

Corporate Social Responsibility Report 2016



UN Global Compact

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

nkt cables



“NKT Cables is a natural part of tomorrow’s sustainable power supply”

Letter from the CEO

In an increasingly globalised and interconnected world, much depends on electrical power. In 2016 we celebrated the 125th anniversary of the NKT brand and our enduring passion for developing state-of-the-art power cable solutions. This heritage - with all that it embraces in terms of experience, knowhow and innovation - constitutes a solid foundation on which to strengthen our position as a natural part of tomorrow’s sustainable power supply.

Our commitment to the principles of the UN Global Compact is our basis for expanding the reach and awareness of corporate social responsibility throughout our company and among external stakeholders. We therefore also ask our major suppliers to adopt the UN Global Compact - and we are happy to report a high and growing adherence. Similarly, several customers are asking for UN Global Compact compliance as a prerequisite for participating in tenders, e.g. in the offshore wind industry.

In NKT Cables we aim at excellence in everything we do, as outlined in our EXCELLENCE 2020 business strategy. We are committed to demonstrating responsible and ethical behaviour with high focus on safety. As an active corporate citizen we embrace a principled approach to the way we conduct business around the world. In 2016 we updated our ethical guidelines to create a Business Code of Conduct to make sure that we are aligned with applicable requirements. Also in 2016, we continued to see progress in most of the defined focus areas for improving our sustainability footprint.

Our continued participation in the UN Global Compact strengthens and energises our commitment to working ethically and responsibly while maintaining our business pledge of bringing power to life.

Michael Hedegaard Lyng
President and CEO, NKT Cables

2016 KEY FIGURES



NKT CABLES BUSINESS MODEL

NKT Cables designs, manufactures and markets power cables for low-, medium- and high-voltage solutions. The company is the largest power cable manufacturer in Northern Europe and in the top three across Europe. Founded in Denmark in 1891, NKT Cables is today a strong market presence with a state-of-the-art high-voltage manufacturing facility in Cologne, Germany and a number of plants in other European countries. Altogether, the company is represented in 16 countries and employs 2,769 people. In 2016, total revenue was EUR 1,0bn.

Our mission is by driving excellence to become the best power cable company by 2020 in the eyes of our customers and people. We aim to be the preferred choice of our customers and to create an excellent workplace where the best people build their careers and work with highly skilled colleagues. This ambition is supported by our values focused on safety, commitment, ability to change and determination.

NKT Cables has strong market positions across the portfolio



Compliance

A global mindset based on sound values is key to our continued success. We are committed to responsible and ethical behaviour and have set up the appropriate systems to foster this in the way we conduct business around the world.

In an increasingly complex regulatory environment, ensuring compliance is a fundamental challenge, and in 2016 we updated our compliance approach. The ambition is to identify and abide by applicable laws, regulations and international standards, meet stakeholder expectations and develop a strong compliance mindset throughout the organisation.

BUSINESS CODE OF CONDUCT

In 2016, as a key part of our compliance approach, a Business Code of Conduct was developed and implemented. This mechanism describes the fundamental principles and rules governing the way in which all employees should act, both within the company and in relation to our vendors, business partners and the general public.

The principles set out in the Business Code of Conduct are designed to guide us, help us make the right decisions in internal and business-related actions, and protect us while we are at work.

The Business Code of Conduct is about

- Embodying the essence of how we do business
- Adhering to our values and principles and striving to do the right things/making the right decisions
- Providing a sense of direction and guidance
- Setting standards of behaviour and never doing anything that could be misinterpreted
- Considering how we do things, and how we can do them even better
- Protecting our people, business and reputation

The Business Code of Conduct focuses on the entire value chain - how we conduct business in all parts of our organisation - and includes policies within areas such as business integrity, anti-corruption, environment, energy & climate, fair competition, human & labour rights, information security, product compliance & quality, compliance handling and report misconduct.

