



CORPORATE SOCIAL RESPONSIBILITY

Report 2017



UN Global Compact

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

NKT A/S, Company Reg. No. 62 72 52 14

nkt.com

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Nilfisk is no longer part of NKT A/S and issues an independent CSR report available at www.nilfisk.com.

NKT A/S is signatory to the UN Global Compact and this report provides Communication on Progress (COP) for the period 1 January 2017 to 31 December 2017.

Introduction

This report constitutes the compliance of NKT A/S with Section 99a (CSR) and Section 99b (Diversity) of the Danish Financial Statements Act. It also includes our communication on progress within the principles of the UN Global Compact. All entities of NKT A/S are covered by this report unless stated otherwise.

We have established corporate policies and rules which guide the CSR activities of our company, employees and business partners to comply with relevant regulations, laws and our Business Code of Conduct. This is described in the report, which is structured in three focus areas covering our policies, actions, goals and plans, reflecting relevant risks and mitigation thereof. The following sections cover our statement on social responsibility as required by Section 99a of the Danish Financial Act:

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

NKT A/S has two independently operating business units covering power cables (NKT) and photonics equipment (NKT Photonics). The two business units have separate sections in this report.

Statement of Representation

To ensure top-level commitment and local support the managers of the business lines in NKT and entities in NKT Photonics are obliged to sign a Statement of Representation based on the principles of the Danish Financial Statement Act and the UN Global Compact. Inputs from these individual statements are consolidated and signed by the CEOs of the two business units before the Board of Directors of NKT A/S is informed of conclusions and potential actions.

Diversity at Board level

NKT A/S is firmly committed to equality of treatment for all employees regardless of gender, age or nationality. As part of this commitment the constitution of the company's workforce and developments within it continuously monitored. In all business units and entities, we are committed to ensure that, whenever possible, more equal gender representation is promoted without compromising on basic

qualifications in terms of professional skills and personal competencies.

At Board level a target representation of 17% has been set for the underrepresented gender among AGM-elected members. This target was achieved for 2017 and is maintained for 2018 for the Board of NKT A/S, not covering Boards in other legal entities of NKT A/S.

Acquisitions and divestments

In 2017 a key milestone for NKT was the acquisition of the ABB Group's high-voltage power cable business which was closed 1 March. During the year, NKT divested its automotive cables operations and NKT Photonics acquired Onefive operating within ultrafast lasers.

The integration of the acquired activities and the divestment have influenced several of the CSR targets, and the relevant impact is described in the individual sections of this report.

Diversity in senior management at NKT A/S

	Senior man.	Age profile			Gender		No. of nationalities
	Total	<40	40-54	>54	Female	Male	(The predominant nationality in %)
Board of Directors*	6	0	3	3	1	5	2 (Danish 83%)
NKT A/S**	2	0	2	0	0	2	1 (Danish 100%)
NKT	46	11	31	4	5	41	8 (Danish 39%)
NKT Photonics	8	0	7	1	1	7	3 (Danish 50%)
Total	62	11	43	8	7	55	9 (Danish 47%)

See closer description of the gender composition for NKT at page 14 and NKT Photonics at page 22.

* Elected at the Annual General Meeting. ** Also part of the senior management in NKT.

NKT

Power to life since 1891



NKT

“Our vision and commitment are built on responsible and ethical company behaviour”



Letter of commitment

As a global power cable provider connecting the world with high-quality cable solutions we are committed to bringing power to life sustainably and with focus on the regeneration of the environment. Our vision and commitment are built on responsible and ethical company behaviour through our Business Code of Conduct. In 2017 we continued to strengthen our approach to compliance throughout our organization via extensive training for many employees.

2017 was furthermore one of the most transformative years in the history of our company with the acquisition of the ABB Group's high-voltage power cable business. This acquisition complements our strategic vision of driving excellence through everything we do. It also has direct impact on our

organizational structure, business model, and access to the technology which is key to becoming a leading player in the integration of renewable energy into the global power grids.

Following the acquisition, we have given strong focus to integrating the business with our organizational structure and Business Code of Conduct. Our continued participation in the UN Global Compact and now also the Global Compact Nordic Network strengthens and energizes our commitment to working ethically and responsibly while maintaining our business pledge of bringing power to life.

Michael Hedegaard Lyng
President & CEO, NKT

Description of business model

2017 Key figures

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Production sites

NKT designs, manufactures and markets power cables for low-, medium- and high-voltage solutions. We operate globally with a strong position in Europe. In March 2017 we took yet another step in the ongoing transformation of NKT when the acquisition of ABB HV Cables was closed.

The acquisition was a strategic match with our existing business and has made us a global player within on- and offshore high-voltage AC/DC cable systems. With the combined business we are strongly positioned in the growing offshore wind industry and for the development of the interconnector grid globally.

~3,400

Employees

NKT operates in three main business lines: high-voltage cable solutions, low- and medium-voltage cables, and cable accessories and service. With a strong market position across our portfolio we have a clear ambition to become the best power cable company in the eyes of our customers and our people. To make that happen we will drive excellence in everything we do and how we conduct business. A responsible, sustainable, and ethical behaviour are essential to our future success being a naturally part of the foundation on which we implement our current strategy plan EXCELLENCE 2020. The strategy is our roadmap to success with three key targets: customer satisfaction (Net Promoter Score >50%), employee engagement (Employee Engagement Index >80%) and improved financial strength (Return on Capital Employed >13%).

