

AH Industries

Corporate Social Responsibility Report 2015



At AH Industries we set high standards for responsible business behavior and we expect the same of suppliers. As of 2013, AH Industries is a UN Global Compact participant and supports the ten principles within Human Rights, Labor, Environment, and Anti-corruption.

Content

| | |
|-----------------------------------------------------------------------------------|----|
| Foreword – By our CEO | 2 |
| About the Report..... | 3 |
| Organisational Facts | 4 |
| Our Foundation for Corporate Social Responsibility..... | 6 |
| Our Understanding of Corporate Social Responsibility..... | 6 |
| Corporate Social Responsibility Policy..... | 7 |
| Code of Conduct | 8 |
| Group Risk Assessment | 8 |
| Corporate Social Responsibility Reporting 2015 | 9 |
| Business Ethics – In Practice | 10 |
| Business Ethics – Group Objectives and Progress | 10 |
| Business Ethics – Future Focus | 11 |
| Diversity, Development and Equal Opportunity – In Practice..... | 12 |
| Diversity, Development and Equal Opportunity – Group Objectives and Progress..... | 13 |
| Diversity, Development and Equal Opportunity – Future Focus..... | 14 |
| Health and Safety – In Practice..... | 15 |
| Health and Safety – Group Objectives and Progress..... | 16 |
| Health and Safety – Future Focus..... | 17 |
| Environment and Climate – In Practice | 18 |
| Environment and Climate – Group Objectives and Progress | 19 |
| Environment and Climate – Future Focus | 20 |
| Responsible Supplier Management – In Practice | 21 |
| Responsible Supplier Management – Group Objectives and Progress..... | 21 |
| Responsible Supplier Management – Future Focus..... | 22 |
| UN Global Compact – COP Specific Overview | 23 |
| Overview of Standard Disclosures and Indicators (GRI4)..... | 23 |

Foreword – By our CEO

At AH Industries, 2015 has been a year characterized by our continued aspiration to create a focused professional organization.

We have in the course of 2015 pulled out of our Tower & Foundation Business in Leipzig and we are pleased, that our former colleagues continue the business as owners. This is of value for both the customers and the employees.

2015 was thus the year, where we finalized all the major projects to create a cost leadership combined with a focused market approach through four business units which have individual customer focus, but at the same time also benefit from synergies in-between.

In respect of our values Responsible, Proactive and Teamwork we have integrated these corporate values as well as our Code of Conduct in the Employee Development Dialogue (EDD). Combined with changes in the Management Team, AH Industries stands stronger and more focused than before. Management expects to see improvements in the results in the years to come.

August 2013, we signed the UN Global Compact and thereby officially support the 10 principles within Human Rights, Labour, Environment and Anti-corruption. UN Global Compact serves as our mainframe for our work with Corporate Social Responsibility (CSR), anchored with our CSR policy. Working dedicatedly with CSR is important for our core business at AH Industries as well as for our stakeholders. During 2015, we have worked to further develop our CSR work by strengthening the implementation of CSR with core business processes, activities and culture.

In the following, I will take the opportunity to emphasize some of the CSR highlights from 2015

- Revision and adjustment of CSR policy to ensure materiality and continued guidance
- Revision and adjustment of our Code of Conduct, strengthening focus on Business Ethics
- Implementation of Code of Conduct with Employee Development Dialogue
- Group Risk Assessment, ensuring management of most material risks

By this report I reaffirm AH Industries continued support of the ten business principles of the UN Global Compact in the areas of Human Rights, Labour Standards, Environment, and Anti-corruption. We describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

We intend to provide an open insight to the progress we have made as well as the challenges we face related to our work with corporate social responsibility.

Each day we do our best to earn our position as a sustainable business partner.

Knud Andersen
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 01.01.2015 – 31.12.2015. The report encompasses data from the companies of AH Industries Holding A/S¹.

This is the fourth report of its kind at AH Industries. The report is based on data, which has been collected through our group CSR&HSE data platform.

August 2013, AH Industries signed the UN Global Compact. Our signing to the UN Global Compact officially states our support to the ten principles within Human Rights, Labour Standards, Environment and Anti-corruption. Thus, this report also serves as our Communication on Progress Report (COP Report). An overview of primary COP elements encompassed by this CSR report is to be found at page 23.

Moreover, the report is inspired by the Global Reporting Initiative Guidelines, (GRI4), for which reason this report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

During 2013, our first systematic and foundational materiality assessment was performed with the purpose to identify the most material and relevant CSR issues for AH Industries to focus on, work with, and report on. The process of this materiality assessment is framed by the GRI4 Reporting Guidelines and founded on an analysis encompassing stakeholder expectations, internal group policies as well as the ten business principles from the UN Global Compact.

