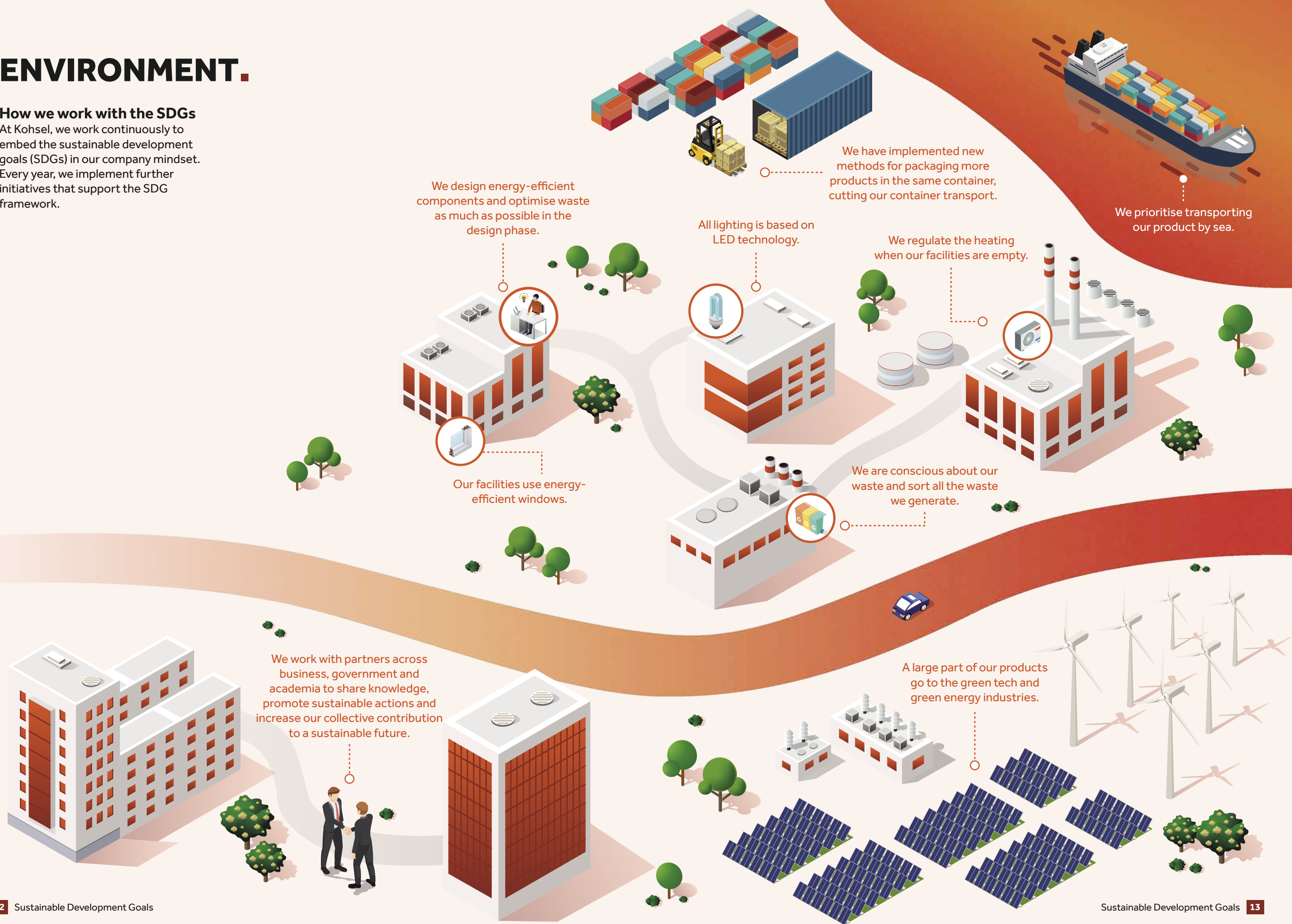
By supporting the CO₂ Neutral Website project, Kohsel also supports CO₂ -reducing and social development projects around the world. Some projects, such as wind and solar energy plants, are important to the environment. Others bring significant benefits to local communities, like energy-efficient stoves for families in Kenya.

All projects are approved by The Gold Standard, supported by WWF, which is the most rigorous global certification standard for carbon offset projects.

ENVIRONMENT.

How we work with the SDGs

At Kohsel, we work continuously to embed the sustainable development goals (SDGs) in our company mindset. Every year, we implement further initiatives that support the SDG framework.

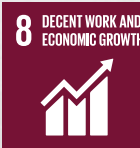


ENVIRONMENT.



SDG 7: Affordable and clean energy

Improved energy efficiency is an important priority at our facilities and in the product design phase. We focus on reducing energy consumption in our production and administration offices for instance by installing led lighting and energy-efficient windows and regulating the heating when the facilities are empty. We also design energy-efficient components for the green tech and green energy industries.



SDG 8: Decent work and economic growth

We are continuously working to improve health and safety in the workplace. We are dedicated to creating the best possible products and growing our business while ensuring sound working conditions for our people. That is why the 'work smarter not harder' approach is a key element in the way we work.

As a result of the COVID-19 pandemic, we have an increased focus on personal hygiene to keep our employees safe and healthy.



SDG 12: Responsible consumption and production

Waste handling is central to our production set-up. We take the use of non-conflict minerals very seriously and evaluate possible waste and recycling opportunities right from the beginning in the design phase. We also take steps to reduce our chemical consumption and waste. Kohsel Latvia, for example, has switched from dipping to spraying transformers, reducing chemical consumption by 70%.



SDG 13: Climate Action

The battle against climate change requires that we all step up. At Kohsel, our goal is to ensure our activities have a minimal climate impact. One way to achieve this is, as far as possible, to transport raw materials and products by sea. This requires us to have raw material buffers and to order products and raw materials in good time, so there is no need to resort to air transport to avoid delays.

We have also implemented new methods for packaging more products in the same container, cutting our container transport.



SDG 17: Partnerships for the goals

Strong partnerships are key to reaching our goals. At Kohsel, we work actively with partners across business, government and academia to share knowledge, promote sustainable actions and increase our collective contribution to a sustainable future.

Our site in Thailand, for example, has collaborated both with the authorities and the local university on several projects that promote a more sustainable way of doing business.

Communication

We acknowledge that a large part of working with the 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 in the next section, Responsibility, are our current official guidelines, and we present and emphasise them for all employees, customers, suppliers and other relevant stakeholders.

RESPONSIBILITY.

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, 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 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 recognised 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.

Responsibility.

Sustainable purchasing

Close collaboration with suppliers is key to developing more sustainable business practices. Just as we specify standards of ethical practice for ourselves in our code of conduct, we have a 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 promote sustainable development
- We demand that suppliers operate according to international laws and regulations
- We only contract with suppliers that sign our Code of Conduct
- We only contract with suppliers that comply with our negative list for hazardous substances



POWER YOUR POTENTIAL™

Kohsel is a Scandinavian supplier of customised inductive solutions for customers all over the world. Our mission is to design inductive components that unleash your full potential.

We are headquartered in Denmark and have business and production sites across Europe and Asia. With more than 600 employees and 50+ years of experience, we deliver high-quality inductive components with built-in knowhow.

On time. Every time. Anywhere.

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