



Sustainability Report 2018



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UN Global Compact

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

NKT is signatory to the UN Global Compact and this report provides Communication on Progress (COP) for the period 1 January 2018 to 31 December 2018.

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 communication on our progress within the principles of the UN Global Compact. All NKT A/S entities are covered by this report unless otherwise stated.

NKT A/S comprises two independent business units specializing in power cables (NKT) and photonics equipment (NKT Photonics). The two business units have separate sections in this report.

NKT A/S has established corporate policies and rules which govern the compliance of the company, its employees and business partners with relevant regulations, laws and our Business Code of Conduct. These mechanisms are described in the present report, which is structured into three focus areas that cover our policies, actions and goals, describing relevant risks and mitigation thereof. The following sections constitute our social responsibility as required by Section 99a of the Danish Financial Act:

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

2018 is the first full year of reporting to include data relating to the activities from the acquisition of ABB HV Cables in 2017. This has impacted some of the reported goals and targets, particularly relating

to energy and water consumption, for which we consider 2018 to be a new baseline year. The acquired manufacturing sites are included in our ongoing work to align and reinforce our corporate processes and reporting in the areas covered by this report.

Statement of Representation

To ensure top-level commitment and local support, selected leaders broadly representing the activities of NKT and NKT Photonics are obliged to sign a Statement of Representation based on the principles of our Business Code of Conduct for the reporting of potential violations. Inputs from the statements are then consolidated by the CEOs of the two business units and potential actions will be taken accordingly.

Diversity

NKT A/S is firmly committed to equality of treatment for all employees. As part of this, the constitution of and developments within the company's workforce are monitored. We are committed to ensuring that, whenever possible, greater equality of gender representation will be promoted.

At Board level, a target representation of 17% has been set for the underrepresented gender among members elected at the Annual General Meeting. This target was achieved for the Board of NKT A/S in 2018 and has been increased to 30% for 2019¹.

Diversity in senior management at NKT A/S

	Total	Age profile			Gender		No. of nationalities
		<40	40-54	>54	Female	Male	(The predominant nationality in %)
Board of Directors*	6	0	1	5	1	5	2 (Danish 83%)
NKT	58	13	38	7	9	48	8 (Danish 33%)
NKT Photonics	10	0	9	1	1	9	4 (Danish 40%)
Total	74	13	48	13	11	62	10 (Danish 36%)

See more detailed description of the gender composition for NKT on page 19 and NKT Photonics on page 29.

* Elected at the Annual General Meeting.

¹ A few Danish subsidiaries are according to local reporting laws obliged to report specific targets on the underrepresented gender at board level separately. These targets can be found in the annual reports released for each subsidiary.

“At NKT, we are proud to play an active role in the global transition towards renewable energy sources as our power cable solutions are the backbone of the power grids bringing renewable power to life.”



Letter of commitment

The global demand for energy is changing, with a constantly growing focus on powering the world with renewable energy. At NKT, we are proud to play an active role in the global transition towards renewable energy sources as our power cable solutions are the backbone of the power grids that are bringing renewable power to life.

In 2018, we finalized the power cable systems for several major offshore wind projects, contributing to significant reductions in CO₂ emissions. Furthermore, we continued to strengthen our safety culture and to build responsible business processes in line with the principles of the UN Global Compact. We continue to believe that a diverse culture driven by engaged employees is a key enabler, and promote diversity and equality across the organization.

We are committed to supporting the global transition towards renewable energy based on rules for responsible and ethical behaviour defined in our Business Code of Conduct. Furthermore, our ambition is to conduct our business in accordance with the relevant United Nations Sustainable Development Goals (SDGs) that express the most important global challenges.

Our continuing commitment to the UN Global Compact strengthens our focus on responsible and ethical operation while maintaining our business pledge of bringing power to life sustainably. The principles of the UN Global Compact are the foundation for expanding the awareness of sustainability throughout our organization and among external stakeholders.

Roland M. Andersen
Interim CEO and CFO

Description of business model

NKT brings power to life by designing, manufacturing and marketing power cables for low-, medium- and high-voltage solutions. We operate globally with a stronghold in Europe and occupy a leading position in the offshore wind industry.

NKT operates in three main business lines: High-voltage cable solutions, low- and medium-voltage cables, as well as cable accessories and service operations. We are also a key player in niche markets such as telecom power cables. With view to focusing on our core business of power cables, services and accessories, our activities relating to catenary cables for the railway industry were divested in 2018 with financial close 1 February 2019.

With strong positions in several markets across our portfolio we have a clear ambition to continuously improve and become the best power cable company in the eyes of our customers and our people.

This is reflected in our current strategy plan, EXCELLENCE 2020, which is our roadmap for success and has three key targets: Customer satisfaction >50% (Net Promoter Score), Employee Engagement Index >80 and Return on Capital Employed >13%.