EUR 1,428.9m

Revenue

We own two high-voltage power cable production sites in Germany and Sweden respectively as well as 11 in other European countries. In 2017 our total revenue was EUR 1,428.9m i market prices, corresponding to EUR 1,058m in standard metal prices.

NKT has strong market positions across the portfolio



High-voltage onshore

High-quality supplier with unique products and production capabilities



High-voltage offshore

Acknowledge premium player in offshore wind market



Building wire, LV / MV cables

Leading player in the Nordics, strong position in Central Europe



Railway

Global leader in catenary market with highly innovative products



Service & accessories

Global niche player with high-quality products





Ethical behaviour

For NKT a global mindset is essential and conducting business responsibly is key. We are committed to an ethical behaviour and we embrace a value-based approach to the way we do business.

In an increasingly complex regulatory environment, ensuring compliance is a fundamental challenge, and in 2017 we have continued to update our approach in this respect. We are compliant with applicable laws, regulations and international standards and are striving to meet stakeholder expectations and develop a strong compliance mindset throughout our organization.

In 2017 the acquisition of ABB HV Cables was a key event for our business. Subsequently, a top priority has been to ensure that all new employees and functions are fully integrated within our corporate compliance framework.

Business Code of Conduct

A key part of our compliance approach is our Business Code of Conduct, which describes the fundamental principles and rules governing how all our people should act, both internally and externally in relation to our vendors, business partners and the public.

In 2017 we updated our Business Code of Conduct with information about our whistle-blower hotline. We have also initiated training for relevant employees, including new employees added through the acquisition.

The Business Code of Conduct describes how we do business across our organization and includes policies for areas such as business integrity, anti-corruption, environment, energy & climate, fair competition, human & labour rights, information security, product compliance & quality, compliance handling and reporting of misconduct.

Anti-corruption & fair competition

NKT refrains from and opposes all forms of bribery and corruption. We abide by the rules of fair competition and have a clear policy for anti-corruption and fair competition which is implemented and communicated company-wide as part of corporate training in our Business Code of Conduct.

In our Business Code of Conduct we clearly state that no employee may directly or indirectly offer, give or take money or anything else of value when doing business to obtain an improper advantage. As stated in the Business Code of Conduct we do not participate in unfair trading or illegal anti-trust activities.

Key risks

Key risks in regard to corruption, bribery and fair competition are primarily linked to our interaction with external vendors, suppliers and business partners in connection with tenders and business agreements. We work to minimize these risks both internally and externally:

Anti-corruption and fair competition is an integral part of internal corporate training in our Business Code of Conduct. It also forms part of our business contracts and Business Code of Conduct for External Vendors & Business Partners in which we expect full compliance from the parties involved.

In 2016 we extended our whistleblower hotline to enable instances of unethical behaviour such as corruption, bribery and unfair competition also to

be reported by external stakeholders. In 2017 we have not received any reports related to corruption, bribery or unfair competition.

Goals and actions 2017 and beyond

Employees exposed to corruption risks to be further trained and equipped to handle risk situations

Outcome

Due to the acquisition of ABB HV Cables, general compliance training was focused on new employees rather than employees specifically exposed to corruption risks

Status

(+)

Future plans, goals and actions

Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees

Targets 2018 and beyond

Further train and equip employees who are exposed to corruption risks to handle risk situations

Update and implement specific guidelines on anti-trust behaviour

Ensure relevant employees are adequately trained

Environment, energy & climate

NKT is committed to keeping environmental impact at a minimum through sustainable business practices and operations.

In NKT, we are committed to developing a long-term sustainable business by continuously reducing the environmental impact of our activities. Our products are designed, manufactured and installed with careful consideration for the environment, utilization of natural resources and energy consumption. We expect all employees to act responsibly and with respect for the environment as stated in our Business Code of Conduct. In 2017, to ensure strong focus on reducing our environmental impact, we further established a QHSE Policy covering quality, health, safety and environment.

Key risks

The key risks with regard to environmental impact relate to chemical spills and emissions from consumption of fossil fuels primarily linked to production and installation of cables and transportation of goods. To reduce these risks, we have clear policies and processes ensuring compliance with our QHSE Policy as well as external regulations. All our production sites – including those newly acquired – operate under an ISO14001-certified environmental management system, and several facilities also have an ISO50001-certified energy management regime. To abide by local laws and regulations we have established a third-party compliance process with an audit conducted annually at each production site, which complements our internal monitoring of regulatory changes locally.

Energy efficiency

In 2017 we recorded a 3% improvement in energy efficiency measured in kWh/tonne cables. This positive result was in line with our objective and was a result of several initiatives including investment in new manufacturing equipment, modernization of compressed air systems and upgrade of lighting.

Energy efficiency has also improved due to more effective utilization of manufacturing equipment based on improved planning and comprehensive LEAN improvements implemented in 2016 and 2017.

