

Corporate Social Responsibility Report 2012

“We are on the right course; however, we still have much to learn and areas to improve. Our work within the field of CSR is an on-going journey, and we will do our utmost to continuously establish a strengthened CSR platform”.
CEO, Steffen Busk Jespersen

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FOREWORD – BY OUR CEO

In December 2011, we established our Group Corporate Social Responsibility function. By establishing an independent Group CSR function, we intend to emphasise our commitment towards working strategically with CSR, ensuring that we meet legal requirements as well as our own and stakeholders' expectations.

Despite the challenging market conditions, our commitment to CSR remains strong. Thus, we started the year of 2012 by publishing and implementing our new group CSR policy.

We believe that responsible business behaviour will continue to gain momentum on the global agenda, and we expect to continuously improve our work within the field of CSR, as an integrated part of our business. Throughout the coming year, we expect to further strengthen the foundation for our work with CSR, and one of our major focus areas will be the implementation and global roll out of our group Code of Conduct.

We are on the right course; however, we still have much to learn and areas to improve. Our work within the field of CSR is an on-going journey, and we will do our utmost to continuously establish a strengthened CSR platform.

By this report, we intend to provide an open insight to the progress we have made as well as the challenges we are faced with related to our work with corporate social responsibility.

Steffen Busk Jespersen

CEO, AH Industries A/S

ABOUT THE REPORT

This report is part of Management's Review in our annual report, and refers to the year of 01.01.2012 – 31.12.2012. The report encompasses data from the companies of AH Industries Holding A/S.

This is the first report of its kind within AH Industries, for which reason, the report will include information on our CSR work up until now. The reasoning behind this decision is to provide a coherent and overall picture of our CSR work. Furthermore, such information is included in this report, as foundation for complying with the information requirements of The Danish Financial Statements Act.

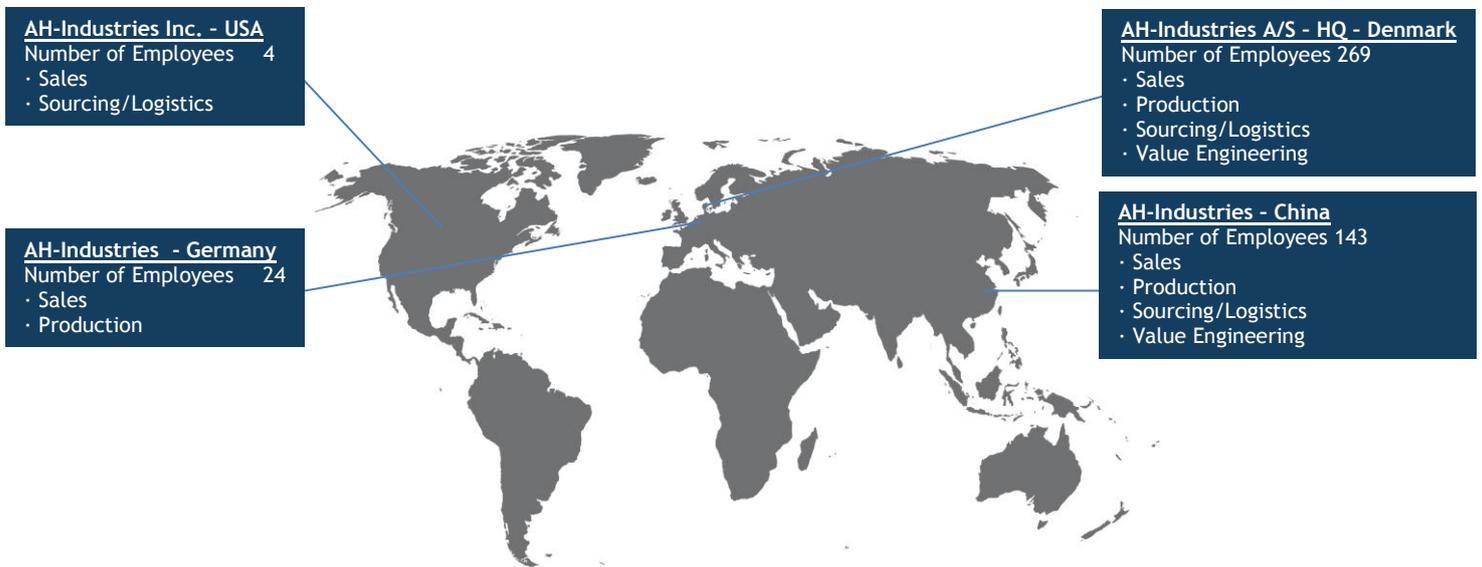
The report is based on data, which has been collected through our Group HR/HSE system as well as through a CSR survey answered by the above mentioned companies. During the last couple of years, AH Industries has experienced a development from being a Danish company towards being a global multi-site organisation. Such organisational development poses challenges related to data management, especially within the field of CSR, and we are increasingly working on a strengthened data management program combining quantitative and qualitative data. The data foundation for this report is predominantly qualitative.