A list of Standard Disclosures and Indicators from the GRI Sustainability Reporting Guidelines is to be found at page 23 and 24. This list of Indicators encompassed by the report is furthermore cross-referenced with the ten principles of the UN Global Compact.

Annually, we review our materiality assessment. This year, the review led to an extensive update of our CSR policy, in order for the CSR policy to ensure relevance as well as continued guidance on our CSR effort.

The CSR policy encompasses the five main topics:

- Business Ethics
- Diversity, Development and Equal Opportunity
- Health and Safety
- Environment and Climate
- Responsible Supplier Management.

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.

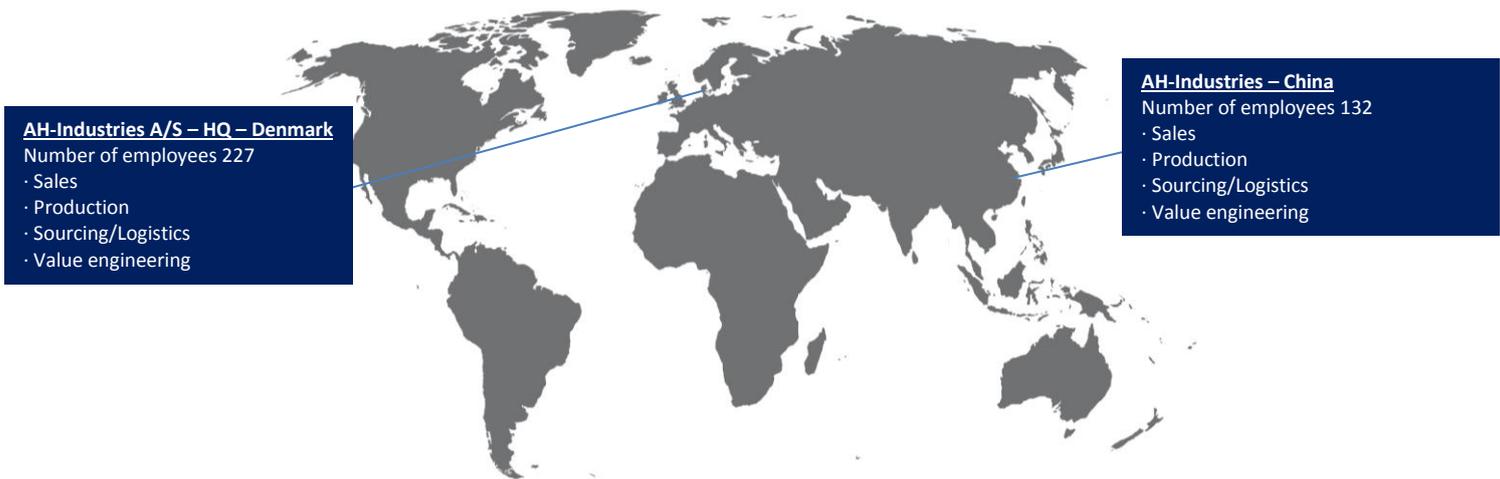
At AH Industries, it is a matter of course to comply with legislation and regulation in general, at a local, national, and global level. We have received no significant sanctions for failure to comply with laws and regulations during the reporting period.

¹ AH Industries' Business Unit in Leipzig, Germany was closed during the year, and is thus not encompassed by figures of this report.

Organisational Facts

AH Industries supply steel, metal and cast iron components, products and supply chain solutions to business areas such as the wind industry, the cement and mineral industries, the off-shore and marine industries, and the machine processing industry. Our Group is based on the Business Units, Manufacturing DK, Manufacturing CN, Site Solutions and Industrial Solutions, supported by our HQ staff functions. Geographically AH Industries is located in Denmark and China. Our organisational activities cover the areas of; Head Office functions, Sales, Production, Sourcing, Logistics, and Value engineering.

As of 31.12.2015, we employ a total of 359 employees, globally.



Gender composition at AH Industries, as of 31.12.2015.

| AH Industries, Organisation | Number | Percentage |
|---------------------------------------------------|--------|------------|
| Male | 302 | 84.12 % |
| Female | 57 | 15.88 % |
| AH Industries, Management² | | |
| | Number | Percentage |
| Male | 56 | 86.15 % |
| Female | 9 | 13.85 % |
| AH Industries Management Group³ | | |
| | Number | Percentage |
| Male | 7 | 100 % |
| Female | 0 | 0 % |
| AH Industries, Board⁴ | | |
| | Number | Percentage |
| Male | 5 | 83.3 % |
| Female | 1 | 16.7% |

² Management is defined by having employee responsibility and/or a title of Manager, Supervisor, and Director and above.