The water consumption has decreased 1.3% which is lower than expected. We have not seen the results expected from the projects initiated to reduce our water usage and we are now evaluating the result to ensure future reduction.

In 2018 we will investigate how to establish more precise energy efficiency indicators for our high-voltage cable production sites. This is necessitated by the project-based nature of the high-voltage business causing fluctuations in the energy consumption for cable production when measured in kWh/tonne.

As planned, an Environmental Council was not established in 2017 due to organizational changes and the decision to integrate our environmental, energy and climate reporting within the corporate reporting and monitoring framework. New common methods and monitoring setups have now been developed to ensure compliance with our QHSE Policy.

Data integration and alignment with the acquired sites are still ongoing, and the sites concerned are therefore not represented in the data presented in this section. Relevant data for these sites will figure in our CSR reporting from 2018.

Goals and actions 2017	Outcome	Status
Improve total energy efficiency in kWh/tonne by 2% (target 597 kWh/tonne) compared with 2016	3% (593 kWh/tonne)	+
Reduce water consumption by 2% compared with 2016	1.3% reduction	÷
Increase material utilization by 0.2%-points to 97% in 2017	97%	+
Establish an Environmental Council to accelerate efficiency efforts	Not established	÷

Goals and actions 2018	Target
Improve total energy efficiency in kWh/tonne by 2% compared with 2017	581 kWh/tonne
Reduce water consumption by 2% compared with 2017	86,334 m ³
Increase material utilization by 0.2%-points compared with 2017 (97%)	97.2%



The NKT recycling center

1,205

Tonnes recycled copper

The NKT recycling center in Stenlille, Denmark, is unique in the cable industry. This facility each year processes large quantities of cable scrap originating both from our own production sites and from customers. The quantities are steadily increasing and reflect society's growing focus on the re-use of scarce resources. The recycling centre plays a key part in our ambition to limit environmental impact.

539

Tonnes recycled aluminium

Stenlille recycling centre at a glance

Amounts in tonnes	2016	2017
Total weight of processed cable	2,012	2,365
Total weight of cable received from customers	118	175
Recycled copper	754	1,205
Recycled aluminium	461	539
Recycled PEX	514	652
Recycled PVC	101	130
Received halogen-free flame retardants	44	40

NKT Victoria – reducing our environmental impact

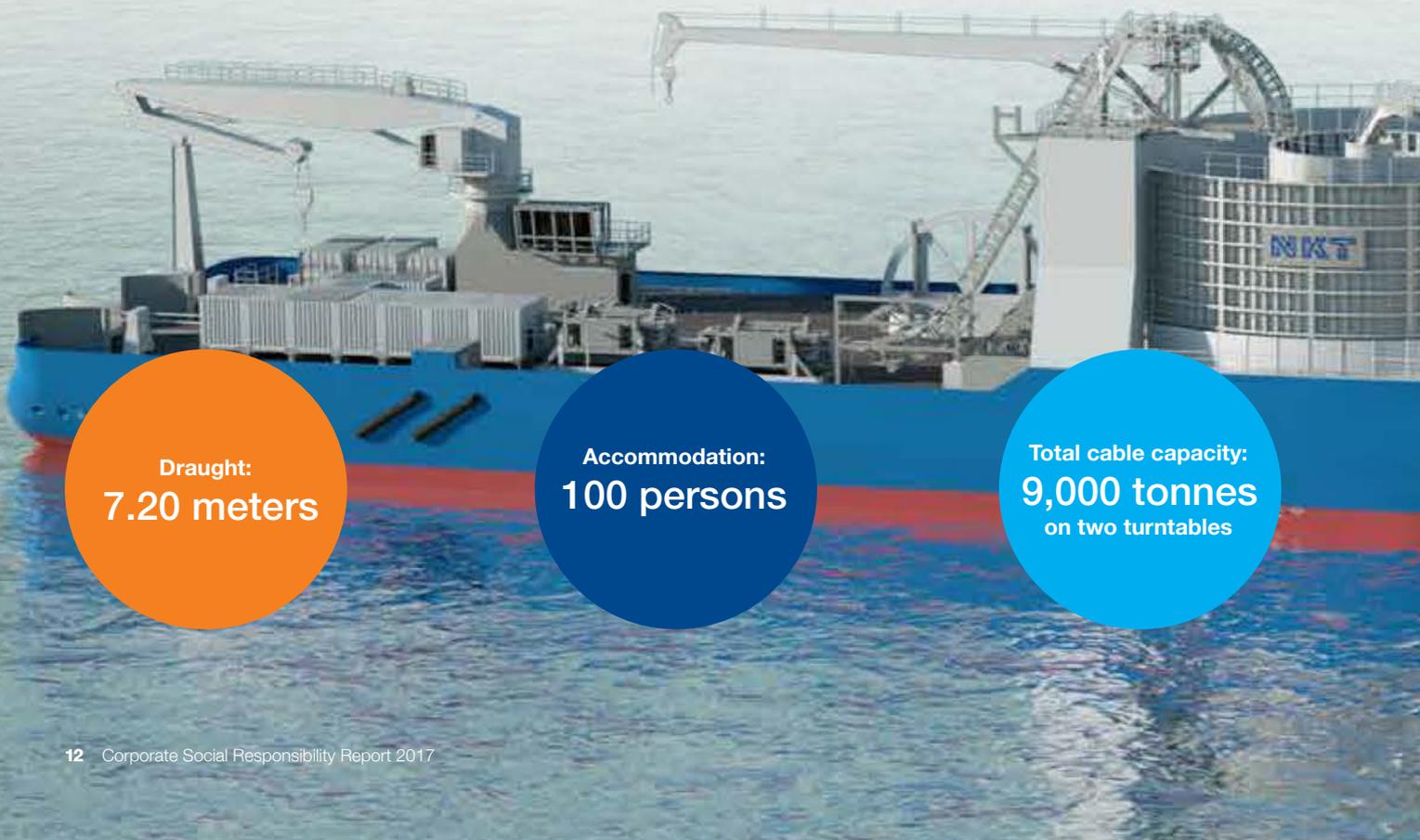
In 2017 we commissioned our purpose-built cable laying vessel, NKT Victoria. She introduced a new level of advanced operational technologies and energy efficiency reducing our environmental impact from offshore cable operations.

