

NKT FLEXIBLES

NKT Flexibles' customers are leading international companies with high demands regarding safety, quality and environment. We are proud of our reliability, product quality and environmental management

We supply flexible subsea pipe systems for recovering oil and natural gas reserves in demanding offshore conditions and for transporting water and chemicals in coastal waters all around the world. It is natural that we are focused on the quality and environmental performance of our products and their method of manufacture.

Last year, we introduced a Code of Business Ethics defining how we as a company wish to conduct our business responsibly both internally and in relation to external stakeholders. We set a series of goals for awareness across the organization in order to create a higher degree of knowledge at senior levels and they have been accomplished. We believe that in the future the Code of Business Ethics will strengthen the company vis-à-vis our customers and partners.

This year, we have focused on the concept of Transparency in our dealings. Arising in part from the added focus on agents' fees, NKT Flexibles is turning towards a strategy of responsible transparency where the need of confidentiality in business is tempered by a transparency whenever possible. Two cases in particular illustrate the value of transparency: the case of falsified Certificates of Conformity from Special Forged Products (SFP) and the award of the 9.7-billion DKK Frame Agreement II with Brazilian oil company Petrobras.

In the falsification case, our transparency strategy went both ways. We provided as much information as possible for all potentially affected clients. In our meetings with SFP owners SSG, we insisted on the same openness in order to get to the bottom of the case. The result was an investigation which in only

five months revealed that the falsifications, while serious, had not resulted in any circumstances which necessitated a shut-down of operations or reinstallation of flexible pipe systems.

With regards to Petrobras, our openness resulted in a much closer relationship and respectively a better contract than anticipated. Petrobras made it clear to our team of negotiators that our approach was a welcome change from many other companies.

Transparency makes demands on everybody involved, but two facts make it possible for us to take this approach and profit from it. First, as a supplier to the oil and gas industry, we partner with some of the world's leading corporations as well as many small and medium-sized companies in the customer segment and the supply chain – all clients which focus on quality and safety to appreciate open and honest communication. And second, as supplier of highly processed, technically complex industrial products to the international market we are characterized by a dedicated, highly-skilled workforce, a workforce which can handle a high level of communication and act independently on it in the best interest of the Company.

It is by continuing the approach of transparent partnership, and clear communication, and a constant focus on UN Global Compact principles that NKT Flexibles will continue our growth in Denmark and begin our new venture in Brazil.

Brøndby, Denmark, 13 October 2011
Michael C. Hjorth
 CEO, NKT Flexibles



MICHAEL C. HJORTH

CEO
 NKT Flexibles I/S

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HUMAN AND EMPLOYEE RIGHTS

As part of the Frame Agreement with Petrobras, we are to open a production plant in Brazil in 2013, staffed mainly by a local workforce. Opening a factory across the globe in a culture significantly different from your own necessitates great care in terms of defining and adhering to human and employee rights.

In order to make sure the yet-to-be-named plant is run in accordance with all regulations and good business practices, we are concentrating our efforts on hiring local HR personnel, thus combining our visions for good labour practice with a native understanding of local customs and regulations.

GOALS: HUMAN AND EMPLOYEE RIGHTS

Management and staff

Goal: 30.06.10

All employees are to be acquainted with the principles of NKT Flexibles' Code of Business Ethics

Actions

Status



New Goal: 30.06.12

All white collar employees are continuously made aware of the principles of NKT Flexibles' Code of Business Ethics

Actions

All white collar employees are to address the contents of the Code of Business Ethics

Work accidents

Goal: 31.12.11

15% reduction of serious HSE incidents compared with 2009

Actions

Ongoing improvements to work processes. All accidents are analysed very thoroughly and a high effort is being put into preventing reoccurrence.

Status as of 30.06.11

The number of accidents is very low, so even one accident will have a dramatic effect on the injury frequency. 2010 is on par with the registered 2009 level.

Procurement

Goal: 31.12.11

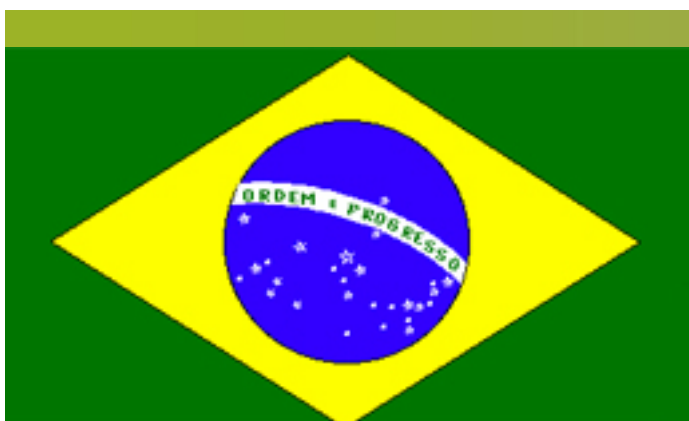
80% of procurement above 50,000 EUR in value is to be supplied by partners who have agreed to abide by the principles of the UNGC

Actions

The principles of the UNGC or similar will be embodied in the formulation of supplier contracts

Status as of 30.06.11

All suppliers have adhered to the UNGC.