We operate nine manufacturing sites in Europe supplying customers all over the world.

NKT has strong market positions across the portfolio



Solutions

This business line includes high-voltage power cable solutions. NKT provides a broad range of solutions available for onshore and offshore purposes and can supply both AC and DC power cables. With its cable-laying vessel, NKT Victoria, NKT can offer customers end-to-end turnkey solutions including full installation services.



Applications

This business line offers customers a broad range of low- and medium-voltage power cables. NKT markets high quality products that conform to regulatory requirements for flame-retardant material and has developed ergonomic solutions. Telecom power cables are also developed and marketed.



Service & Accessories

This business line focuses on asset management services for onshore and offshore power cables. In addition, a full portfolio of power cable accessories is offered across medium- and high-voltage categories.



9

Manufacturing sites

~3,400

Employees

1,435m

Revenue, EUR

Sustainable Development Goals 2018

The UN Sustainable Development Goals (SDGs) define the greatest sustainability challenges globally and provide guidelines for the necessary actions. At NKT, we are committed to running our business in a way that contributes to a number of the targets. The goals and underlying targets with the most significant impact for NKT are set out below. More information on how we work to support the SDGs is provided across this report and in the target overview on page 23.

Very high Impact



7. Affordable and clean energy

NKT designs, manufactures and installs power cables that constitute the backbone of the global power grid. We link countries through interconnector systems, and we have extensive experience in connecting offshore wind parks to the onshore power grid, thus integrating renewable energy into the global energy mix. The integration of affordable and clean energy is essential for mitigating climate change by reducing carbon emissions and supports many of the legislative goals of renewable energy both at national and international level.



9. Industry, innovation and infrastructure

NKT is actively supporting the development of the infrastructure needed to bring power to industries, cities and societies all over the world. We provide the cable technology and expertise needed to exchange energy across borders, and at a global level we have installed city cables for grid operators providing the infrastructure supporting a modern lifestyle.

Moderate Impact



5. Gender equity

NKT believes that a diverse organization provides the best foundation for developing the competencies needed to generate the company's targeted financial results. We are committed to providing equal opportunity to our employees, and we will not tolerate discrimination or harassment based on race, religion, gender or other factors.



14. Life below water

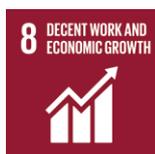
NKT has extensive experience operating in the offshore industry and strives to protect aquatic biodiversity and wildlife when installing and laying cables. We safeguard the seabed during trenching and cable burial, maintain a safe distance from wildlife during offshore operations and have experience from several operations in high-risk marine environments.

High Impact



13. Climate action

As a front-end partner and cable solutions provider for the global power grids, NKT is supporting the transition to renewable energy. Maintaining and building the infrastructure needed to integrate and distribute renewable energy to the power grids is paramount for mitigating climate change, decreasing global carbon emissions, and reaching energy targets nationally and internationally. In the performance of these activities we strive to do business ethically, responsibly and sustainably.



8. Decent work and economic growth

Providing a safe working environment for all employees is a NKT priority. Safety is one of our core values, and we strive continuously to strengthen our safety culture at all company levels. We participate in industry initiatives, operate within international standards, respect and comply with local labour laws, and support freedom of association. All our employees are engaged on contracts which adhere to local laws and regulations. Furthermore, health and safety compliance is embedded in our qualification process for vendors and business partners to ensure that we work only with companies which have a safe working environment.



12. Responsible consumption and production

NKT continuously focuses on minimizing the environmental impact of its activities through reduced consumption of energy and natural resources. We strive to maintain high material utilization, and we operate one of the very few specialist recycling plants for power cables, which ensures re-use of materials and sustainable disposal of non-recycling components. Furthermore, we design our products with focus on sustainability and recycling. All our production sites are certified according to ISO 14001, the international standard that specifies requirements for effective environmental management.



15. Life on land

NKT plans and manages its onshore operations with focus on preserving the environment and minimizing impact on nature and wildlife. We have processes in place to monitor our environmental footprint and mitigate the risks of environmental incidents.



16. Peace, Justice and strong institutions

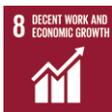
NKT is committed to responsible business practices and refrains from all forms of bribery, fraud or corruption. This is described in our Business Code of Conduct, which establishes the fundamental principles and rules of behaviour for all NKT employees. Anti-bribery and principles of fair competition similarly form part of our assessment

process for vendors and business partners, and we are an active member of several organizations working to ensure sustainable and fair conditions in the industry. We have a compliance program in place, which also operates a corporate whistle-blower hotline, where both employees and external stakeholders can report any misconduct or concerns anonymously.

Ethics and compliance

A global mindset and responsible business conduct are key to NKT and we are committed to promote ethical behaviour across the company.

