

United Nations Global Compact

Communication On Progress 2015



We innovate to integrate®

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This report also serves as our annual communication on progress in sustainability, as required by the United Nations Global Compact.

Thank you to stakeholders contributing to the content in the report.

Introduction

KK Wind Solutions is a dedicated green-tech company in the renewable energy industry – and as such, sustainability is the core of our company. This Progress Report gives you an overview of our efforts, including overall focus areas and concrete activities as well as our results for the past year and goals for the coming period.

Making wind even more competitive

Developing and manufacturing solutions for the wind industry, the most positive impact we have on sustainability is through our own and our customers' solutions.

Our core competencies and solutions contribute to sustainable energy production, and together with the rest of the wind industry, we are continuously innovating to lower the cost of wind energy, making it even more competitive against fossil fuels.

For instance, we invest heavily together with other parties to develop new sensor technology that allows for longer and lighter blades in low-wind areas.

Environment

At the same time, we are continuously assessing and improving the environmental impacts of our operations. We do this through a product lifetime approach to development, continuous waste reduction in our supply chain and innovative logistics solutions that are both better for the environment and for our customers.

With the launch of a new strategy in 2014 and the growth we set out for, we remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees and the environment. We look forward to this journey.



Kind regards,
Tommy G. Jespersen
Chief Executive Officer

The principles of the UN Global Compact (UNGC)

The UNGC outlines ten principles the companies should engage in, in order to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

- 1: Businesses should support and respect the protection of internationally proclaimed human rights.
- 2: Businesses should make sure that they are not complicit in human rights abuses.

Labour

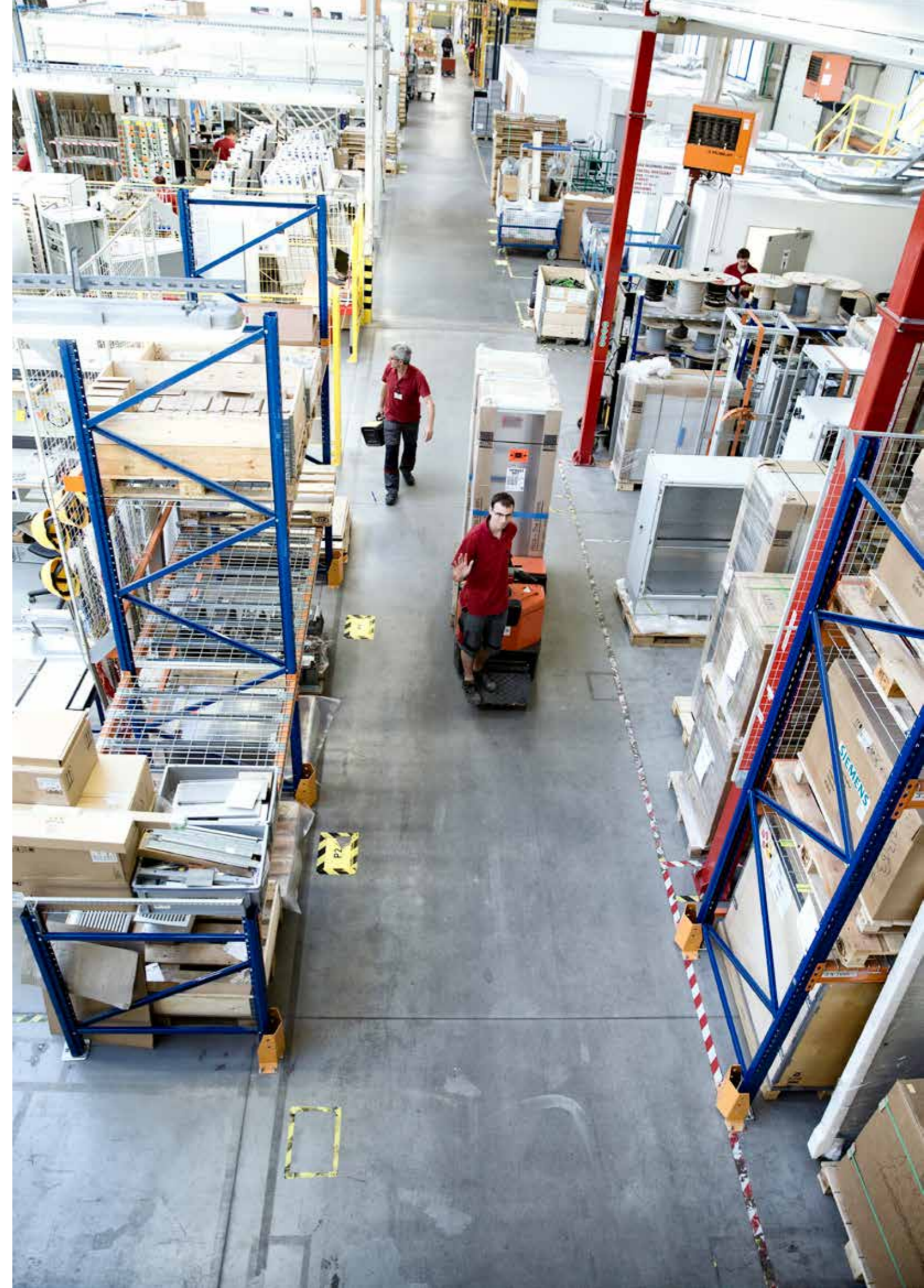
- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 5: Businesses should uphold the effective abolition of child labour.
- 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