³ Management Group is CEO, CFO, Business Unit Directors, Senior KAM and HSEQ Director.

⁴ Not including staff-elected board members.

Employee turnover at AH Industries, 2015.

| Employee Hires (Group) | Age <30 | Age 30-40 | Age 40-50 | Age 50-60 | Age 60-70 | Age >70 |
|---------------------------|---------|-----------|-----------|-----------|-----------|---------|
| Female | 3 | 1 | 3 | | | |
| Male | 25 | 13 | 13 | 8 | 1 | |
| Employees Leaving (Group) | Age <30 | Age 30-40 | Age 40-50 | Age 50-60 | Age 60-70 | Age >70 |
| Female | 3 | 3 | 3 | | | |
| Male | 28 | 18 | 17 | 8 | 4 | |

| Employee turnover rate, (Group) ⁵ | 2014 | 2015 |
|----------------------------------------------|---------|---------|
| Employee turnover | 24.29 % | 21.48 % |

The following schemes illustrate the number of employee hires and employees leaving AH Industries during 2015, split geographically.

AH Industries, China - Ningbo.

| Employee Hires | Age <30 | Age 30-40 | Age 40-50 | Age 50-60 | Age 60-70 | Age >70 |
|-------------------|---------|-----------|-----------|-----------|-----------|---------|
| Female | 1 | | 1 | | | |
| Male | 14 | 3 | 1 | 1 | | |
| Employees Leaving | Age <30 | Age 30-40 | Age 40-50 | Age 50-60 | Age 60-70 | Age >70 |
| Female | 1 | 3 | | | | |
| Male | 15 | 10 | 2 | 1 | | |

AH Industries, Denmark – All DK business units and administration.

| Employee Hires | Age <30 | Age 30-40 | Age 40-50 | Age 50-60 | Age 60-70 | Age >70 |
|-------------------|---------|-----------|-----------|-----------|-----------|---------|
| Female | 2 | 1 | 2 | | | |
| Male | 11 | 10 | 12 | 7 | 1 | |
| Employees Leaving | Age <30 | Age 30-40 | Age 40-50 | Age 50-60 | Age 60-70 | Age >70 |
| Female | 2 | | 3 | | | |
| Male | 13 | 8 | 15 | 7 | 4 | |

⁵ Employee turnover rate calculation: Employees leaving during year/ total workforce by 01.01.2015 *100

Our Foundation for Corporate Social Responsibility

At AH Industries, CSR is anchored at our CSR department, with reference to our CEO. By 2013, we are a signatory of UN Global Compact, supporting, Human Rights, Labour Standards, Environment and Anti-corruption. Since 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 foundation for CSR and in accordance with our existing global ISO 9001 certification of our Management system, have established 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. 2014, all Business Units passed recertification by 3rd party auditor and during 2015 we successfully performed our standard audits, also by 3rd party.

Our Understanding of Corporate Social Responsibility

AH Industries regards CSR as an important part of our business, as do our stakeholders, who continuously increase requirements regarding our CSR engagement.



At AH Industries, CSR means to do business in a responsible manner, balancing our financial, social and environmental responsibility – also known as the Triple Bottom Line. This balance of responsibility is an integrated part of strategy and every-day activities.

We prioritize and perform responsible and ethical business conduct and have set a high standard for responsible business behaviour expected by employees, suppliers and business partners.

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

Corporate Social Responsibility Policy

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 the five main topics: **Business Ethics – Diversity, Development and Equal Opportunity – Health and Safety – Environment and Climate – Responsible Supplier Management.**

Business Ethics

We demonstrate honesty and integrity in our relations with, owners, colleagues, authorities, customers, suppliers, partners, organisations and other business relations. Our Code of Conduct contains the standards that every AH Industries employee must comply with.

Diversity, Development and Equal Opportunity

We respect Human Rights. 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 give room for employment of disabled people and people with reduced ability to work.

Health and Safety

We work to secure our employees a safe and healthy working environment, proactively preventing industrial injuries and work related injuries. No work related situations at AH Industries should expose our employees to danger or endanger their health.

Environment and Climate

We work to secure that all activities are performed with much environmental care and with a focus to continuously initiating energy and environmental improvements.

Responsible Supplier Management

We work to secure safety in our supply chain by demanding of our suppliers that they act in compliance with UN Global Compact through our Supplier Code of Conduct. If a supplier fails to comply with this we will enter into a constructive dialogue with the supplier about implementing corrective actions.