During 2016 an extensive communication and implementation package was developed and rolled out to the employees. The CEO explained in a video presentation the importance of correct business conduct and described what the Code means to the individual enterprise. Employees have confirmed their understanding of the Code and training was provided in the form of an e-Learning course culminating in a test.



CSR focus areas

To ensure top-level commitment and local anchoring, the managements of all NKT Cables' entities are obliged to sign a personal Statement of Representation based on the principles of the UN Global Compact. These individual statements are consolidated and signed by the CEO of NKT Cables.

Our policies, actions, goals and plans, reflecting relevant risks and mitigation thereof, are presented in the sections below for: the following topics:

- Environment, energy & climate
- Anti-corruption
- Human & labour rights

ANTI-CORRUPTION

As a company, we are committed to refrain from and to oppose all forms of bribery and corruption. No employees may directly or indirectly offer, give or take money or anything else of value in connection with business dealings in order to obtain an improper advantage.

This is also stated in our anti-corruption policy which was been updated and implemented company-wide in 2016 through training and awareness activities. In line with our updated compliance approach our goals, actions and future plans have been reviewed and revised. The main risks in the NKT Cables business models are evaluated to be in the sales organization but the vast majority of our operations are in countries which are not part of the high-risk regions from a corruption point-of-view.

Goals and actions 2016	Outcome
Update anti-corruption policy and ensure implementation	An updated anti-corruption policy covering relevant employees has been established as part of our new Business Code of Conduct. An extensive company-wide implementation programme has been conducted and employees have been trained in our overall anti-corruption approach
Future plans, goals and actions	Targets 2017 and beyond
Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees	All employees who are exposed to corruption risks to be further trained and equipped to handle risk situations
Minimise the risk of direct or indirect participation in corruption	Review and update our third-party compliance processes in relation to anti-corruption

ENVIRONMENT, ENERGY & CLIMATE

NKT Cables is committed to working for a sound environment, including energy and climate, through sustainable business practices. We will strive to reduce the consumption of resources and limit the emission of pollutants from our business activities.

To secure compliance and optimisation in line with our environmental policy all our production facilities operate to an ISO14001-certified environmental management system. In addition, five locations have a certified energy management system based on ISO 50001. Further development of the energy management system is planned for the years ahead.

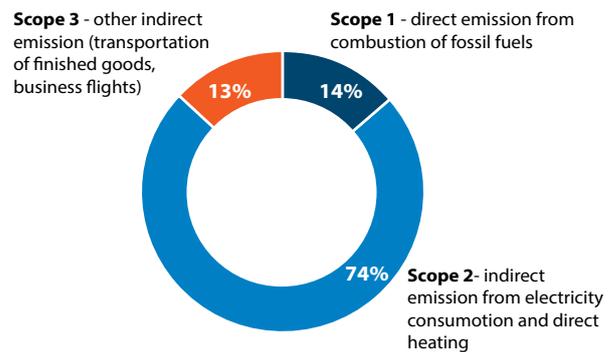
Improving our environmental impact

NKT Cables makes a positive contribution to modern power infrastructure, thereby enabling the shift towards a cleaner and more sustainable energy mix. This is a significant environmental benefit. As with any industrial company, however, there are also negative environmental impacts associated with production and these must be continuously reduced. Identification of principal material effects is carried out according to ISO 14001.

NKT Cables strives to reduce CO₂ emissions as a part of its environmental policy. CO₂ emission is a principal environmental impact area and primarily derives from electricity consumption in the production process and from the combustion of fuel for transport and heating. In 2016, reduced emissions were recorded primarily due to lower levels of factory activity

Water consumption is another focal environmental factor. Water consumption in 2016 amounted to 93,722m³, a reduction of 15% compared to the year before. The primary source of water consumption is the cooling system circuits. A number of

CO₂ emission in 2016



investments and initiatives have had a good effect, especially in our plant in Falun, Sweden, but also the sites in Central Europe has seen a good trend.