NKT Victoria is one of the world's most energy-efficient cable laying vessels, and she plays a key part in our ambition to consistently minimize environmental impact arising from our offshore operations. The fuel consumption of NKT Victoria is

significantly lower than for equivalent vessels due to a unique combination of technologies, including power-fromshore solution, Azipod propulsion units, energy storage for marine applications, and specially designed on-board DC grid.

The electrical power-fromshore connection can be maintained while loading cable aboard, keeping the diesel generators off creating a unique advantage which enables more energy efficient operation.

While at sea the vessel's diesel exhaust is cleaned by selective catalytic reduction (SCR), which is recognized as one of the most fuel-efficient technologies available



Draught:
7.20 meters

Accommodation:
100 persons

Total cable capacity:
9,000 tonnes
on two turntables

for reducing diesel engine emissions. NKT Victoria is also equipped with Tier 3 approved engines operating on sulphurfree fuel.

Safety on board

Safety is a core company value and focus area for NKT and our partners and customers. With NKT Victoria we have a custom-built vessel designed to meet the industry's highest safety standards and keep personnel, partners and customers safe during offshore operations and while in transit. A host of onboard features enable optimized operational planning, ensuring safe and efficient operation on the high seas. Stringent offshore safety requirements

are implemented through the installation of sophisticated rollreduction technologies that minimize the effects of harsh sea conditions.

DP3 (dynamic positioning) system technology ensures uninterrupted operation in all eventualities, including fire and flooding containment protecting all passengers.

Part of the ABB business acquisition, NKT Victoria now plays a key part in our high-voltage turnkey solution portfolio, which includes everything from cable system design, production and installation to service.



Ship of the Year 2017

NKT Victoria was proclaimed Ship of the Year 2017 in Norway in recognition of her innovative, technological and sustainability capabilities

Length:
140 meters

Breadth:
29.60 meter

Human & labour rights

A healthy, safe, secure, and diverse working environment is fundamental to the continued growth of NKT. We consider our people key to successful customer relations and we strive to treat all individuals with respect and dignity.

As stated in our Human & Labour Rights policy we are committed to delivering a working environment based on respect, engagement and safety. To honour this policy, appropriate systems and processes have been introduced with specific targets in key areas.

Key risks

At NKT, principal risks in terms of human and labour rights relate to employee safety in terms of occupational injuries and accidents. To mitigate these risks, we have clear processes and policies in place. Safety is a key priority and we are continuously monitoring and improving safety standards across our organization. Risks relating to forced and child labour are not considered material as we mainly operate in low-risk countries. A key element in risk prevention is our whistle-blower hotline which is open for both employees and external partners.

Organizational structure

In 2017 we transformed the corporate organization in NKT due to the integration of the acquired business. The ambition of the new organization is to support the key targets of the EXCELLENCE 2020 strategy plan. In regard to organizational changes we collaborate with relevant work councils.

Engaged and committed people

Over the past year we have introduced a new leadership model designed to equip our leaders with the necessary mind- and skillset needed to deliver on company expectations. The focus of the programmes is to ensure that NKT leaders effectively drive and develop performance through motivated and engaged employees.

A further initiative to strengthen our employee engagement is a performance management system designed to ensure that all employees are aware of the expectations which exist with regard to their position in the company creating the foundation for engagement, individual development and organizational growth.

Employee engagement is a key target in EXCELLENCE 2020 with a goal of reaching an Employee Engagement Index of more than 80% by 2020. In 2017 we established a baseline for employee engagement for the new organization, with a re-designed survey focusing on engagement, performance and leadership quality. This affects our KPI and we now track our employee engagement in an Employee Engagement Index instead of the Employee Trust Index used in recent years.