Code of Conduct

Supporting our CSR Policy, our requirements and expectations regarding our own behaviour as well as the behaviour of suppliers are stated in our Internal Code of Conduct and Supplier Code of Conduct. Both documents are composed in compliance with UN's Universal Declaration on Human Rights⁶ and the conventions of the International Labour Organization (ILO), as well as UN Global Compact.

Human Rights and Labor Standards

With root in our Internal Code of Conduct and our Supplier Code of Conduct, it is a matter of course, at AH Industries, to support and comply with internationally proclaimed Human Rights and Labour Standards. We are geographically represented through own sites and suppliers in countries where compliance with Human Rights and Labour Standards is not a given. Thus, we work actively to support and comply with Human Rights and Labour Standards both internally at AH Industries as well as through dialogue with our suppliers.

Environment

Our Internal Code of Conduct and Supplier Code of Conduct require of AH Industries and suppliers to comply with all environmental legislation to protect the environment.

Anti-Corruption

Our Internal Code of Conduct and our Supplier Code of conduct state our group policy of zero-tolerance for corruption. Thus, our Internal Code of Conduct and our Supplier Code of conduct are the basis for positive development and improvement with regard to anti-corruption.

Group Risk Assessment

Exposure to risk is part of doing business. The challenge, therefore, is to manage, control, reduce or eliminate identified risks.

During 2015, we strengthened our systematic risk management program. The purpose, and result, of the review and strengthening of the Risk Management Program ensures:

- Stronger link to strategy and business focus
- Stronger implementation with core business
- Broader and deeper employee involvement and ownership

At AH Industries, we find that an updated and active risk matrix is essential to perform risk management aimed towards our most material and factual risks. In order to maintain an updated risk matrix, we designed our risk management process as an on-going annual process, to be integrated within our management at Group level as well as Business Unit level. Our risk management process is structured around five main steps.



⁶ With reference to Danish legislation and The Danish Financial Statements Act, our Code of Conduct encompasses and communicates our respect and support of the protection of internationally proclaimed Human Rights. We will remedy violations in case we become involved in violations of human rights.

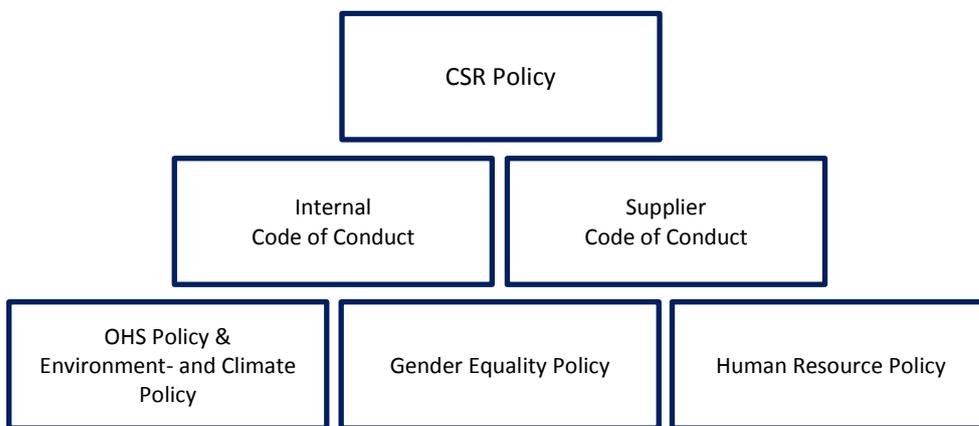
Anti-corruption risk assessment

Supporting our Group Risk Assessment we perform independent anti-corruption risk assessment. The first assessment was performed in 2013. The result was, and still is, a low risk profile. Based on the risk profile, an anti-corruption program has been implemented. The anti-corruption risk assessment is reviewed annually, and the related anti-corruption program updated accordingly. Anti-corruption activities, implemented during 2015, are explained in detail in the section on Business Ethics – Group Objective and Progress.

Corporate Social Responsibility Reporting 2015

Our CSR policy is put into practice, mainly through our Code of Conduct, Occupational Health and Safety policy, Environment- and Climate policy, Human Resource policy, and our policy on Equal Opportunity.

AH Industries’ CSR framework, aligned with UN Global Compact.



In the following sections, each of the main topics from the CSR Policy, **Business Ethics – Diversity, Development and Equal Opportunity – Health and Safety – Environment and Climate – Responsible Supplier Management** will be reported on by *Practice, Group Objectives and Progress, and Future Focus*.