Related SDGs



NKT operates in an increasingly complex regulatory and global environment in which ensuring compliance is a fundamental challenge. We are continuously improving our approach to compliance, adding GDPR to the areas of responsibility.

We are compliant with applicable laws, regulations and international standards, we strive to meet stakeholder expectations, and we are constantly building a strong compliance mindset throughout our organization.

Business Code of Conduct

The NKT Business Code of Conduct is essential to our compliance approach. It defines the fundamental principles and rules governing the behaviour of all our employees in relation to vendors, business partners and the public. The Business Code of Conduct defines how we do business across our organization and includes policies covering aspects such as business integrity, anti-corruption, environment, energy and climate, fair competition, human and labour rights, information security, product compliance and quality, compliance management, and reporting of misconduct.

Governance

In 2018 a new Ethics & Compliance Committee was established. Headed by the Compliance Officer and with participation from the CEO, CIO, CHRO, General Counsel, a Business Line representative, and Risk Management & Compliance. The committee meets quarterly and is responsible for developing and implementing our Ethics & Compliance strategy planned for 2019.

Data privacy

During the past year we have made significant progress in our efforts to ensure data privacy compliance under the General Data Protection Regulation (GDPR). A strong baseline is in place with a new data privacy policy and procedures, and online e-learning for all employees. All high-risk areas have undergone assessment and action plans have been formulated to address these risks. Several technical and organizational measures have been implemented in the company, including a new IT system in HR and supporting IT processes.

Responsible tax

NKT is a responsible taxpayer and we base our tax reporting on responsibility, openness and transparency in all aspects of tax related reporting and compliance, wherever the company and its subsidiaries operate. We are committed to work with relevant stakeholders to drive transparency and the development of efficient tax systems and aim to follow recommendations of Good Governance on tax affairs in the countries in which the subsidiaries of NKT A/S are located. NKT A/S does not operate in tax havens and any future operations in tax havens will be of purely commercial reasons. Our commitment to responsible tax is particularly supporting SDG target #16.6 focusing on the development of effective, accountable and transparent institutions at all levels.



Goals and actions 2018	Outcome	Status	SDGs
Develop programme to ensure GDPR compliance	Data privacy policy developed and company-wide training completed	√	16.10
Future plans, goals and actions	Target		SDGs
Strengthen our ethics and compliance approach	Develop and implement Ethics & Compliance strategy		16.6

Anti-corruption, anti-bribery and fair competition

NKT refrains from and opposes all forms of bribery and corruption and abides by the rules of fair competition. We have a clear policy covering these areas which is implemented and communicated company-wide through our Business Code of Conduct.

Related SDGs



In the Business Code of Conduct we clearly state that when doing business, no employee may directly or indirectly offer, give or take money or anything else of value to obtain an improper advantage. Furthermore, we explicitly distance ourselves from participation in unfair trading or illegal anti-trust activities.

Key risks

Our principal exposure in regard to corruption and bribery relates to interaction with external vendors, suppliers and business partners in connection with tenders and business agreements. We strive to minimize this exposure both internally and externally.

Anti-corruption is an integral part of our Business Code of Conduct training provided to employees. It also forms part of our business contracts and our Business Code of Conduct for External Vendors & Business Partners, with which we expect full compliance from the parties involved.

As part of our Business Code of Conduct, NKT operates a whistle-blower hotline that can be used by both employees and external stakeholders to report unethical behaviour. In 2018, all such reports received were acted upon in accordance with established procedures.

Appeal filed against fine for anti-trust behaviour

In July 2018 the European Court of Justice confirmed the imposition of a fine of EUR 4m on NKT following the investigation conducted by the European Commission into alleged price-fixing on high-voltage power cable projects. Regardless of the outcome of the appeal filed, reinforcing our commitment to fair competition by updating and implementing specific guidelines on anti-trust behaviour will be a strategic priority for NKT in 2019². Throughout 2018, we have prepared the reinforcement of our anti-trust guidelines and are ready to launch and implement in 2019.

² Find more information about the case in Note 8.4 in the Annual Report 2018.



Goals and actions 2018	Outcome	Status	SDGs
Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees	Anti-corruption programme for vendors and business partners developed and implemented	✓	16.5
Update and implement specific guidelines on anti-trust behaviour	Target is deferred to 2019	÷	16.5
Future goals and actions	Targets		SDGs
Update and implement specific guidelines on anti-trust behaviour	Ensure relevant employees are adequately trained Update, implement and internally communicate specific guidelines on anti-trust behaviour		16.5



Environment, energy and climate

As a key player in the global transition towards renewable energy NKT is committed to minimizing its environmental impact through sustainable business practices and operations.