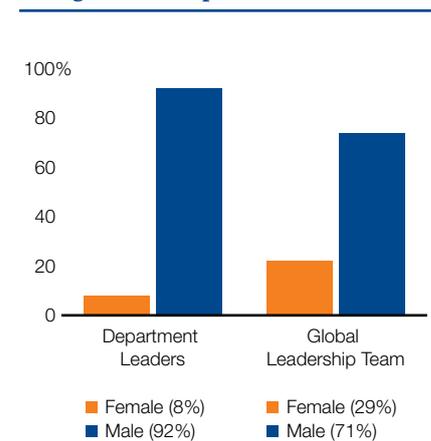
Diversity

As stated in our Human & Labour Rights Policy we are committed to providing equal opportunity to all employees and we will not tolerate discrimination or harassment of any kind. We strive to promote diversity, and we firmly believe that a diverse organization provides the best platform for developing competencies and results in the company. NKT is committed to ensure that, whenever possible, more equal gender representation is promoted without compromising on basic qualifications in terms of professional skills and personal competencies.

The senior leadership level of NKT consists of a total of 46 persons comprising eight nationalities. The

age distribution is fairly even with the majority in the 40-55 age group. Regarding gender diversity within department leaders 92% is male which equals the share of last year. In the Global Leadership Team we see a slight increase in female representatives compared with last year.

NKT gender composition



Strengthening our safety culture

At NKT, managing risks to the safety of our people is a core area of focus, and we are continuously monitoring and improving safety standards across our organization through safety policies, processes and initiatives. We have introduced certified safety management systems, such as OHSAS 18001, to improve our processes, monitor our progress and build a strong corporate safety culture with the overall ambition of eliminating accidents. As a key element in this we have defined a list of Life Saving Principles dedicated to driving safety across all organizational levels.

The Life Saving Principles provide a practical guide to specific measures for improving safety. They play a central part in the future development of our safety culture as a complement to our QHSE policy and safety programmes. During the year under review we also launched a number of dedicated campaigns and initiatives to prevent some of the most common safety issues such as Slips & Trips Prevention and Knives Elimination Programme.

In 2017 we have seen positive results from the focus on strengthening our safety culture. Over the year more than 3.000 unsafe situations were recorded and eliminated, and our Lost Time Severity Rate* decreased by 24% on 2016. We have also registered a reduction in our Lost Time Accident Rate**. We have designed several company-wide initiatives such as the Life Saving Principles and a Safety Buddy Award to promote and strengthen our safety culture ensuring further reductions in our Lost Time Severity Rate and Lost Time Accident Rate.

Safety first is a core company value and we are determined to continue our work to ensure a strong safety culture in our organization through training and facilitation of our QHSE Policy and the Life Saving Principles. To initiate and drive employee engagement and create risk awareness and a safety focused mindset we have decided to join the international program Safety Culture Ladder. Furthermore, we will continue to identify and implement systematic improvements of the working conditions in our organization including machinery and facilities.

Data privacy

We have a plan to ensure compliance with privacy under the upcoming General Data Protection Regulation (GDPR). We are working to implement adequate measures such as organizing various data privacy assessments and action planning, raising awareness, and carrying out training of our people and relevant partners.

Reporting according to the UK Modern Slavery Act

Our Human & Labour Rights Policy clearly states that we reject any form of forced labour and do not condone the hiring of child labour. At NKT, employees have contracts of employment and are trained in our Human & Labour Rights Policy and are committed to continuously identifying and mitigating potential violations. We do not consider the risk of forced and child labour to be material as we mainly operate in low-risk countries.

NKT business partners are expected to comply with the principles set out in our Global Third Party Compliance Policy and Code of Conduct for Vendors & Business Partners, which also include our supplier policy on Human & Labour Rights. In 2017, work was carried out on an improved supplier qualification process that will ensure that our suppliers comply with the above policy and code of conduct.

Goals and actions 2017	Outcome	Status
Increase Employee Trust Index >46%	56%	+
Reduce the number of unsafe situations and behaviours >2,300	>3,200	+
Reduce the Lost Time Accident Rate by 30% compared with 2016. Target <0.77	0.76	+
Reduce the Lost Time Accident Severity Rate by 9% compared with 2016. Target <29.	22	+

Future plans, goals and actions	Target 2018 and beyond
Increase Employee Engagement Index >80% in 2020	>63% (baseline 2017)
Leadership development	All 243 leaders in the targeted group to complete the Leadership Pipeline programme
Leadership development	Start a leadership programme dedicated to front-end leaders at our production sites
Decentralized leadership programme	Create leadership programme for leaders of decentralized teams
People Performance Management	Ensure full use of the PPM-system across the organization to drive engagement and performance
Reduce the number of unsafe situations and behaviours	>3,200
Reduce the Lost Time Accident Rate compared with 2017 (0.76)	<0.70
Reduce the Lost Time Accident Severity Rate compared with 2017 (22)	<22
Data privacy	Develop programme to ensure GDPR compliance

* Lost Time Severity Rate describes the number of lost work days experienced per 100 workers.

** Lost Time Accident Rate is a standardized way to measure and compare accident frequency in organizations.

Vendors and business partners

At NKT we expect and require our major business partners to fully comply with all applicable laws, regulations and international requirements, as well as our Global Policy for Third Party Compliance and Business Code of Conduct for Vendors & Business Partners.