At AH Industries, CSR means setting a good example. We know that AH Industries has a significant impact on business partners, employees, owners, the environment and society. This report is part of our related responsibility to communicate openly about our CSR effort to our stakeholders.

ORGANISATIONAL FACTS

AH Industries is geographically located in Denmark, Germany, USA, and China. Our organisational activities cover the areas of; Head Office functions, Sales, Production, Sourcing/Logistics, and Value engineering. As of 31.12.2012 we employ a total of 441 employees, globally.

The below chart presents a factual overview.



OUR FOUNDATION FOR WORKING WITH CORPORATE SOCIAL RESPONSIBILITY

In December 2011, the Corporate Social Responsibility function was established. Prior to the employment of our first CSR Manager, our Human Resource department, including HSE Support, was responsible for our CSR agenda. The purpose of the new set up, with an individual CSR department, consisting of a CSR Manager and HSE support, is to emphasise the importance of CSR as an integral part of our business. Moreover, our organisational setup integrates our group functions of CSR, HSE, and Compliance within our main Group department of People, Communication & Compliance.

The foundation for our business integrated approach to CSR takes root in our group CSR policy. The purpose of the policy is to communicate AH Industries' understanding of and opinion on CSR and to ensure for this to be reflected at all levels of the organisation as well as with the organisation's relation with society and stakeholders. The CSR policy encompasses these four main topics: Employees, Environment, Suppliers, and Diversity.

CSR Policy, focus areas

Employees – *We work to secure our employees a safe and healthy working environment proactively preventing industrial injuries and work related injuries.*

Environment – *We have an active environmental policy and continuously initiate energy and environmental improvements. Simultaneously we work to prevent pollution and other environmental hazards from our production facilities.*

Suppliers – *We secure safety in our supply chain by demanding of our suppliers that they act in compliance with UN Global Compact through our Code of Conduct.*

Diversity - *We are a diverse workplace with room for all types of employees no matter sex, religion, ethnic/social background, political view, age or sexual orientation. Being a diverse workplace also means that we hire disabled people and people with reduced ability to work.*

The CSR policy is put into practice mainly through our group policies; Occupational Health and Safety policy, our Environment policy, and our Code of Conduct. These policies are summed up below.

Occupational Health and Safety Policy – *AH Industries considers a well-functioning work environment to be an important prerequisite to achieve a good result for our organisation as well as for our employees. This is why we prioritise our employees' safety, health, and well-being. Our Occupational Health and Safety organisation, which is represented both by Managers and employees, work continuously to ensure a healthy and safe working environment for our employees, through a proactive work environment effort. At AH Industries our employees represent a mix of cultures, and we implement the different opinions and attitudes towards improving our physical and psychological work environment in order to reduce the level of sickness absence. Moreover, we strive to maintain and make room for employees, who due to illness, physical, psychological, or social reasons are not able to perform in their previous position. We educate and motivate our employees to actively take part in the occupational health and safety work and responsibility.*

The Occupational Health and Safety policy is supported by the following objectives:

- *Sickness absence at maximum 3.3 percent*
- *Number of accidents is annually reduced by 50 %, while striving for our ultimate goal of zero accidents*
- *A minimum of 200 registered nearby misses*

Environment Policy – *As a minimum, AH Industries lives up to local environmental legislation, and we expect the same of our suppliers. We have an environmental committee, represented by Managers and employees, who work to ensure continuous improvements through a structured environment action-plan. In other words, we take precautionary measures to control and prevent risk for accidents, pollution and other environmental strain caused by our production facilities. Moreover, the environmental committee is responsible for identifying and implementing a minimum of two major environmental improvements each year. All employees at AH Industries are introduced to the Environmental policy and are involved in the environmental work whenever it is found relevant. Openness and a will to cooperate is expected and exhibited at all enquiries regarding environmental considerations related to our products or production facilities.*

By 2012, all AH Industries companies, globally, have been certified according to OHSAS 18001 (Occupational Health and Safety Standard) as well as to ISO 14001 (Environmental Standard). In other words, this means that we, as an integrated part of our CSR effort and in accordance with our existing global ISO 9001 certification of our Management system, have achieved to establish and implement a well-functioning global HSE organisation.

At AH Industries, evaluations regarding environment and occupational health and safety are, as far as possible, included equally to other evaluations and considerations in the foundation for major decisions, investments and expansions.