Related SDGs



NKT is committed to developing a long-term sustainable business by continuously reducing its environmental footprint. 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 comply with the principles in our Quality, Health, Safety and Environment (QHSE) Policy and to act with respect for the environment as stated in our Business Code of Conduct.

Key risks

Our principal environmental exposure relates to the handling and use of chemicals, consumption of energy arising from manufacture of cables and accessories, and consumption of fuel for cable installations and transport of goods.

To mitigate this exposure, we have established a clear-cut QHSE policy as well as processes for ensuring compliance with internal guidelines and external regulations. In 2018 we initiated the implementation of a company-wide incident reporting system, TIA, covering incidents within health, safety and environment. The TIA system will strengthen our reporting process, ensure the necessary transparency for efficient action, strengthen decision-making and provide improved documentation for future mitigation and prevention. We expect the system to be fully implemented in 2019.

To continuously track and minimize our environmental footprint we operate with a clear KPI framework that includes monthly follow-up procedures for analysis of data.

During 2018, our activities were impacted by several occurrences of extreme weather conditions that influenced our ability to transport goods and execute orders for our customers. In Germany, we were significantly impacted by exceptionally low water levels in the Rhein, which for a time made it impossible to ship goods from our manufacturing site in Cologne. In Sweden, our operations were affected by a very cold winter with a lot of snow followed by the extremely hot summer driving a higher need of cooling in our manufacturing processes and premises. The hot and dry weather also prevented and restricted the possibilities of power cable installation in Sweden preventing us from executing orders.

Environmental Management Systems

All NKT manufacturing sites operate under an ISO14001-certified environmental management system. In 2018, system certification was renewed after a third-party audit confirmed continued compliance. To abide by local laws and regulations, our manufacturing sites also passed annual third-party audits that complement our internal monitoring of regulatory changes locally.

Energy efficiency

2018 saw an increase in energy efficiency measured in kWh/tonne cables produced. This was due to increased cable output, implementation of various initiatives including upgraded lighting and improved manufacturing processes as well as implemented actions based on improved reporting and measurements. The new energy efficiency indicators for our high-voltage cable production sites referred to in last year's report have still to be established.

In the course of 2018 we completed a series of initiatives designed to enhance energy efficiency across the company. These included new lighting, optimized manufacturing processes and improved material recycling.

Compared to last year, we have seen our water consumption in 2018 increase. This was due to the integration of the manufacturing sites included in the acquisition of ABB HV Cables in 2017 and the exceptionally hot European summer which necessitated extra usage for cooling. The water consumption profile is under evaluation with a view to future reduction.

As stated in the Introduction to this report, the results for 2018³ include data for the sites being part of the acquisition of ABB HV Cables. This makes it difficult to compare energy and water usage with previous years. As expected, our total energy consumption increased due to the integration of two new manufacturing sites and the operations of our cable-laying vessel NKT Victoria. Despite being the most energy-efficient ship of its type in the market, NKT Victoria naturally has an impact in fuel terms. With the impact of the integration of the acquired

activities, we see 2018 as a baseline year for our energy and water consumption.

In 2019, our primary focus is to reinforce and align our corporate reporting processes for environmental incidents and to streamline our reporting and measurement processes company-wide. The purpose is to strengthen transparency and deliver the documentation needed to drive further actions to reduce environmental impact. In 2018, we have established an Environmental Council to strengthen knowledge sharing and ensure that we leverage best practices across the organization to stimulate further energy efficiency and minimize environmental footprint.

CO₂ emissions

In 2018, the direct CO₂ emissions from our fuel usage, including operation of the cable laying vessel NKT Victoria, and gas usage amounted to 14,344 tonnes. The indirect CO₂ emissions from usage of purchased electricity and district heating, corporate travel and outsourced transport of goods amounted to 66,352 tonnes making the total amount 80,696 tonnes. The calculations are made using the 2010–2016 emission factors from the International Energy Agency.

Goals and actions 2018	Outcome	Status	SDGs
Improve energy efficiency in kWh/tonne by 2% compared to 2017 (target 581 kWh/tonne)	512 kWh/tonne	√	7.3
Reduce water consumption by 2% compared to 2017 (target 86,334 m ³)	106,428 m ³	÷	6.4
Increase material utilization by 0.2%-points compared to 2017 (target 97.2%)	96.9%	÷	12.5

Future plans, goals and actions	Targets		SDGs
Improve measurement processes for energy consumption	Align and update processes company-wide		12.6
Improve existing water measurement processes	Align and update processes company-wide		12.6
Increase material utilization compared with 2018 (96.9%)	≥96.9%		12.5
Strengthen focus on energy efficiency	Develop Group Energy Efficiency Programme		12.6
Strengthen focus on reporting of environmental incidents	Implement process for Environmental Impact Accidents		12.6
Strengthen focus on evaluation of environmental factors	Implement company-wide process for Environmental Aspect Evaluation		12.6

3 A full reporting year of energy data runs from October till October.

NKT Recycling Centre

NKT operates one of the only facilities in the world specialized in the recycling of scrap from the power cable industry. Each year, this plant processes large quantities of cable scrap originating both from our own production sites and from customers. The quantities are steadily increasing, reflecting society’s growing focus on the re-use of scarce resources. Located in Stenlille, Denmark, the NKT Recycling Centre plays a key part in our ambition to limit environmental footprint.