We are constantly seeking to improve transparency in our vendor network, and in 2017 we began implementing a cloud-based procurement system to handle our suppliers and vendors globally. The system strengthens transparency in the vendor value chain, enabling us to monitor compliance with CSR requirements and the Global Policy and Business Code of Conduct referred to above. This global facility significantly reduces the risk of interaction with vendors not complying with established policies, rules and regulations.

As part of our procurement process, new business partners are assessed against expectations set out in our Business Code of Conduct for Vendors and our Global Policy for Third Party Compliance, while existing business relationships are reassessed regularly.

Activities in relation to our assessment and evaluation approach include selfassessment questionnaires, interviews, desktop review, audits and/ or any other relevant measures.

From 2018 we no longer operate with a specific target of vendors adopting the

principles of the UN Global Compact due to the implementation of our new procurement system ensuring transparency in vendor compliance with our Business Code of Conduct for Vendors & Business Partners and Global Policy for Third Party Compliance.

Goals and actions beyond	Outcome	Status
Increase number of suppliers (with procurement value >EUR 50,000) adopting the UN Global Compact principles to more than 95%	Due to the implementation of the new procurement system we do not have sufficient data for this target	÷
Review and update our third-party compliance processes in relation to anti-corruption	Anti-corruption is included in the updated procurement process and is also part of the Business Code of Conduct for External Vendors & Business Partners	+

Future plan, goals and actions	Goals and actions 2018 and beyond
Keep focus on improvement of transparency and vendor compliance	<ul style="list-style-type: none"> Full implementation of new cloud-based procurement system All new suppliers to go through the registration process
Minimise the risk of direct or indirect participation in corruption	Review and update our third-party compliance processes in relation to anti-corruption

Whistle-blower hotline

NKT has a whistle-blower process which can be used anonymously when legally possible by both internal and external stakeholders to report unethical behaviour via a special hotline.

In 2017, all reports received from the hotline were acted upon in accordance with established procedures. We

have run internal campaigns targeting all employees to create awareness of the whistle-blower process and the opportunity it offers.

The whistle-blower hotline is also part of our Business Code of Conduct in which training has been provided for relevant employees.

NKT Photonics



“We focus on our primary strength as an innovative, quality supplier within our core businesses”

Letter of commitment

NKT Photonics manufactures a wide range of products used in solutions that have a long-term perspective of supporting the transition to renewable energy and improving human health and safety. Examples include cable monitoring systems to extract more power from offshore wind farms, lasers used in manufacturing semiconductors and solar cells, and light sources used in equipment for eye surgery and disease detection.

We operate in a global industry characterized by increasing focus on sustainability. The entire supply chain, from the suppliers of our product materials and components to the end-users of solutions supplied by our customers, is geared to delivering environment-friendlier products and to ensuring they are manufactured safely and responsibly.

Products from NKT Photonics are marketed and sold with a reputation for high quality and they rely upon significant investment and R&D. It is therefore crucially important for us

that players in our industry compete on fair terms, and we will tolerate no form of bribery or other acts contributing to unfair competition.

As a company on the cutting edge of photonics technology it is vital that we can attract highly committed, top-qualified people and provide them with incentive to do their best. Consequently, we strive to offer a good, stimulating and challenging work environment with ongoing dialogue on both job- and non job-related development, goals and performance.

We believe that our strong focus on sustainability and our adherence to the principles of the UN Global Compact will support our business opportunities and at the same time contribute to improved living conditions for future generations.

Basil Garabet
President and CEO, NKT Photonics

Description of business model

2017 Key figures

4

Production sites

~300

Employees

EUR 50.9m

Revenue

NKT Photonics is a leading supplier of fiber lasers, photonic crystal fibers and distributed temperature systems (DTS) as well as having a strong foothold in ultrafast lasers. The market consists of a broad spectrum of industries, including life sciences and energy. The company presides over a strong patent portfolio and employs many highly skilled specialists driving technology development and deployment in our field.

NKT Photonics is headquartered in Denmark and has additional manufacturing sites in Germany, Switzerland and the UK. Including our worldwide sales and service operations we employed approximately 300 people at end-2017.

Our business model is based on developing and marketing technology-intensive products in the photonics industry that enable our customers to improve their offering and gain advantages in terms of energy efficiency, safety or operating costs. We go to market both directly and through partnerships with OEM customers.

Ethical behaviour

We consider a global mindset to be key to our success. Responsible and ethical conduct is at the heart of all our actions, and as an active corporate citizen we embrace a value-based approach to the way we do business globally.

Developing and fostering relationships with stakeholders is integral to our business philosophy, and we intend to continue in this direction by consistently delivering on the requisite compliance. We are also meeting growing demands from stakeholders who wish to ensure we are an ethically and responsible business partner.

Compliance landscape

In 2016 we adopted an updated compliance landscape covering the period 2016-2020. The purpose of this initiative is to ensure compliance to applicable laws, regulations, international standards and stakeholder expectations. Our compliance work in 2017 was performed in line with the established compliance landscape.

The baseline for the compliance landscape is a Business Code of Conduct applicable to all employees,

Our vision is to establish a strong compliance mindset throughout the company by ensuring that all employees are properly trained.