- 7: Businesses should support a precautionary approach to environmental challenges.
- 8: Businesses should undertake initiatives to promote greater environmental responsibility.
- 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Our Corporate Social Responsibility framework

Our ambition is to continuously develop and enhance our sustainability actions. To ensure our corporate social responsibility efforts are captured and well explained, we have concentrated our communication on progress around the following three reoccurring themes: Human Rights, Employees and Environment.



Human Rights

We are committed to the protection of human rights and support the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Focus areas

By regularly conducting risk assessments of our suppliers in compliance with our Code of Conduct, we have ensured an effective integration with the CSR policies. Also, we have integrated appropriate sustainability measures and our Code of Conduct in screening and assessing new suppliers and in finding accessible areas of improvement.

We experience and expect future growth in our service business where we persistently focus on human rights, both in regards to our own and collaboration partners' employees.



Employees

It is our goal to maintain a culture that encourages and supports the development of our employees. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets high ethical standards.

Focus areas

We aim to build a highly skilled workforce with engaged employees whose contribution is meaningful and appreciated. Our approach includes structured introduction schemes, extensive training and consistent follow-up on performance.

In addition, we have intensified our health and safety procedures, including improved reporting of 'near misses' and the introduction of new initiatives to stimulate stronger preventative safety awareness in all employees.