Code of Conduct

Lastly, our requirements and expectations regarding our own behaviour as well as the behaviour of business partners are stated in our group Code of Conduct. Our Code of Conduct is composed with inspiration from UN Global Compact¹, UN's Universal Declaration on Human Rights and the conventions of the International Labour Organization (ILO). The Code of Conduct encompasses the following main topics:

- *Child labour*
- *Pay and working hours*
- *Discrimination*
- *Coercion and harassment*
- *Forced labour*
- *The working environment*
- *Freedom of association*
- *The environment*
- *The fight against corruption*
- *Supply chain security*

¹ AH Industries has not officially joined UN Global Compact

At AH Industries, our CSR goal is for all employees and suppliers to act in accordance with our Code of Conduct.

Why work with CSR?

AH Industries regards CSR as an important part of our business and day-to-day activities, as do our business environment and stakeholders, by whom we are increasingly met with requirements regarding our CSR engagement. Therefore, at AH Industries, our business integrated approach to CSR is regarded as an opportunity to create shared value; meaning value for AH Industries, our stakeholders as well as for society.

In our opinion, the advantages of a business integrated approach to CSR are many. Listed below are, what we consider to be, some of the most significant advantages.

- Risk management related to both social, environmental, and financial perspectives
- Meeting demands from stakeholders and gaining strengthened competitiveness
- Strengthened image and reputation as being a responsible company
- Cost savings

At the following pages, the report presents how we work with CSR, structured after the topics from our CSR policy. Each main section will present a brief introduction covering our main focus, followed by specific cases at group level as well as by our local units. Lastly, each section presents our identified future focus areas.

EMPLOYEES AND DIVERSITY

Our focus

AH Industries is an organisation with room for differences, and issues such as gender, nationality, and religion do not affect our recruitment of employees. Moreover, we prioritise to make room for employees on flexible jobs for people with a reduced ability to work.

Our effort within this area is mainly put into action within the framework of our OHSAS 18001 certified Occupational Health and Safety management system.

At AH industries we prioritise to communicate our responsibilities to our employees. Therefore, all new employees, both blue collar and white collar workers, take part in mandatory introductory courses encompassing an introduction to HSE. The HSE introduction covers our Occupational Health and Safety policy, our Environment policy and the related HSE organisational set-up, working to make sure that we, as a minimum, meet all legislative requirements and standards.

In addition to the above, we also place great emphasis on employee development as part of achieving an effective workforce. Therefore, all employees at all units globally have an annual staff development interview with their manager.

Moreover, an annual employee satisfaction survey is conducted at all units, globally. The results of this study is followed by a process, where all departments work attentively to improve identified focus areas, while also maintaining a continued effort within already successful areas. The purpose of such a study is to establish a foundation for continued development, ensuring for all departments to function effectively, leading to improved employee satisfaction and thereby a balanced and effective workplace.

Emphasised cases from 2012

Enhanced focus on safety

At group level, much focus has been placed on the topic of safety as a means to avoid work accidents. This focus has led to a review and update of our Occupational Health and Safety policy within the area of work accidents and registration of near misses. Our Occupational Health and Safety policy is now supported by the following goals:

- *Sickness absence of maximum 3.3 percent*
- *While striving for our ultimate goal of zero work accidents, we will reduce our number of work accidents with 50 percent each year, measured in accident frequency²*
- *A minimum of 200 registrations of near misses, annually³. This activity is explained in more detail in the following section.*

In 2012, our sickness absence is measured to 2.2 percent, at group level.

² This goal is reported on at the annual reporting of 2013

³ This goal is reported on at the annual reporting of 2013

At group level, all units have focus on registration of near misses as an important activity, from which we can learn much about safety and thereby prevent actual work accidents. More specifically, such a strategic follow-up structure for registration of near misses means that our employees identify potential risks and implement solutions before the risk cause an actual accident. Already, our units in Germany, Denmark, and USA have implemented a strategic follow-up structure for registration of near misses, and our unit in China is well on their way to implement a similar follow-up structure.

Our American unit has implemented a Rewards Program for accident free quarters, in order to increase employees' focus on safety.

Our Danish unit has conducted an employee survey on attitudes towards safety and causes of accidents. The survey was followed by an awareness campaign encouraging employees to be more aware of their own and co-workers' safety. The campaign is planned to run for a minimum of six months. Already during the first three months of the campaign, counting October to December, we are able to identify a positive development. On average, the number of accidents with absence has decreased and the number of registered near misses has increased. Unfortunately, the number of accidents with no absence has increased somewhat as well. Nonetheless, we do expect of the total campaign period to have a positive effect on all three parameters.

Introduction courses

In Denmark and USA, our units have locally expanded the introduction program for white collar workers, to also encompass an introduction to CSR.