Copper is a natural but scarce resource, essential for today's cable production. At NKT Cables the use of copper is optimised mainly through continuous improvement of production processes based on lean manufacturing principles. These initiatives have delivered significant improvements leading to a material utilisation factor of 96.8% in 2016, outperforming the defined goal by 1%-points.

In 2017, focus will continue on further improvements in principal environmental impact areas, namely CO₂ emissions, water consumption and material efficiency. Furthermore, to intensify our efforts to initiate and execute environmental efficiency projects we will establish an Environmental Council consisting of key people from the company.

Goals and actions 2016	Outcome
Reduce natural gas consumption by 260 MWh (-1%) compared with 2015.	Total natural gas consumption increased by 7%, mainly as a result of adverse winter weather.
Reduce power consumption by 500 MWh (-0.4%) compared with 2015.	Total power consumption decreased by 0.5% mainly as a result of local saving initiatives and lower production levels.
Increase material utilisation by 0.2%-points annually.	Material utilisation reached 96.8%, an improvement of 1%-points. Important drivers for this was the introduction of LEAN manufacturing techniques as well as waste reduction efforts.

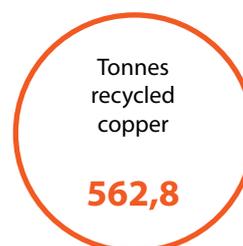
Future plans, goals and actions	Targets 2017
Improve total energy efficiency in kWh/tonne by 2% compared to 2016.	597kWh/tonne
Reduce water consumption by 2% compared to 2016.	91,847 m3
Increase material utilisation by 0.2%-points annually.	97%
Establish an Environmental Council to accelerate efficiency efforts.	Operational before 31 December

THE NKT CABLES RECYCLING CENTER

The NKT Cables recycling center in Stenlille, Denmark is unique in our industry. The facility each year processes tonnes of cables scrap emanating from our own factories as well as from our customers. Amounts have increased steadily over the years, reflecting society's increased focus on re-use of scarce resources.

STENLILLE AT GLANCE

Amounts in tonnes	2016
Total weight of processed cables	1615,2
Total weight of processed cables (from external customers)	91,9
Recycled copper	562,8
Recycled aluminium	392,7
Recycled PEX	187,0
Recycled PVC	84,3
Recycled Halogen-free-flame retardants	45,1



HUMAN & LABOUR RIGHTS

A safe and healthy working environment is a top priority in our company. We respect the integrity of all employees and always strive to treat one another with respect and decency. We respect data privacy regulations and ensure that employees receive adequate job training.

To live up to our policy, appropriate systems and structures have been set up with improvement goals and actions in key areas as outlined below. In the NKT cables business model, one of the key risks to manage relates to our ambition of a high safety level.

Safety first

One of our core values is 'safety first'. We want our employees and contractors to return home safely. Around this principle we continuously build robust management processes, combined with the introduction of uniform, high safety standards. In 2016, a new programme, 'HSE Regulatory Compliance' was implemented.

Just as important as the formal rules and standards is the nurturing of a safety culture characterised by high risk awareness and constant search for hazard elimination. A special programme has been set up for identification and elimination of hazards, resulting in the removal of 9,649 unsafe situations and behaviours over a three-year period. Together with comprehensive efforts from management, this has improved workplace conditions and the safety culture significantly

We have registered substantial progress in reducing work accidents over recent years, but we plan to go even further with view to becoming the best in our industry. Over a three-year period, the number of accidents has declined 28%, including a decrease of 17% in 2016.

Furthermore, to optimise our HSE efforts the relevant organisation has been redesigned and the new setup is expected to be finalised in 2017. The goal is for each site to have at least one specialist fully dedicated to the supervision and improvement of HSE processes.