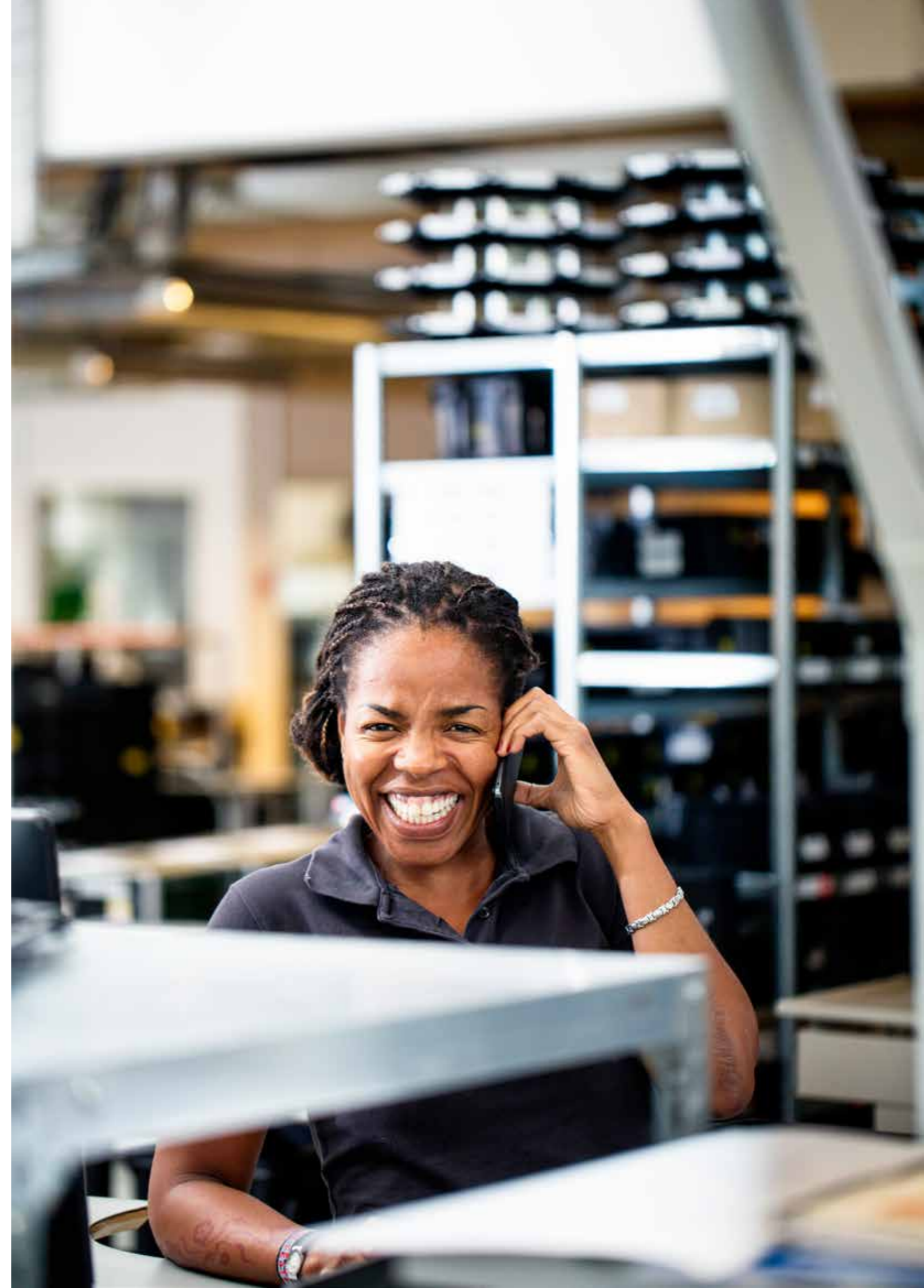
Environment

As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop, but also through our actions aimed at managing the business in an ever more responsible manner.

Focus areas

We direct our attention to improving our products and operations across the entire product lifecycle and the supply chain. This includes taking appropriate actions to reduce energy consumption, minimise waste, and increase the share of waste that is recycled.

We have continued our work with product development that contributes to the optimisation of renewable energy and encouraged the progress of environmentally friendly technologies.



Revising and reinforcing our Code of Conduct



We are committed to the protection of human rights and support the United Nations Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Status 2013

We continuously work to ensure that we have the right measures and assessment in place when it comes to ensuring respect for human rights in our operations. We realise that it requires continuous training and integration of our processes to achieve this implementation. For that reason we focus first of all on our employees and our suppliers.

We encourage our suppliers to respect their employees' human rights and provide them with decent working conditions. We require that our suppliers sign our Code of Conduct.

To ensure our standards will be met, we have made a risk assessment of our suppliers in regards to compliance with the Code of Conduct and integrated CSR-measures and our Code of Conduct in the screening and assessment of new suppliers.

Progress in 2014

As part of the continued efforts we have evaluated and revised our Code of Conduct to further emphasise the importance of safe working conditions and sound processes in our operations. We also expect our suppliers and their sub-suppliers to follow and ensure the standards.

Our Code of Conduct covers the following:

- Legal Compliance
- Human and Labour Rights
- Health and Safety
- Business Ethics
- Environment

A significant part of our CSR footprint comes from our supply chain, and we are committed to ensure that our suppliers uphold the same standards as we put forward. Consequently, all expectations towards suppliers within this area are part not only of our Code of Conduct, but are also included in all contracts with new suppliers. We have initiated a program to secure commitment from suppliers to our Code of Conduct in which we recognize the importance of clear communication of expectations and cooperation with suppliers.

All existing suppliers have been rated through a number of risk parameters. These parameters have helped to prioritize the efforts in screening our supplier base. The parameters are based on the 10 principles from UN Global Compact and include human rights, environment, labour rights and anti-corruption.

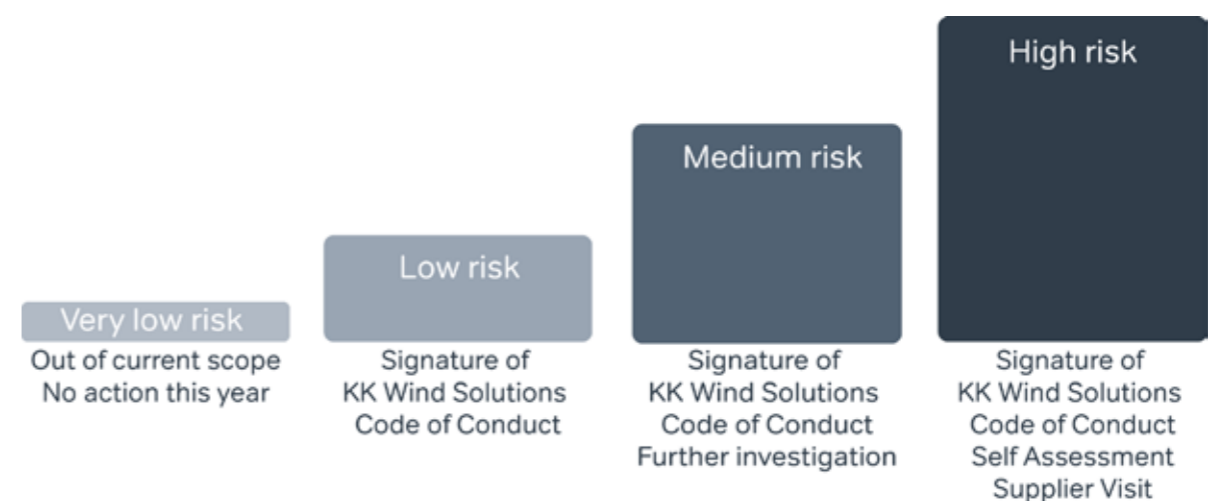


Figure illustrating four different supplier categories that require different actions and levels of attention.