Business Ethics – In Practice

AH Industries operates its business in a responsible manner and we want to contribute to sustainable development, as well as maintain and strengthen our high degree of integrity and credibility.

Good and ethical business behaviour is expected from all employees at AH Industries. Our Code of Conduct, which is an ethical set of rules, communicates what is expected of all employees in relation to ethical business behaviour and anti-corruption. Our Code of Conduct also serves as our policy on Human Rights and communicates our respect and support of the protection of internationally proclaimed Human Rights.

At the first launch of our Code of Conduct, all employees were thoroughly informed. Furthermore, employees in risk positions, e.g. sales, purchase, management, were informed in more detail on the content of the Code of Conduct specifically related to their position and area of responsibility.

Our Code of Conduct informs of a reporting guidance for reporting incidents and/or suspicion of non-compliance with the Code of Conduct.

Proactively our Business Unit in China has implemented preventive measures, to ensure continuous compliance with Human Rights and Labour standards. At our Chinese Business Unit we have no employees under the age of 18 and salary level is higher than the minimum wage stipulated by local authority. Employees can work overtime, only if they chose to do so voluntarily. Moreover, they have established an employee committee with representatives who, on behalf of all employees, discuss policies, rules or other issues with management. Lastly there is a suggestion box for employees to freely express their opinion.

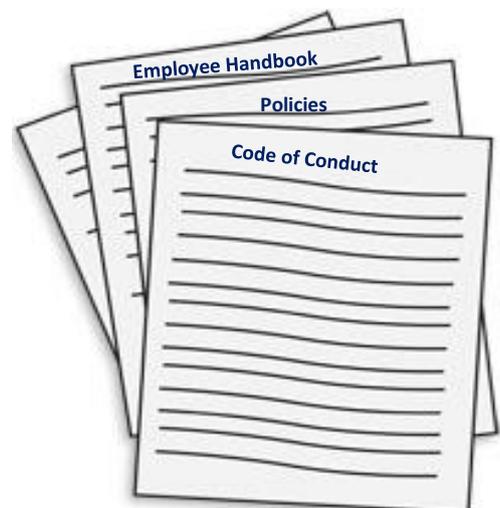
Business Ethics – Group Objectives and Progress

Our Code of Conduct is developed in respect of stakeholder requirements, including, customers, owner as well as UN Global Compact. The Code of Conduct is available in relevant languages for all employees at AH Industries. Specifically the Code of Conduct is published in English, Danish and Chinese. At all Sites, the Code of Conduct is published at platforms accessible to employees, e.g. website, Intranet, notice boards.

As a central part of the implementation of the Code of Conduct, all members of the Management Group have signed the Code of Conduct – leading the way with a good example.

Our Code of Conduct has, in Denmark, been implemented as part of a hand-out-kit of documents for new White Collar employees. These documents are further introduced at our Group Introduction Programme, also for new White Collar employees. During 2015, 13 new white collar employees participated at Group Introduction in Denmark, receiving information on Human Rights and Labours Standards, as part of the CSR introduction.

Moreover, our Code of Conduct has been implemented in our newly launched Employee Development Dialogue Tool (EDD), for all Danish employees. Specifically, as part of the preparation for this dialogue between employee and nearest Manager, the employee reads the Code of Conduct, and discuss content with the Manager. Completing the EDD the employee will sign to have read and understood the Code of Conduct.



We have appointed a Whistleblower Team and implemented a Whistleblower Service, enabling all employees and/or stakeholders to report a concern regarding potential non-compliance with our Code of Conduct. The Whistleblower Team receives and manages all reports.

In order to ensure a strong implementation and anchoring of the Whistleblower service, we launched the service together with a detailed information kit, including a Whistleblower Guideline published in English, Danish and Chinese.

Below chart illustrates development in reports of concern, filed via the Whistleblower Service.

| Reports of concern for non-compliance, filed via Whistleblower Service | 2013 | 2014 | 2015 |
|-------------------------------------------------------------------------------|-------------|-------------|-------------|
| Number of reports received | NA | NA | 0 |
| Number of reports relevant for investigation | NA | NA | 0 |

Below chart illustrates development in cases of confirmed incidents of non-compliance with our Code of Conduct (before the implementation of our Whistleblower Service).

| Non-compliance with Code of Conduct | 2013 | 2014 | 2015 |
|-----------------------------------------------|-------------|----------------|-------------|
| Confirmed non-compliance with Code of Conduct | 0 | 1 ⁷ | 0 |

As part of our annual data collection process, all sites are screened through a requirement to report on risk and preventive actions related to discrimination, forced labour, child labour, violation of employee right to exercise freedom of association and collective bargaining. At no site, is there identified risk related to any of the above areas. All sites comply with international and national legislation as well as the requirements stated in our Code of Conduct.