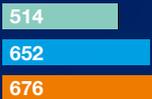
Recycled cable scrap, tonnes

■ 2016 ■ 2017 ■ 2018

Total weight of processed cable



Recycled PEX



Total weight of cable received from customers



Recycled PVC



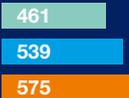
Recycled copper



Received halogen-free retardants



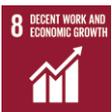
Recycled aluminium



Human and labour rights

A healthy, safe, secure and diverse working environment is fundamental to the continued growth of NKT, and we consider our people key to successful company relations.

Related SDGs



As stated in our Business Code of Conduct, NKT is committed to delivering a working environment based on respect, employee engagement and safety. To honour this policy, appropriate systems and processes have been introduced with specific targets in the above key areas, including leadership development.

Key risks

Our principal exposure in the area of human and labour rights relates to threats to employee safety in the form of occupational injuries and accidents. To mitigate this exposure we have clear processes and policies in place. Safety is a key priority and we are continuously monitoring and improving standards across our organization. We have also established an improved procurement process for vendors and business partners to strengthen our supplier assessment in areas such as human rights and diversity. Exposure to forced and child labour is 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 to both employees and external partners.

Human and labour rights

As a signatory to the UN Global Compact, NKT is committed to conforming to all aspects of the Universal Declaration of Human Rights. We respect and abide by local labour law, we support freedom of association, and all our employees have contracts complying with local laws and regulations.

At our factories we are currently implementing systems, processes and procedures that conform to SA 8000, the international standard on social accountability and fair treatment of workers across industries. We expect the implementation to be concluded in 2019.

Safety at the heart of our corporate culture

With the implementation of our company-wide TIA system, we are strengthening our reporting, analysis and data collection on a global scale, ensuring increased transparency. The system is designed for reporting accidents, incidents and risk observations within health, safety and environment. The implementation will enable us to better design and focus our improvements and mitigations. To improve our processes, monitor our progress and build a strong corporate safety culture, with the overall ambition of eliminating accidents, we also operate in accordance with OHSAS 18001, a management system standard for occupational health and safety. However, we are currently working on a global implementation of the new Health & Safety Management standard ISO 45001 and expect the upgrade to be finalized and certified companywide during 2021.

In 2018, we have seen positive results from the focus on strengthening our safety culture. Over the year more than 1,620 unsafe situations were recorded and eliminated, and our Lost Time Severity Rate⁴ decreased by 9% on 2017. We also registered a 30% reduction in our Lost Time Accident Rate⁵.

To initiate and drive employee engagement, develop risk awareness and build a safety-focused mindset we expect to be approved for the global Safety Culture Ladder programme in 2019. This will provide a framework to create safer working conditions and encourage safety awareness with the overall goal to reduce the number of unsafe situations and safety incidents.

⁴ Lost Time Severity Rate describes the average number of lost work days experienced on the Lost Time Accidents that occurred during 2018.

⁵ Lost Time Accident Rate is a standardized way to measure and compare accident frequency in organizations.



Diversity and equality

NKT is committed to promote more equal gender representation in the workplace. In 2018, we updated our policy on diversity and equality to underline our commitment to providing equal opportunity to all employees and our refusal to tolerate discrimination or harassment of any kind.

We strive to promote diversity, and we firmly believe that a diverse organization provides the best foundation for developing the competencies needed to deliver the targeted financial performance. Included in our diversity policy are specific actions that support our work to ensure a more balanced gender composition at senior leadership level. We have amongst other things included diversity and

inclusion in our leadership training and made sure that all internal and external recruiters include a diverse set of candidates when recruiting.

The senior leadership level at NKT is defined as the Extended Leadership Team, including members of the executive Group Leadership Team, and consists⁶ of a total of 58 persons comprising eight nationalities.

The age distribution is fairly even with the majority in the 40–55 age group. In the Extended Leadership Team 17% of leaders are female which is an improvement from last year. In the Group Leadership Team female members count for 29%.

Engaged, committed employees

NKT considers a diverse culture driven by engaged employees to be a key enabler, and employee engagement is a central part of our strategy, EXCELLENCE 2020.

Each year, an employee engagement survey is conducted to track progress towards our strategic target of an Employee Engagement Index above 80. In 2018, we observed a slight decrease in the index compared to 2017 and leaders at all levels are to establish actions to address and turn this development.