Engaged and committed people

The performance of our employees is vital for our success and is intimately linked to job satisfaction. As part of our EXCELLENCE 2020 strategy, a significant increase in job satisfaction was therefore defined as a key target and an ambitious goal of reaching a trust index of more than 80% (above industry standards) was set. The last survey, conducted in 2016, showed an improvement from 38% in 2015 to 46% in the year under review. NKT Cables is currently focusing on development initiatives to

strengthen its leadership culture, with more focus on feedback and dialogue in daily management. A dedicated programme will be launched in 2017. The next survey is scheduled for mid-2017.

Reporting according to the UK Modern Slavery act

As stated in our human & labour rights policy it is clear that we do not accept any form of forced labour, including bonded labour, indentured labour, slave labour, or human trafficking. Also we condone the hiring of child labour.

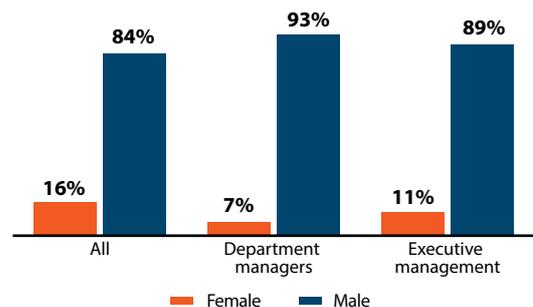
Employees are committed to continuously identifying and mitigating potential violations even though that - due to the countries in which we mainly operate and the nature of our production - the risk of forced labour and child labour is not considered material.

Business partners are expected to comply with the principles set out in our Business Code of Conduct and we conduct relevant due diligences processes in merger and acquisition processes. In 2016, we furthermore extended our whistleblower system to incorporate external stakeholders to increase the efforts to detect any breach of proper business behaviour.

Diversity

NKT Cables is committed through its policies to promoting diversity, and firmly believes that an impartial approach in terms of age, gender, nationality and culture provides the best possibilities for developing competencies and talents in the company. In a traditionally male-dominated industry, the main area for improvement is to achieve a more balanced gender composition at all organisational levels. A key action in 2016 was to communicate these principles clearly to the organization as part of our code of Conduct training.

Gender composition



Our top management level consists of a total of 42 persons comprising 8 nationalities. The age distribution is fairly even but the majority are within the 40-55 age group.



Goals and actions 2016	Outcome
Reduce the number of unsafe situations and behaviours by more than 2907	2,499
Improve frequency of Lost Time Accidents to < 5.8 accidents per million working hours	5.8
Reduce number of Lost Time Accidents to < 25	29
Reduce number of Accidents without work absence to <80	75
Annual increase in employee trust index towards > 80% by 2020	+8%-points
Future plans, goals and actions	Target 2017 +
Reduce the number of unsafe situations and behaviours	> 2,300
Reduce the Lost Time Accidents Rate by 30% compared with 2016	0,77*
Reduce the Lost Time Accidents Severity rate by 9% compared with 2016	29
Annual improvement in employee trust index to > 80% by 2020	> 46%

*corresponding to 4.3 accidents per million working hours

VENDORS AND BUSINESS PARTNERS

NKT Cables expects its major vendors and business partners acting on behalf of or in co-operation with the company to comply with the principles of the UN Global Compact.

The company regularly tracks the development in supplier adherence and have seen an increase in acceptance of the UN Global Compact, to 90%. We will continue to work for further improvement through continuous dialogue with vendors and business partners.

WHISTLEBLOWER HOTLINE

In 2016 we expanded our whistleblower system to enable unethical behavior also to be reported by external stakeholders. We also made our whistleblower hotline policy a part of the Business Code of Conduct, which among other initiatives, has been implemented via an eLearning course and awareness campaigns supporting the opportunity out speak out..

Goals and actions 2016	Outcome
Increase number of suppliers (with procurement value > EUR 50,000) adopting the UN Global Compact principles to more than 90%	90%

Future plans, goals and actions	Target 2017+
Increase number of suppliers (with procurement value > EUR 50,000) adopting the UN Global Compact principles.	95%

A stable cable network is essential in today's society



nkt cables

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