Below chart illustrates development in filed complaints and/or incidents regarding non-compliance with human rights and/or labour standards.

| Incidents of con-compliance with human rights and/or labour standards | 2013 | 2014 | 2015 |
|------------------------------------------------------------------------------|-------------|-------------|-------------|
| Complaints and/or incidents of human rights and/or labour standards filed | 0 | 0 | 0 |

At no point, have we been involved in complaints or cases about human rights impacts. We have had no incidents of discrimination involving employees or external stakeholders.

Business Ethics – Future Focus

With reference to our Code of Conduct, the following is reported as objective for reporting period 01.01.2016 – 31.12.2016.

- Code of Conduct to be implemented with Employee Development Dialogue Tool, for white collar employees, at AH Industries Business Unit in China
- Code of Conduct to be implemented with hand-out-kit of documents for new white collar employees, at AH Industries Business Unit in China

⁷ For explanation on the incident of non-compliance from 2014 – Please see CSR Report for 2014

Diversity, Development and Equal Opportunity – In Practice

AH Industries is a diverse workplace with room for all types of employees no matter sex, religion, ethnic/social background, political view, age or sexual orientation. 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 and/or have reduced ability to work.

During 2013, we launched a policy on Gender Equality⁸ with the purpose to further career development for men and women on an equal basis. The ambition of the owners and Board of Directors is to have a balanced gender composition.

The policy on Gender Equality focuses on Mid-level Managers⁹, as the first management level at AH Industries. The group of Mid-level Managers represent the first step of potential management development within the management levels of Mid-level Managers, Senior Managers, Directors, and the Executive Board. It is expected that a focus on management development, beginning at Mid-level Management, will have a natural effect on the gender distribution at all management levels.

AH Industries is part of an industry dominated primarily by male employees. Thus, in order to attract and develop female employees, equally qualified to male employees, and thereby obtain a more balanced gender composition, the policy is supported by the following activities¹⁰.

- Annual seminar for Mid-level Managers
- Annual evaluation of recruitment process, to ensure gender neutrality

With reference to the policy on Gender Equality, our objective is as follows:

- By 2016, the Board of Directors aim for the female board members to represent a minimum of 20 %, and by 2019 it is the aim that female board members represent a minimum of 40 %

In addition to our policy on Equal Opportunity, our Human Resource policy is our main foundation for our focus on employee well-being, satisfaction and employee development.

Our Human Resource policy is supported by the following activities.

- Employee Development Dialogue (EDD)
- Employee Satisfaction Survey
- Workplace Assessment

Every second year, odd years, employees have an Employee Development Dialogue with their manager. The purpose of this Dialogue is to follow and support the development of the individual employee.

Moreover, every second year, even years, all employees are invited to take part in an Employee Satisfaction Survey. 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 this combination and synergy between the Employee Development Dialogue and the Employee Satisfaction Survey 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. Last but not least, all sites undergo workplace assessment according to national legislation.

⁸ With reference to Danish legislation and The Danish Financial Statements Act, we have implemented a policy on Gender Equality.

⁹ Mid-level Managers are defined by title of either Manager or Supervisor.

¹⁰ The Policy on Gender Equality takes roots in Danish legislation and covers only employees employed in Denmark

Diversity, Development and Equal Opportunity – Group Objectives and Progress

With reference to the policy on Gender Equality, the following development is reported for the reporting period 01.01.2015 – 31.12.2015.

| Equal opportunity/Women in Management | 2013 Number | 2013 % | 2014 Number | 2014 % | 2015 Number | 2015 % |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------|--------|-------------|---------|-------------|---------|
| Women in Management position ¹¹ (Total number of Managers 2015, 65) | 16 | 19.8% | 9 | 13,04 % | 9 | 13.85 % |
| Women in Management group ¹² (Management Group of 7 Top Managers) | 0 | 0% | 1 | 14.29% | 0 | 0% |
| Women in Board of Directors ¹³ 2016 objective: 20% female board members 2019 objective: 40% female board members | 0 | 0% | 0 | 0% | 1 | 16,7% |

Supporting the objective of the policy on Equal Opportunity, the following activities are reported for the reporting period 01.01.2015 – 31.12.2015.

| Management Seminar | 2013 | 2014 | 2015 |
|------------------------------------------|-------------|-------------|-------------|
| Managers at Management Seminar | 9 | 8 | 11 |
| Annual evaluation of recruitment process | Completed ✓ | Completed ✓ | Completed ✓ |