During 2014 we have ensured that all suppliers in the medium or high risk categories have signed our Code of Conduct or proven that they live up to the same high standards. We have visited all four suppliers currently in the high risk category. New suppliers delivering components in the Low to High Risk category have also signed our Code of Conduct or proven similar standards during own programs, audits or self-assessments.

New objectives

In 2015 we will integrate the 10 principles for ethical sourcing into the KK Wind Solution assessment and audit tool. This way all Medium to High Risk suppliers will automatically be assessed on ethical matters in the same way as quality is assessed. The Code of Conduct will in 2015 be an integrated appendix to our contract template.

Supporting people in need



We support various causes throughout the year. In the past year we paid particular attention and provided financial support in relation to the outbreak of Ebola across a number of African countries, causing thousands of deaths.

Tommy G. Jespersen, CEO, KK Wind Solutions



Special Appeal: Support Ebola Emergency Response

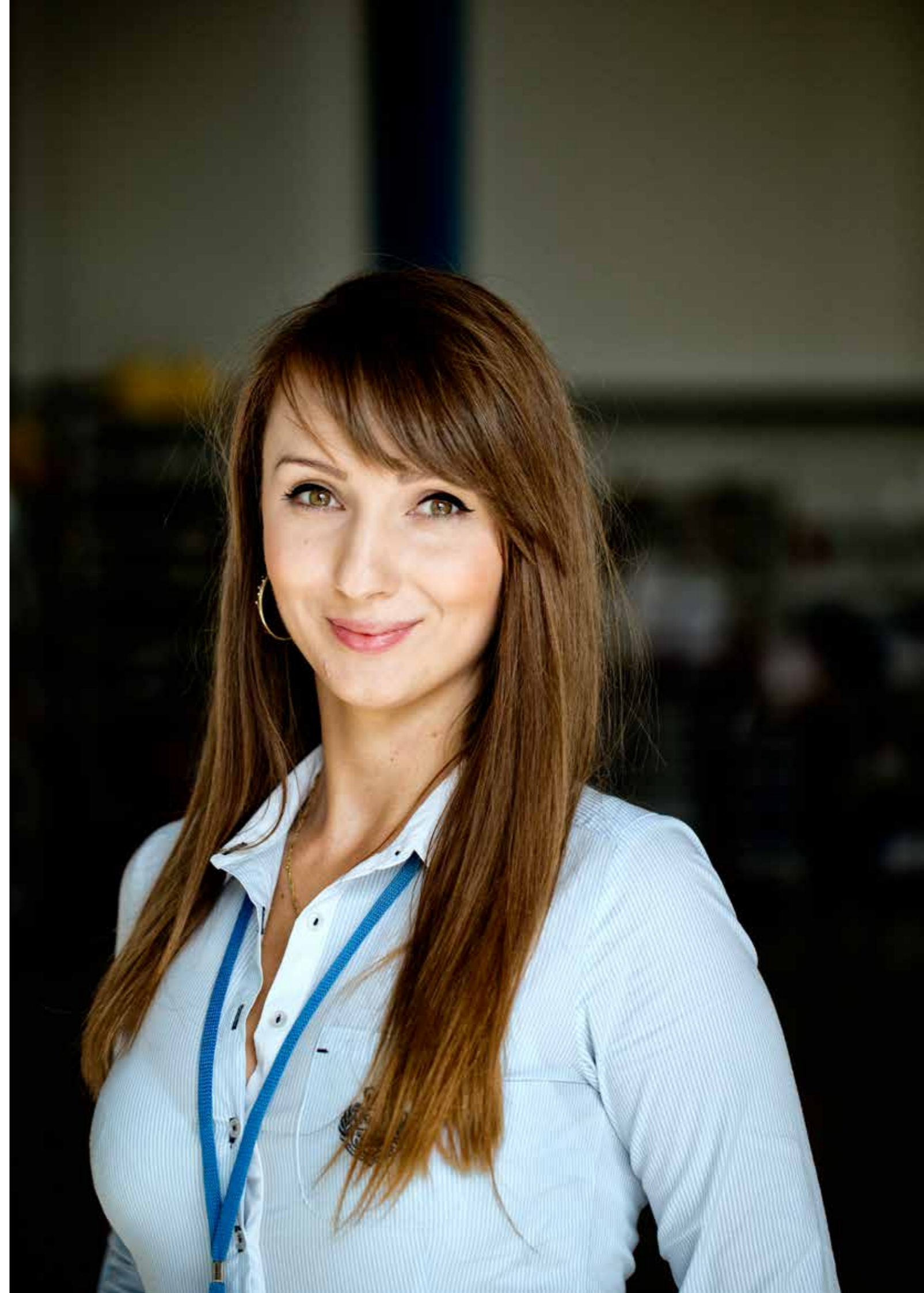
Dear Global Compact Participant,

The Ebola outbreak in West Africa has caused over 2,000 deaths in Guinea, Liberia, Nigeria, Senegal and Sierra Leone. Transmission of the virus is intensifying in many affected areas, and the fatality rate of the current outbreak is estimated at between 60 and 70%. The United Nations and its humanitarian partners are increasing efforts to stop transmission of Ebola in West Africa and prevent further international spread of the virus. As part of a [Global Response Strategy](#), greater international assistance will be critical to stopping the spread of Ebola. The global business community has an important role to play.