CODE OF ETHICS IN CROSS-CULTURAL TRAINING

With the establishment of NKT Flexibles do Brasil, we are faced with the challenge of introducing up to 300 Brazilian colleagues to a new corporate culture while maintaining focus on the aspects of Brazilian culture that have helped Brazil prosper. Part of the challenge is to establish a set of absolute rules while keeping everybody respectful towards each others differences. By maintaining focus on cultural differences while staying true to the Code of Ethics, we are set to enjoy the best of both worlds.

New goal: 31.12.12

UNGC compliance to be incorporated in all supplier audits

Actions

Supplier and auditors will be given common guidelines to ensure documentable compliance

Accomplished 

Partly accomplished 

Not accomplished 

ENVIRONMENT

As a player in the oil and gas industry a dedicated focus to the environment is expected. NKT Flexibles wishes to help set the standard for protecting the environment, ensuring safe and healthy working conditions, and establishing expectations to the supply chain with regards to environmental responsibility.

As a part of NKT Flexibles' constant efforts for a minimum impact on the environment and personnel related to our operations, the company holds an ISO 14001 environmental certification and an OHSAS 18001 certification for occupational health. The core of these certifications is a baseline requirement for committed and structured work with continuous improvements. Therefore, NKT Flexibles is constantly balancing its operations and products against minimizing risk to environment and personnel.

One key element in this work is the commitment from all employees.

In 2011, NKT Flexibles launched an initiative to keep up the momentum, known as "Be a professional". Everybody in an organization strives to be perceived as a professional. By shifting focus from priority discussions to what it means to be a professional, it becomes much easier to agree that a professional naturally meets all targets such as a deadline, without any impact on environment or personnel.

The key elements here are proactiveness, experience sharing and open dialogue. Through the year 2011 all managers and selected key personnel have been trained in tools and attended inspirational sessions to obtain a deeper, common understanding of professionalism in the context of NKT Flexibles.

This shift in focus from top-driven safety and environmental initiatives to mobilizing a larger part of the workforce has paid off in numerous improvements, both large and small. These range from reduction in electric power consumption through to reduced material usage and reduction in the number of safety-related incidents.

Beyond internal efforts, NKT Flexibles also focuses on product development that will reduce the risk of catastrophic failures. One of our latest landmarks is the use of integrated fiber optics in the flexible pipe. By measuring minute changes in temperature and stress, the optic fibers will help clients keep their flexible pipe systems operative by discovering problems before they turn into potential disasters. And in addition to preventing incidents, using fiber optics will provide more accurate readings of the general state of the pipe, which in most cases will extend the pipe's operating lifespan.

GOALS: ENVIRONMENT

Energy for heating

Goal: 30.06.12

10% reduction compared with 2009 report (adjusted for expansion of production and storage area)

Actions

Activity-based control system for air exchange system implemented

Status pr. 30.06.11

A 2% reduction has been registered in the period.



OPTIMIZING THE PEX PROCESS

Traditionally, the PEX process is an extremely energy-consuming two-step process in which the sheath is first extruded and then, in a separate process, cross-linked to the pipe using enormous amounts of steam. We have developed a considerably more cost-effective and environmentally friendly method where we not only extrude and cross-link in a single process, but also heat the pipe using infrared radiation. This is also a clear signal to the market about our commitment to being as environmentally friendly as possible.

Energy for production processes

Goal: 30.06.12

10% reduction compared with 2009 report (relative to output volume)

Actions

Intelligent lighting system and activity-based control system for air exchange system implemented. Continuous reduction of consumption of engine cooling and control cabinets for machines

Status pr. 30.06.11

A 18% reduction has been registered in the period.

Water consumption

Goal: 30.06.12

10% reduction compared with 2009 report (relative to output volume)

Actions

Reuse of process water and water for hydrostatic pressure test

Status pr. 30.06.10

A 13% reduction has been registered in the period.

ANTI-CORRUPTION

As a company, NKT Flexibles is an integral part of the surrounding community. A significant number of employees are engaged directly in external activities and relations, and our company form the basis for many other jobs in companies and institutions with which we do business. In the light of the social importance of our activities we have a special responsibility to run the company on a healthy and sustainable basis within the framework established by the community.

We see corruption as a major challenge across the board, as in some areas it is an almost integral part of doing business. As a globally active company we operate in parts of the world where corruption and payment for furthering personal interests is virtually non-existing, and in parts of the world where such practice is a regular occurrence.

We wish to reduce the negative effect that corruption has on fair competition. Corruption distorts healthy competition in which technology, quality, price and supply constitute the primary decision-making parameters. Furthermore, corruption is by its very nature a hidden activity and, therefore, runs counter to our ideas on conducting business as transparently as possible.

Last but certainly not least, corruption invariably leads to a wrongful distribution of resources, and as corruption is particularly prevalent in poor societies, the effect of this corruption is even worse. Corruption is, therefore, a barrier to the development of a stable global society.

GOALS: ANTI-CORRUPTION

Agent fees

Goal: 30.06.10

Overview of fee amount and size.
Guidelines for agents to be defined

Actions

Status



Management and staff

Goal: 31.12.10

All employees are to be acquainted with the principles of NKT Flexibles' Code of Business Ethics

Actions

Status



New Goal: 30.06.12

All white collar workers are to be continuously acquainted with the principles of NKT Flexibles' Code of Business Ethics

Actions

All white collar workers are to address the contents of the Code of Business Ethics

Accomplished **Partly accomplished** **Not accomplished**

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