Business Code of Conduct

Our Business Code of Conduct describes the fundamental principles and rules governing the conduct of all employees internally within the company and externally in relation to vendors, business partners and the general public. The principles set out in the Code 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 covers the entire value chain, how we do business in all parts of our organization. The Code includes policies governing areas such as business integrity, anti-corruption, environment, energy & climate, fair

competition, human & labour rights, information security, product compliance & quality, compliance handling, and procedure for reporting misconduct. A narrow due diligence and risk assessment process has been conducted to ensure that the content and scope of the Business Code of Conduct are correct and relevant for our company.

Training and awareness

An extensive communication and implementation package for our Business Code of Conduct was rolled out to existing employees prior to 2017, and is now being extended to all new employees undergoing initial training with NKT Photonics. The CEO explains in a video presentation the importance of correct business conduct and describes what the Business Code of Conduct means to NKT Photonics. Various awareness campaigns were held in 2017, and employees are required to sign the Code to indicate that it has been read and understood. Employee training is provided in the form of an e-Learning course culminating in a test.

CSR focus areas

To ensure the commitment of management both at the top and locally to the principles of the UN Global Compact the managements of all NKT Photonics' entities are obliged to sign a personal Statement of Representation. These individual statements are consolidated and signed by the CEO of NKT Photonics before final consolidation by the Group Executive Director of NKT A/S.

Policies, actions, goals and plans are presented in the sections below for the following topics:

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

Anti-corruption

Participation in corruption and bribery is contrary to our business values, and as a company we refrain from such activities.

NKT Photonics has a clear anti-corruption policy where it is clearly stated that no employee may directly or indirectly offer, give or accept money or anything else of value as part of business dealings in order to obtain an improper advantage.

Key risks in regard to corruption and bribery are primarily linked to our interaction with external vendors, suppliers and business partners. We work to minimize these risks both internally and externally: Anti-corruption is an integral part of internal corporate training in our Business Code of Conduct in which all employees receive appropriate training in. In 2016 we extended our whistle-blower hotline to enable instances of unethical behaviour such as corruption and bribery also to be reported by external stakeholders.

Goals & actions 2017	Outcome	Status
All employees exposed to corruption risks to be further trained and equipped to handle risk situations	Training has been strengthened, and special attention has been placed on employees in high-risk areas	+
Future plans, goals and actions	Targets 2018 and beyond	
Maintain high level of anti-corruption awareness, especially targeting high-risk areas	<ul style="list-style-type: none"> Enroll new employees in our awareness programme Employees exposed to an above average level of corruption to be trained recurrently 	

Environment, energy & climate

As stated in our Environment, Energy & Climate Policy we are committed to working for a sound environment through sustainable business practices.

The Environment, Energy & Climate Policy has been implemented company-wide through awareness campaigns and training ensure a high level of awareness throughout the organization.

Our product manufacture is associated with a modest environmental footprint and relatively small amounts of raw materials are utilized.

We do not consider the risk of environmental impact material. The majority of our products are manufactured in compliance with the RoHS directive, which restricts the use of hazardous substances in electronic and electrical equipment, and similar regulations.

Our operations have very limited environmental impact compared with traditional industry. Our total energy consumption is also determined more by our current product mix – e.g. the ratio of high-power lasers to lower-power lasers – than by the energy-saving initiatives we introduce. It is therefore difficult to define relevant KPIs for consistent and long-term measurement and no such KPIs have therefore been introduced.

Human & labour rights

Ensuring a healthy, safe and secure working environment is fundamental to the continued growth of our company, and is therefore an intrinsic part of our everyday activities.

We greatly value all our employees and consider them key to our success. NKT Photonics perceives diversity in the workplace to be a key asset and we do not tolerate any form for harassment or discrimination. We are also firmly committed to providing equal opportunity to all our employees.

At NKT Photonics, principal risks in terms of human and labour rights relate to employee safety and employment. To mitigate these risks, we have clear processes and policies in place. All our employees have contracts that comply with local employment laws and we closely monitor the safety of our employees. Risks relating to forced and child labour are not considered material as we mainly operate in low-risk countries. A key element in risk prevention is our whistle-blower hotline which is open for both employees and external partners.

Reporting according to the UK Modern Slavery act

As stated in our Human & Labour Rights Policy we reject any form of forced labour, including bonded labour, indentured labour, slave labour, or human trafficking. We also do not condone the hiring of child labour.

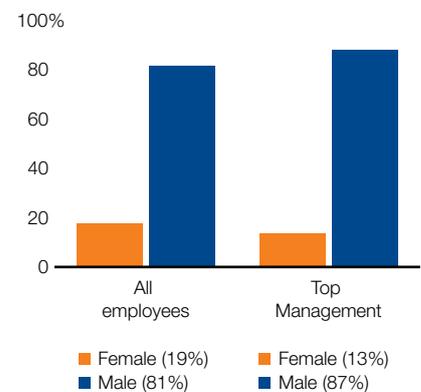
In view of the countries we mainly operate in and the nature of our production there is considered to be no material risk of forced labour and child labour. However, our employees are committed to continuously identifying and mitigating potential violations.