With reference to our Human Resource policy, the following development is reported for the reporting period 01.01.2015 – 31.12.2015.

| Human Resource activities | 2013 | 2014 | 2015 |
|---------------------------------------------|--------------|--------------|---------------------------|
| Employee Development Dialogue | Completed ✓ | Planned 2015 | Completed ¹⁴ ✓ |
| Employee Satisfaction Survey | Planned 2014 | Completed ✓ | Planned 2016 |
| Workplace Assessment, cf. local legislation | Completed ✓ | Completed ✓ | Completed ✓ |

During 2015 we implemented a new and stronger Employee Development Dialogue Tool (EDD) in Denmark. The purpose, and result, of the new EDD Tool enables a systematic coherence in business focus and objectives from top management throughout all Business Units. Furthermore, as a central part of the tool, all managers are obligated to orient themselves on market and customer development and the requirements expected from their respective department throughout the coming years. Based on this knowledge, the manager is obligated to ensure a team of employees with competences that match the need of customer and market development. Lastly, as mentioned in the section on Business Ethics, the new EDD Tool encompasses for employees to sign to have read and understood our Code of Conduct.

¹¹ Management is defined by having employee responsibility and/or a title of Manager, Supervisor, Director and above.

¹² Management Group is CEO, CFO, Business Unit Directors Senior KAM and HSEQ Director.

¹³ Not including staff-elected board members.

¹⁴ Our EDD process has been successfully launched as planned. Due to extensive organizational changes affecting several of our Business Units, it has been decided that EDD, for some employees, is postponed to beginning of 2016 where direct references will be in place.

Diversity, Development and Equal Opportunity – Future Focus

With reference to the policy on Gender Equality, the following is reported as objective for reporting period 01.01.2016 – 31.12.2016.

- By 2016, the Board of Directors aim for the female board members to represent a minimum of 20 %, and by 2019 it is the aim that female board members represent a minimum of 40 %.

The following activities will support our objective on Equal Opportunity.

- Annual seminar for Mid-level Managers
- Annual evaluation of recruitment process, to ensure gender neutrality

With reference to our Human Resource Policy, the following is reported as objective for reporting period 01.01.2016 – 31.12.2016.

- Employee Satisfaction Survey



Health and Safety – In Practice

At AH Industries we prioritize our employees as one of our most important resources, and we consider safety to be a core issue. We believe that attention towards employee health and safety improves the quality of life of individual employees and their families to the benefit of our local societies.

Legal compliance is ensured through awareness, operational control and monitoring as well as internal audits as support of the external audits by a third party organisation.

Our activities within Health and Safety is structured mainly by our OHSAS 18001 certified Health and Safety management system, and manifested through our Health and Safety policy. The policy describes how AH Industries work to prevent industrial injuries and work-related illnesses. AH Industries and our occupational health and safety organization work proactively to ensure that no work-related situations at AH Industries expose our employees to danger or endanger their health. The risk of personal injuries or work related illnesses must be minimized and possible causes identified and eliminated through preventive actions. 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, for the reporting period 01.01.2015 – 31.12.2015, supported by the following objectives¹⁵:

- 0 severe accidents
- A minimum of 308 registered near miss incidents

Beginning of January 2014, we launched and implemented a global Group level Key Performance Indicator (KPI) project, where two of the identified KPIs are related to and support our Health and Safety policy and objectives.

The Health and Safety KPIs are formulated:

- Reduction of total number of accidents with 50% over a three year period, 2014-2016
- Increase of near miss registrations
2014, 200 registrations. 2015, 308 registrations. 2016, 342 registrations

The KPIs are based on data from 2013. Both of the KPIs are formulated as group objectives; however, they are also broken down at Business Unit level in order for all our Business Units to know what is expected by them individually in support of the Group objective.

New employees take part in mandatory introduction, encompassing an introduction to Health, Safety and Environment (HSE). The HSE introduction covers our Occupational Health and Safety policy, our Environment policy and the related HSE organizational set-up, working to make sure that we, as a minimum, meet all legislative requirements and standards and ensures a safe workplace for our employees.

¹⁵ Our HSEQ organization and Management Group have, during 2015, adjusted KPI's due to organizational changes as well as to ensure continued focus on safety.

Health and Safety – Group Objectives and Progress

At group level, all Business Units work actively with 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 systematic follow-up structure for registration of near misses means that our employees identify potential risks and implement solutions before the risks lead to accidents.