Future focus areas

With reference to our Occupational Health and Safety policy and our Occupational Health and Safety management system, our goal at group level is as follow:

- *Sickness absence of maximum 3.3 percent*
- *While striving for our ultimate goal of zero work accidents, we will reduce our number of work accidents with 50 percent each year, measured in accident frequency*
- *A minimum of 200 registrations of near misses, annually*

Our Chinese unit will implement a strategic follow-up procedure for registration of near misses.

At group level, we will strengthen our focus on introductory courses encompassing information on HSE for all new employees as well as information on CSR for all new white collar employees, globally.

ENVIRONMENT

Our focus

Our organisation has two main business areas consisting of Industrial solutions and Wind solution. As a solutions partner within the wind turbine industry, we take natural interest in the environment and particularly the development within renewable energy. With reference to our Environment policy and our ISO 14001 certified Environmental management system, it is our goal to implement a minimum of two major environmental improvements each year.

During 2012, our environmental work has primarily been focused towards optimisation of our buildings and logistics. Our main activities have revolved around fuel, energy, and heating consumption as well as chemical management.

As will be illustrated below, we have managed to exceed our goal of implementing two major environmental improvements.

Emphasised cases from 2012

Lowering energy and heating consumption

At our units in Denmark and China, lowering the heating consumption as an opportunity for energy optimisation has been at focus. More specifically, these production units have had a total of three new gates implemented. These gates significantly reduce temperature variation inside the production facility, leading to noteworthy energy optimisation. It is estimated that the investment is earned back within two years.

At our units in China and Germany, low energy light sources have been installed. It is estimated that this investment is earned back within two years.

Chemical and waste management

All units manage chemicals by legislative requirements as a minimum. Additionally, at our Danish unit, a new software program for registration and management of chemicals has been purchased and at our Chinese unit, they have also improved their administrative management of chemicals. It is the expectation, that such initiatives will enable a better overview and workflow related to our management of chemicals.

At our Chinese unit, a new chemical warehouse for chemicals, raw materials, and waste has been built. The new warehouse enables correct and environmentally responsible storage of chemicals, oil, and waste, minimising potential risk of polluting the ground.

Moreover, our Chinese unit has arranged a training course on waste oil knowledge for all employees involved in the daily management of waste oil.

Optimisation of logistic

The majority of our flange production from a Danish production unit has been moved to our production unit in Germany. The purpose of this relocation of production is to bring the production of flanges closer to suppliers and customers and thereby reduce fuel consumption, leading to a reduction of fuel related Co2 emissions.

Future focus areas

With reference to our Environment policy and Environmental management system, it is our goal to implement a minimum of two major environmental improvements annually, at group level.

Also at group level, it is our ambition to improve our data management program in order to be able to monitor environmentally relevant parameters for all units, globally. It is the expectation that an improved data management setup, allowing data monitoring of all units more consistently, is able to generate a more strategic foundation for our continuous environmental effort, including goals related to reductions.

For our Danish units, it is the ambition that the implementation of the recently purchased software for chemical management is fully implemented and completed by the end of 2013.

SUPPLIERS

Our focus

Throughout the last couple of years, we have developed towards being extensively more global, with both group units as well as business partners located all over the world. Such organisational development furthers the need for operating within the same set of guidelines as a shared framework for responsible business conduct and ethical behaviour.

As a fundamental part of our responsibility within the area of responsible supplier management, AH Industries has produced a group Code of Conduct. We see it as our responsibility to ensure that our suppliers operate in accordance with our standards. Therefore, our Code of Conduct sets out what we expect of our self as well as of our suppliers. In natural continuation of the production of our Code of Conduct, a roll out and implementation process was planned and initiated.

Emphasised cases from 2012

Local implementation of Code of Conduct

At our Chinese unit, a local implementation process has been initiated, and 40 suppliers have already signed the group Code of Conduct.

Future focus areas

At group level, one of our major focus areas during 2013 will be a global roll-out and implementation of our group Code of Conduct. Unquestionably, this focus area is extensive and requires investment and prioritisation of many resources.

Moreover, when engaging with this focus area, we automatically engage in the global debate about; “how far does an organisation’s responsibility go?” At AH Industries, we have scoped our responsibility to encompass our first tier of suppliers. However, this level of direct responsibility is scoped while still encouraging our first tier of suppliers to guarantee that their subcontractors also live up to AH Industries’ Code of Conduct.

FINAL WORDS

This report, has presented AH Industries' foundation for and understanding of CSR as well as the development we have experienced within this field. Moreover, the report has presented the most significant processes and results realised throughout the year of 2012. Lastly, the report presented new focus areas and goals within the field of CSR, which we at AH Industries will do our utmost to fulfil.