UN Global Compact participants wishing to support immediate relief efforts can make a financial contribution to the UN Central Emergency Response Fund.

**Make a financial contribution
to the UN Central Emergency Response Fund »**

In addition to encouraging financial support for relief efforts, the World Health Organization



Continued health and safety focus pays off



It is our goal to maintain a culture that encourages and supports the development of our employees. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets high ethical standards.

Status 2013

In the past year, we have maintained the OHSAS18001 certification (Occupational Health and Safety Management System) we obtained in November 2012. This certification ensures our commitment to continuous implementation and improvement of the way we manage our health and safety systems. As the certification process revealed, the vast majority of our standards and targets already met environmental and occupational standards.

Progress 2014

In the previous year, KK Wind Solution A/S' target was to have maximum absence of 3% and no working accidents requiring statutory reporting. Employee absence was reported at 1.6%, while 3 working accidents were experienced.

Going forward, we will measure and report on the number of working accidents per 1 million working hours.

In addition, the safety procedures for employees working in the wind turbines were enhanced, and the use of personal protective equipment (PPE) including the use of safety shoes everywhere on the shop floor was reinforced.

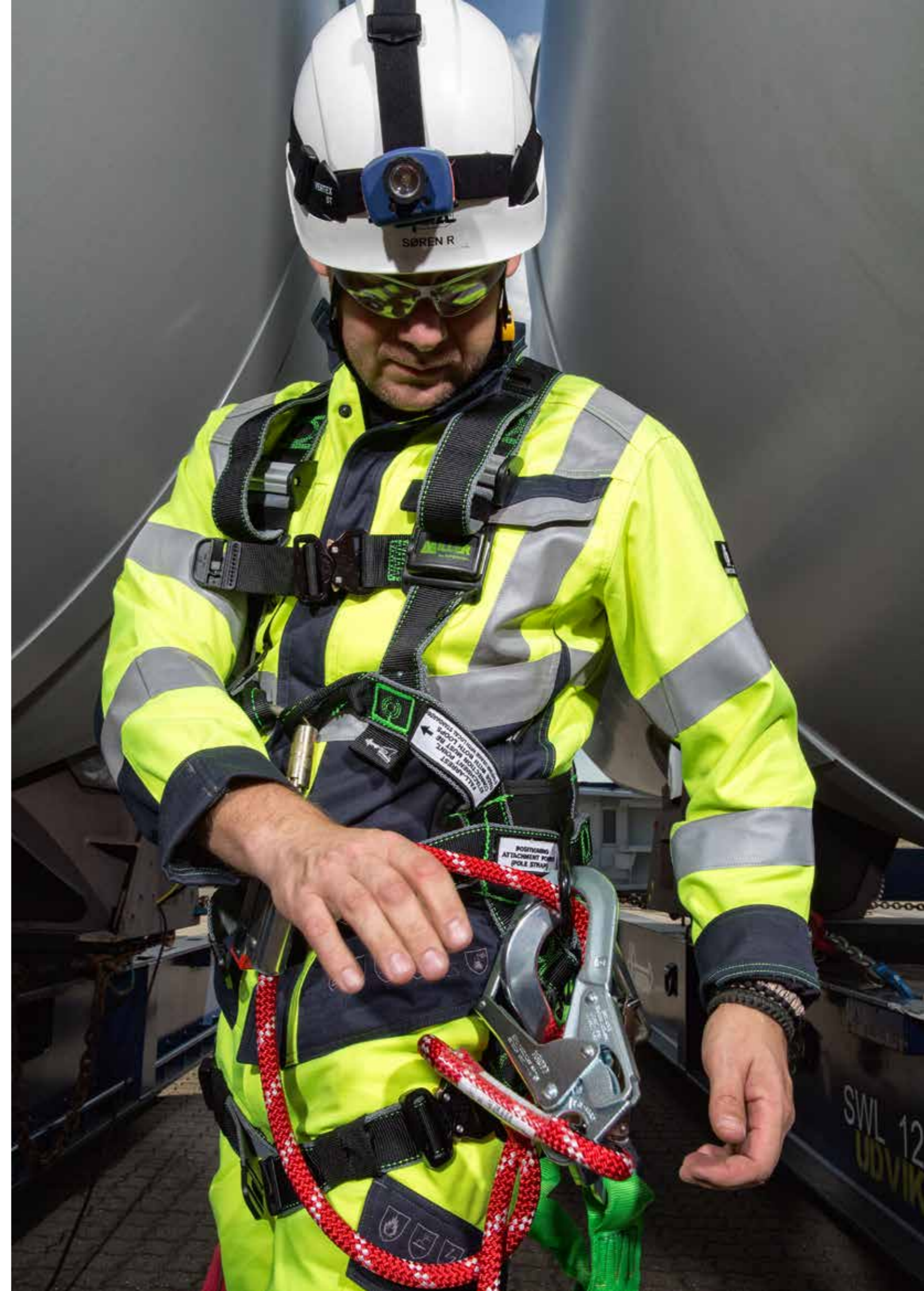
To identify and anticipate potential hazards, we have introduced a mobile platform for technicians to input information related to accident prevention.