We believe that strong employee engagement is closely linked to high-quality leadership. In 2019, focus will be on anchoring our investments in leadership development and on continued training of all new leaders.

Reporting according to 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 employment contracts, they are educated in our Business Code of Conduct including our Human & Labour Rights policy, and they are committed to continuously identifying and eliminating potential violations.

NKT business partners are expected to comply with the principles of our Global Third Party Compliance Policy and our Code of Conduct for Vendors & Business Partners, in which our Human & Labour Rights Policy for Suppliers is also an integral part. In 2018 we strengthened our supplier qualification process to ensure transparency of compliance with both these instruments.

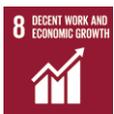
Goals and actions 2018	Outcome	Status	SDGs
Increase Employee Engagement Index for 2018 (>63)	61	÷	8.5
All relevant leaders in the targeted group to complete the Leadership Pipeline programme	The expected leaders have completed the programme	✓	8.5
Start a Leadership Programme dedicated to front-end leaders at our manufacturing sites	Programme launched	✓	8.5
Create leadership programme for leaders of decentralized teams	Programme launched	✓	8.5
Ensure full use of the People Performance Management system	Implemented company-wide	✓	8.5
Reduce the number of unsafe situations and behaviours >3,200	1,620	÷	8.8
Reduce the Lost Time Accident Rate compared with 2017 (0.76)	0.53	✓	8.8
Reduce the Lost Time Accident Severity Rate compared with 2017 (22)	20	✓	8.8

Future plans, goals and actions	Targets	Status	SDGs
Increase Employee Engagement Index for 2019	>61		8.5
Reduce the number of unsafe situations and behaviours	≥ 1,620		8.8
Reduce the Lost Time Accident Rate compared with 2018	≤0.53		8.8
Reduce the Lost Time Accident Severity Rate compared with 2018	≤20		8.8
Strengthen safety reporting with updated framework	Redefine the reporting of safety related incidents and create new baseline for implementation in 2020		8.8
Improve reporting process for HSE incidents and risks	Full implementation of integrated reporting system		8.8
Strengthen focus on social accountability	Complete two SA 8000 audits		8.5

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 our Business Code of Conduct for Vendors & Business Partners.

Related SDGs



As we are constantly seeking to improve transparency in our vendor network, we have concluded the implementation of a cloud-based procurement system with global reach that covers all our suppliers and vendors. The system will strengthen transparency in the vendor value chain, enabling us to monitor compliance with sustainability and legal requirements in areas such as human rights and anti-corruption. Furthermore, it will ensure overall compliance with the Global Policy and the Business Code of Conduct in the vendor value chain. This global facility significantly reduces the risk of interaction with vendors not complying with established policies, rules and regulations. Furthermore, we have embarked on a process of identifying high risk vendors and suppliers and conducting due diligence on the parties concerned.

Vendor qualification

As part of our procurement process, we now operate vendor registration and qualification procedures to ensure that business partners are assessed against expectations set out in our Global Policy for Third Party Compliance and our Business Code of Conduct for Vendors and Business Partners. The requirements of the qualification procedure cover areas that include health and safety, financial health, legal compliance and acceptance of the above Global Policy and Business Code of Conduct.

In 2019, we expect all existing suppliers, vendors and business partners with an annual spend above EUR 100,000 to complete the registration procedure as they account for approx. 95% of the annual spend of NKT.

Going forward, all new vendors who are part of sourcing projects and have a baseline spend greater than EUR 50,000 will also follow the procedure. Vendors who do not meet the above thresholds will be subject to ad-hoc compliance checks to ensure fulfilment with the requirements established in the above Global Policy and the Business Code of Conduct. All shortlisted vendors will undergo a mandatory qualification procedure in the form of an assessment questionnaire covering our key requirement areas. Suppliers, vendors and business partners will undergo a re-registration and qualification process every second year.

Activities relating to our assessment, qualification and evaluation process include self-assessment questionnaires, interviews, desktop reviews, audits and/or other relevant measures.

New procurement policy

In 2018, we implemented a new Procurement Policy with clear internal procedures to be followed by all employees. The policy sets out explicit guidelines and rules for internal procurement of goods and services. As part of the policy, we will operate from 2019 with a list of selected vendors pre-approved and qualified by Procurement to safeguard us against interacting with vendors and suppliers not compliant with our requirements. The policy has been communicated company-wide through various channels and training has been conducted.