The company's business partners are expected to comply with the principles set out in our Business Code of Conduct, and we pursue relevant due diligence processes in conjunction with mergers and acquisitions. Our whistle-blower process has furthermore been extended to external stakeholders in order to increase efforts to detect improper business practice.

Diversity reporting

We encourage diversity in our organization and we believe it enriches our corporate culture as well as our long-term competitiveness. In NKT Photonics, we are committed to ensure that, whenever possible, more equal gender representation is promoted without compromising on qualifications in terms of professional skills and personal competencies. Our industry – especially in R&D departments – typically has a relatively high over-representation of males.

NKT Photonics gender composition



Goals & actions 2017

Goals & actions 2017	Outcome	Status
No accidents leading to time lost	One accident recorded in relation to an employee stumbling at social company event	÷
No injuries caused by high-intensity light detected in two-yearly eye tests	No injuries detected	+
Global employee survey to be conducted annually	The 2017 survey has been deferred to 2018 to include the acquisition of Onefive and ensure immediate and thorough follow-up	÷

Future plans

Targets 2018 and beyond

Further improve employee safety	No accidents
Maintain high level of safety regarding eye accidents	No injuries caused by high-intensity light detected in two-yearly eye tests
Global employee survey to be conducted annually	Conduct employee survey which includes employees from newly acquired businesses



Vendors and business partners

Our vendor and business partner landscape has been transformed from previously due to acquisitions and divestments.

Progress on our procurement KPI and our plan to inspect suppliers have been disrupted somewhat by acquisitions and divestments, cf. the accompanying table of goals and actions for 2017. Especially the sale of Vytran in the US in 2015, the acquisition of Fianium in the UK in 2016 and now in 2017 the acquisition of Onefive in Switzerland closed at 1 September have impacted our vendor and business partner landscape.

Furthermore, not all units have registrations supporting our procurement KPI. This will be resolved in conjunction with an ERP update during 2018. Hence the procurement KPI is based on available data only.

Goals & actions 2017	Outcome	Status
80% of our procurement (above EUR 50,000 in value) to be supplied by partners who have adopted the UN Global Compact principles	Procurement was below target at 74% due to disruption by acquisitions during the year. Achievement of goal deferred to 2018	÷
Develop inspection plan to monitor extent of supplier compliance	Deferred to 2018 as the intention is to include suppliers to Onefive	÷
Formalized and documented risk assessment of business areas and regions in which we are active, plus active follow-up on employees, agents and distributors in high-risk areas	<ul style="list-style-type: none"> Implemented an annual formalized and documented risk management process that includes corruption risk in high-risk areas Follow-up has been performed on employees, agents and distributors All employees have undergone training culminating in a test 	+

Future plans	Targets 2018 and beyond
Ensure that main vendors and business partners firmly and explicitly commit to the principles set out in our Business Code of Conduct	Develop inspection plan to monitor the extent of supplier compliance
Increase supplier commitment to UN Global compact principles	80% of our procurement (above EUR 50,000 in value) to be supplied by partners adopting the UN Global Compact principles

Whistle-blower hotline

In 2016 we extended our whistle-blower scheme to enable instances of unethical behaviour also to be reported by external stakeholders. Our whistle-blower policy has also been made part of our Business Code of

Conduct which has been implemented through awareness campaigns and an e-Learning course. No reports were filed during 2017 necessitating material adjustments in business procedures.

Reporting principles

NKT A/S monitors progress on CSR by means of three main elements:

1. Key Performance Indicators (KPIs) based on our policies have been developed, and corresponding data is collected. This data covers parameters such as corruption, occupational injuries, environmental impact, material utilization and diversity development in senior management. The business units are responsible for data collection and KPI quality.
2. An annual Statement of Representation on Corporate Social Responsibility, signed by selected leaders, certifying that they are familiar with the principles of the UN Global Compact and are actively working to advance them.
3. A whistle-blower hotline, maintained by an external provider, which allows all internal employees as well as external stakeholders to raise concerns about seemingly inappropriate conduct, events or circumstances. Facility exists for reporting in several languages.

Reporting methodology

The reporting parameters used in 2017 are largely unchanged from previous reports. Identification and evaluation of environmental impacts are based on relevant requirements such as ISO14001.

The CSR report covers all entities of NKT A/S unless stated otherwise.

Nilfisk is no longer part of NKT A/S and will issue its own CSR report.

Data integrity

We consider our data to be sound and valid.

Auditing

The present report has not been audited by an external auditor.

Statement of Representation

NKT wishes to ensure that CSR is an integral element in the daily activities of all business units and entities. To ensure top-level commitment and local support the managers of the business lines in NKT and the entities in NKT Photonics are obliged to sign a Statement of Representation based on the CSR requirements of the Danish Financial Statement Act and the principles of the UN Global Compact.

Inputs from these individual statements are consolidated and signed by the CEOs of the two business units before the Board of Directors of NKT A/S is informed of conclusions and potential actions.

NKT A/S Board of Directors

CEO business unit

Business line / entity manager *

* Business line leaders of NKT and entity managers of NKT Photonics are entitled to sign the Statement of Representation.

NKT A/S

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