New objectives

KK Wind Solutions remains committed to further reducing the environmental impact of the company's operations.

Efforts in the coming year will aim to further embed a strong safety awareness mind-set amongst employees, with the aim of achieving zero accidents throughout the whole company.

Continuing the focus on both health and safety issues across all departments, the target for absence is a maximum of 3% on a global scale.



Our Values

Care, listen, observe, anticipate, innovate, integrate and exceed are values which represent the core foundation of our success. They support our vision and strategic actions. By promoting them both internally and externally we aim at instilling them in all our employees and partners.



Posters describing values and which are used internally

Feature story:

Working with values to strengthen culture and support strategy

With the launch of KK Wind Solutions' strategy for 2014-2017, the management team communicated a clearly defined direction for the company, supported by concrete strategic targets and actions. This was launched, introduced and very well received by the employees. This year, we focus on the corporate culture part of the strategic change – where working with values has high priority.

“Setting a clear direction and having concrete plans to support strategic objectives is key to employee motivation and performance. But we also need to work with our culture and behaviour to support the strategy and motivate our employees,” says Anne Eliasson, Global HR Manager at KK Wind Solutions.

The culture at KK Wind Solution is personified with the notion “Wind Power Wizard”, illustrating how qualities such as curiosity, technical wind-know-how and determination enable the company’s employees to come up with a solution to almost impossible challenges.

“The values and the behaviour are fundamental to our progress and success. It is the culture that will drive our way of doing things and be essential for us to reach the goals we have set out to achieve, among others a safe working environment,” says Anne Eliasson.

In the coming months, we will continue the strategic work by revising the strategy according to market and work with values and culture to create a stronger foundation for the strategic progress of KK Wind Solutions.

In 2014, the main activities in the company revolved around the development, launch and implementation of our strategy for 2014 – 2017.

- We have worked extensively with our company strategy and the strategic targets known as Must-Win-Battles.
- With the strategy launched personally by the Executive Management on a global scale and followed by strategy updates and town hall meetings, employees are kept updated on the progress of the strategy and Must-Win-Battles.
- As part of the strategy, we have worked with values and to ensure these are embedded in the company culture.
- We have adapted our company name from kk-electronic to KK Wind Solutions, and updated our visual identity to better reflect who we are and our sole focus on the wind industry.

Lower energy consumption and increased recycling



As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop, but also through our actions aimed at managing the business in an ever more responsible manner.

Status 2013

Our production facilities are certified according to the international environmental standard ISO14001, which ensures systematic organisation and documentation of internal environmental procedures.

For wind to be a viable alternative to traditional fossil fuels, it has to be competitive. At KK Wind Solutions, we contribute to advancing the wind industry by continuously improving our products and working with product development that contributes to the optimisation of renewable energy. Furthermore, we are working in partnership to extend the lifetime expectancy of wind turbines.

Progress 2014

In the past year, our focus has been on continuing to reduce the environmental impact by reducing energy consumption for heating by 3% and electricity by 3%, and by increasing the share of waste that is recycled to 75%.

To achieve that, we have monitored and adjusted the heating consumption, saved on electricity consumption where possible e.g. closing of extra server room and maintained the recycle set-up. In addition, our focus on safety has been strengthened in a number of areas.

To further raise the awareness of environmental issues, more information about environmental practices and behaviours was added to the introduction process for the new employees.