Goals and actions 2018	Outcome	Status	SDGs
Maintain focus on improvement of transparency and vendor compliance	Full implementation of new cloud-based procurement system All new vendors to undergo registration procedure	✓	16.6
Minimize the risk of direct or indirect participation in corruption	Review and update our third-party compliance processes in relation to anti-corruption	✓	16.5
Future plans, goals and actions	Targets		SDGs
Strengthen transparency and vendor compliance	Complete registration procedure for all existing vendors with an annual spend of >EUR 100,000 Register all new vendors according to the procedure		16.6
	Complete qualification procedure for all vendors in the following categories: <ul style="list-style-type: none"> ■ Production, Materials and Accessories ■ Components ■ Installation ■ Investments 		16.6

Target overview

	Goals and actions 2018	Outcome	Status	SDGs
Ethics and compliance	Develop programme to ensure GDPR compliance	Data privacy policy developed and company-wide training completed	√	16.10
Anti-corruption, anti-bribery and fair competition	Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees	Anti-corruption programme for vendors and business partners developed and implemented	√	16.5
	Update and implement specific guidelines on anti-trust behaviour	Target is deferred to 2019	÷	16.5
Environment, energy and climate	Improve energy efficiency in kWh/tonne by 2% compared with 2017 (target 581 kWh/tonne)	512 kWh/tonne	√	7.3
	Reduce water consumption by 2% compared with 2017 (target 86,334 m ³)	106,428 m ³	÷	6.4
	Increase material utilization by 0.2%-points compared with 2017 (target 97.2%)	96.9%	÷	12.5
Human and labour rights	Increase Employee Engagement Index for 2018 (>63)	61	÷	8.5
	All relevant leaders in the targeted group to complete the Leadership Pipeline programme	The expected leaders have completed the programme	√	8.5
	Start a Leadership Programme dedicated to front-end leaders at our manufacturing sites	Programme launched	√	8.5
	Create leadership programme for leaders of decentralized teams	Programme launched	√	8.5
	Ensure full use of the People Performance Management system	Implemented company-wide	√	8.5
	Reduce the number of unsafe situations and behaviours >3,200	1,620	÷	8.8
	Reduce the Lost Time Accident Rate compared with 2017 (0.76)	0.53	√	8.8
	Reduce the Lost Time Accident Severity Rate compared with 2017 (22)	20	√	8.8
Vendors and business partners	Maintain focus on improvement of transparency and vendor compliance	Full implementation of new cloud-based procurement system All new vendors to undergo registration procedure	√	16.6
	Minimize the risk of direct or indirect participation in corruption	Review and update our third-party compliance processes in relation to anti-corruption	√	16.5



“As a company at the cutting edge of photonics technology we must be able to attract highly committed, top-qualified people and provide them with incentive to do their best.”



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 laser light sources used in equipment for eye surgery and disease detection.

We operate in a global industry characterized by increasing focus on sustainability. The whole of our 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 crucial that all

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

As a company at the cutting edge of photonics technology we must be able to attract highly committed, top-qualified people and provide them with incentive to do their best. Consequently, we strive to offer our people a stimulating and challenging work environment that embraces 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 advance our business opportunities and also contribute to improved living conditions for future generations.

Basil Garabet
President and CEO, NKT Photonics



Description of business model

NKT Photonics is a leading supplier of fiber lasers, photonic crystal fibers and distributed temperature systems (DTS), and also has a strong foothold in ultrafast lasers. We address a broad spectrum of industry segments, including life sciences and the energy market. In addition, we preside over a strong patent portfolio and employ a large number of highly skilled specialists who are driving technology development and deployment in our field.

NKT Photonics is headquartered in Denmark and has additional manufacturing sites in Germany, Switzerland, UK and Sweden. Including our worldwide sales and service organization we employed approximately 350 people at end-2018.

Our business model is based on developing and marketing technology-intensive photonics products that will enable 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 conduct

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

Developing and fostering relationships with stakeholders is integral to our business philosophy, and we intend to continue on this course by consistently delivering on the requisite compliance. In turn, we ourselves face increasing demands from stakeholders who wish to ensure that we are an ethically responsible business partner.

Business Code of Conduct

In 2016 we adopted an updated compliance landscape covering the period 2016–2020 which is designed to ensure our adherence to laws, regulations, international standards and stakeholder expectations. The baseline for the compliance landscape consists of a Business Code of Conduct that applies to all our employees.

This instrument defines the fundamental principles and rules which govern the conduct of all our employees both internally as well as externally in relation to vendors, business partners and the general public.

The Business Code of Conduct covers the entire value chain – how we do business in all parts of our organization. It includes policies covering areas which include business integrity, anti-corruption, environment, energy & climate, fair competition, human & labour rights, information security, product compliance & quality, compliance management, and the procedure for reporting misconduct. Suitable due diligence and risk assessment have been performed to ensure that the content and scope of the Business Code are both appropriate and relevant for our company.

Our activities in this area in 2018 were performed in accordance with the Business Code of Conduct.