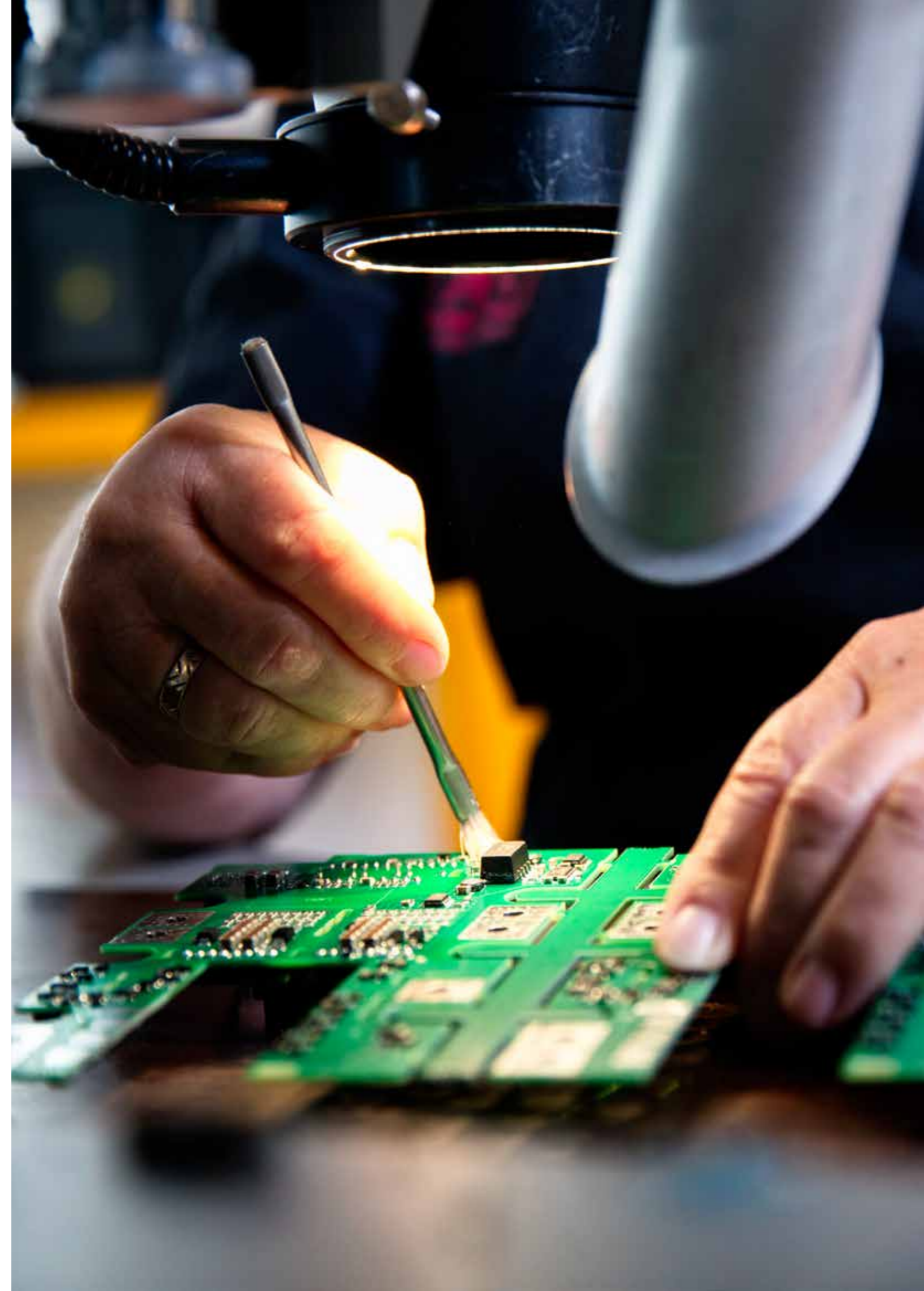
Our electronics production in DK is now RoHS (Restriction of Hazardous Substances) Compliant, which means that we produce lead-free.

New objectives

Building on previous years' experience, the focus will be on further reducing energy consumption and keeping the share of waste recycling at a high level. The targets set for 2015 are to lower the use of energy for heating and electricity by 3%. While new products are expected to be added to the portfolio, the target for recyclable waste is set at 75%.

75%

We have exceeded our target of recycling 75% of our waste



Feature story:

Giving older wind turbines a new lease on life

Since its infancy in the 1970s, the wind industry has been innovating to build larger, more effective and reliable turbines. The aim at every step of the way has been to lower the cost of producing clean, renewable energy.

Today, in many markets around the world, onshore wind has already become competitive with or even cheaper than fossil fuels and other energy forms. Offshore wind remains more costly due to the particular challenges at sea, but both at sea and on land, the cost of electricity from wind continues to become ever cheaper.

Innovation in wind power, however, is not solely about developing new turbines. It is also about making the most of the thousands of turbines already installed globally.

Retrofitting the control system in older turbines

In Europe, around 25 per cent of the wind power capacity comes from turbines that are more than 10 years old. This vast fleet of turbines holds a great potential for improvement for the latter part of their lifetime.

KK Wind Solutions' specializes in the electrical system in turbines, where rapid developments in electronics and control systems mean that technology today is much more advanced and reliable than a decade ago. That makes changing the original equipment in older turbines with modern technology – known as retrofit – a path to more power and lower costs.

“The advantages of replacing the original control system with the latest generation technology are two-fold: Firstly, the turbine will run more reliably, producing electricity for more hours every year. And secondly, it will harvest the power of the wind more effectively when it does run. Combined, this boosts power output, helping reduce the cost of electricity for us all,” says Thomas Ballegaard, Chief Sales Officer at KK Wind Solutions.

A new control system outperforms the original technology in a number of ways. With better and more accurate control, the turbine can convert more of the wind available to into electricity. At the same time, the turbine's components will be better protected in the harsh environment on site – caused by turbulence in the wind, for instance – which might otherwise cause the turbine to fail.

Making the most of better data

A modern control system also provides the turbine owner with another key advantage: significantly better access to data from the wind turbine. This can include a SCADA (supervisory control and data acquisition) system, which makes it possible for an engineer or a service technician to tap into the data they need to improve the turbine's performance

“The turbine owner will be able to pinpoint the root cause of a problem that occurs repeatedly. Also, the service team can monitor any irregularities and be able to replace a part before it fails, greatly reducing the amount of hours that the turbine stands still,” explains Ballegaard.

Combined, the improved availability and power production mean that retrofitting a wind turbine's control system is often a sound, financial decision for the owner – and a sustainable way to get the maximum amount of clean energy from turbines already spinning across the globe.

Learn more at kkwindsolutions.com/retrofit



Operations in joint venture in China

In China, KK Wind Solutions operates through a joint venture collaboration with Qianwei, part of the CSIC group. The company, Chongqing kk-Qianwei Windpower Equipment Co.,Ltd. (kk-Qianwei), produces wind turbine control systems and well as offering testing and a commissioning service to customers in the wind industry.



Human Rights

Suppliers

By signing the UN Global Compact principles with component suppliers, kk-Qianwei has included a set of actions in regard to the following issues: Human rights, Labour rights, Occupational Health & Safety and Anti-corruption. An annual internal audit examines if there are any violations of the policies stated. As part of the CSR action plan, kk-Qianwei has added a policy for non-use of child labour into the supplier audit and now ask that suppliers provide the age range of their employees.

Furthermore, the procurement department has visited seven new suppliers with a view to investigating the suppliers' performance in relation to CSR.

Anti-Corruption

During the reporting period, the relation with government authorities has been strengthened, helping to avoid potential corruptive events. Anti-corruption policies are stated in the staff manual and training is provided for the related high-risk positions such as procurement and finance.

Before signing any contract with suppliers, a Supplier UN Global Compact is signed, covering the following principle: Businesses should work against all forms of corruption, including extortion and bribery.

Health and Safety

No accidents involving employees have occurred during the reporting period, and kk-Qianwei works concertedly to ensure the company operates to a high level of health and safety. To improve working conditions in production, lifting equipment has been purchased to reduce the need for heavy, manual lifts. Machinery is kept in a safe working condition, and a safety specialist is available for frequent inspections. Safety training is carried out for each new operator of machinery. All necessary safety equipment, including shoes, safety helmets, gloves and clothes are provided for service technicians, who are also required to go through a safety check list before climbing each turbine tower. Finally, an emergency response programme is implemented, and two emergency drills have been carried out in the past year.



Employees

Through a number of CSR activities, kk-Qianwei has succeeded in maintaining a good relationship with employees, leading to a reduced staff turnover rate in the past year.

Recruiting

According to company policies, kk-Qianwei's main selection criteria when recruiting must be the applicant's personal ability, education background and working experience. It is explicitly stated that the company is against any discrimination on the basis of gender, age and minority group.

Compensation

According to the kk-Qianwei's compensation system, the salary criterion must be the same for employees holding similar positions. For promotions, the company takes into consideration only the employees' working competency, seniority and the job requirement. More than 30% of the members of management are women.

Education

All new employees have been educated in the company's principles and regulations. Further a number of employees have been educated in internal audit practices. All employees of the company have participated in fire-fighting training.

Labour Rights

A health and safety supervisor has been appointed, in charge of health and safety inspections and assisting in settling grievances. Furthermore, kk-Qianwei plans to recruit an additional professional EHS supervisor in order to strengthen EHS related works in 2015. In addition, a physical examination has been arranged for all employees during the reporting period.



Environment

The company produces no hazardous substances. However, the company continuously strives to reduce its impacts on the surroundings by recycling via licensed recycling companies of e.g. copper scrap, wood packaging materials etc.

In the past year, the production setup has been optimised and products redesigned leading to a reduction of component consumption in a number of areas. Furthermore, energy consumption was reduced by limited the running time of air conditioners.

No environmental incidents have occurred during the reporting period.

About Chongqing kk-Qianwei Windpower Equipment Co.,Ltd.

The company was established in 2008. It is located in the High-tech Industrial Park in Chongqing, China and employs more than 150 people.



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