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 has now been extended to all new employees as part of the onboarding process with NKT Photonics. The company's CEO explains in a video presentation the importance of appropriate business conduct, and describes what the Business Code means to NKT Photonics. Various awareness campaigns were continued in 2018, and employees are required to acknowledge by their signature that the Code has been read and understood. Education is provided in the form of an e-Learning course culminating in a test.

CSR focus areas

To ensure commitment to the principles of the UN Global Compact the Senior Management Team is obliged to sign a personal Statement of Representation. These individual statements are consolidated and signed by the CEO of NKT Photonics. Policies, actions, goals and plans are presented below for the following topics:

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

Anti-corruption

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

NKT Photonics has a clear policy on anti-corruption which explicitly states 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. Our principal exposure in regard to corruption and bribery relates to interaction with external vendors, suppliers and business partners, and we strive to minimize this exposure both internally and

externally: Anti-corruption is included as an integral part of the education which is provided to all employees on our Business Code of Conduct. Furthermore, we have a whistle-blower hotline for reporting bribery, corruption and other unethical conduct available for both internal and external stakeholders. No reports were filed during 2018 necessitating material adjustments in business procedures.

Goals and actions 2018	Outcome	Status
Enrol new employees in awareness programme	Target achieved and maintained for 2019	✓
Provide training for employees exposed to above-average levels of corruption	Target achieved and maintained for 2019	✓

Environment, energy and climate

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

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

Our product manufacture is associated with a modest environmental footprint, utilizes relatively small amounts of raw materials, and in our view, involves minimal environmental exposure. The majority of our products conform to regulations such as RoHS, the directive restricting the use of

hazardous substances in electronic and electrical equipment.

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

Human and 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.

Our people are key to our success and we value them highly. NKT Photonics views diversity in the workplace as a key asset and we do not tolerate any form of harassment or discrimination. We are also firmly committed to providing equal opportunity to all employees.

At NKT Photonics, our principal exposure in the area of human & labour rights relates to safety and employment, and we have clear procedures and policies in place to mitigate this exposure. All our people have contracts that comply with local employment laws and we closely monitor employee safety. Exposure to forced labour and child labour is not considered material as we mainly operate in low-risk countries. A key preventive measure is our whistle-blower hotline which is available to 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 and human trafficking. We also do not condone the hiring of

child labour. In view of the countries in which we mainly operate, and the nature of our production, we are not materially exposed to forced labour and child labour. However, our employees are committed to continuously identifying and mitigating potential violations.

Our business partners are also expected to comply with the principles of our Business Code of Conduct, and we pursue relevant due diligence processes in conjunction with mergers and acquisitions. Our whistle-blower process has been extended to embrace external stakeholders as part of increased efforts to detect improper business practices.

Diversity reporting

In NKT Photonics we encourage diversity and we believe it enriches our corporate culture as well as our long-term competitiveness. We are committed to ensuring, whenever possible, increased equality of gender representation.

Goals and actions 2018	Outcome	Status
No employee accidents	Increase in employee accidents. Mitigation actions initiated, and target maintained for 2019	÷
No injuries by high-intensity light detected in two-yearly tests	Target achieved and maintained for 2019	√
Conduct employee survey including employees from acquired businesses	Deferred to 2020	÷



Vendors and business partners

2019 will see the final consolidation of our supplier base following a series of acquisitions in recent years and the introduction of our new Global ERP system.

Procurement objectives in 2018 predominantly related to the configuration and testing of our new ERP system that will facilitate a substantial improvement in supplier management through information consolidation and transparency. In 2018 we also restructured both our procurement and quality organizations en route to creating a centralized model that will find synergy between

our operational sites and how we manage a smaller number of high-quality suppliers.

While significant progress has been made in initiating supplier audits, this will receive increased focus in 2019 along with implementation of a revised Supplier Management Strategy.

Goals and actions 2018	Outcome	Status
Develop inspection plan to monitor the extent of supplier compliance	Target achieved and maintained for 2019	✓
80% of our procurement (above EUR 50,000 in value) to be supplied by partners adopting the UN Global Compact principles	Target not achieved due to lack of sufficient data. Deferred to 2019	÷

Reporting principles

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

1. Key Performance Indicators (KPIs) based on NKT 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 at Board level. The business units are responsible for data collection and KPI quality.
2. An annual Statement of Representation covering the principles of our Business Code of Conduct is signed by selected leaders broadly representing the activities of the two business units for reporting of potential violations.
3. A whistle-blower hotline, maintained by an external provider, allows all employees as well as external stakeholders to raise concerns about seemingly inappropriate conduct, events or circumstances.

Reporting methodology

The reporting parameters used in 2018 are largely unchanged from previous reports.

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

Data integrity

We consider our data to be sound and valid.

Auditing

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

NKT A/S

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