Below chart illustrates the development in Group objective, at Group level.

| Health and Safety Objective Cf. Health and Safety Policy | 2013 Objective | 2013 Realized | 2014 Objective | 2014 Realized | 2015 Objective | 2015 Realized |
|----------------------------------------------------------|------------------|---------------|----------------|---------------|----------------|---------------|
| Severe accidents | NA ¹⁶ | NA | 0 | 1 | 0 | 2 |
| Near miss registrations | 200 | 155 | 200 | 299 | 308 | 393 |

At no point have we experienced a fatal accident.

Share of employees in risk position (Blue collar workers) attending safety training during the year: 55.4 %.

Below chart illustrates the development in accidents with absence, at Group level.

| Overview of accidents with absence / accident frequency, Group Level | 2013 | 2014 | 2015 |
|----------------------------------------------------------------------|------------------|------------------|------------|
| Total hours worked (actual number of hours) | NA | NA | 717.208,74 |
| Accidents with absence (actual number of accidents) | 28 ¹⁷ | 14 ¹⁸ | 13 |
| Lost time due to accidents (actual number of hours) | NA | NA | 1969 |
| Lost time due to accidents (actual number of days) | NA | NA | 253 |
| Lost time due to accidents ¹⁹ (days per million hours) | NA | NA | 353 |
| Accident frequency ²⁰ (accidents per million hours) | NA | NA | 18.13 |
| Lost time due to accidents % ²¹ | NA | NA | 0.275 % |

Below chart illustrates the development in accidents with absence, at Business Unit level.

| Overview of accidents with absence / accident frequency Divided by Geographic Business Units | 2013 | 2014 | 2015 |
|----------------------------------------------------------------------------------------------|------|------|------|
| Denmark | 10 | 9 | 8 |
| China | 12 | 3 | 5 |

¹⁶ By 2014, objective on reduction of accidents was reformulated to focus on severity.

¹⁷ Denmark: 10 accidents. China: 12 accidents. Germany 6 accidents

¹⁸ Denmark: 9 accidents. China: 3 accidents. Germany 2 accidents

¹⁹ Def. by Ratos. Total number of absence days due to accidents x 1.000.000 / total number of realized working hours (all employees)

²⁰ Def by Ratos. Total number of accidents requiring one day or more absence x 1.000.000 / total number of realized working hours (all employees)

²¹ Def. by AHI. Lost hours (1969) / total hours (717.208,74) x 100

Below chart illustrates performance on Health and Safety KPIs, at Group level.

| Health and Safety KPI | 2013 Base year | 2014 KPI | 2015 KPI |
|----------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------|----------------------------------|
| Reduction of total number of accidents with 50% over a three year period 2014-2016 | NA | Performance better than KPI ✓ | Target not reached |
| Increase of near miss registrations 2014, 200 registrations 2015, 308 registrations 2016, 342 registrations | NA | Performance better than KPI ✓ | Performance better than KPI ✓ |

Below chart illustrates development in sickness absence rate, at Group level.

| Development in Sickness Absence | 2013 | 2014 | 2015 |
|---------------------------------|--------|--------|--------|
| Sickness Absence | 3.35 % | 2.74 % | 2.81 % |

Health and Safety – Future Focus

With reference to our objective stated in our Occupational Health and Safety Policy, the following is reported as objective for reporting period 01.01.2016 – 31.12.2016.

- 0 Severe accidents
- 342 Near miss registrations

The above Group objective is supported by our KPI project 2014-2016

- Reduction of total number of accidents with 50% over a three year period, 2014-2016
- Increase of near miss registrations
2014, 200 registrations. 2015, 308 registrations. 2016, 342 registrations

Compliance and progress in respect of our OHSAS 18001 certified Occupational Health and Safety Management system is evaluated by an external audit company that performs audit every sixth months. Moreover, compliance and progress is monitored by top management at monthly Management Meetings as well as at quarterly Management Reviews.



Environment and Climate – In Practice

At AH Industries, we work systematically to prevent, minimize and remedy adverse environmental impacts of our activities. Our activities within this field is structured mainly by our ISO 14001 certified Environmental management system, and manifested through our Environment and Climate policy.

The policy describes how AH Industries, as a manufacturer within heavy steel industries, strive to make continuous improvements to make our production facilities as environmentally friendly as possible. We have implemented an active Environment and Climate policy and we work hard to prevent environmental hazards from our factories.

We have established an environmental committee with Managers appointed as representatives. We will as a minimum comply with the local environmental legislation in the countries in which we operate and we require the same from our suppliers through our Code of Conduct. In the future we wish to expand our efforts and create close partnership with our customers on making environmental improvements in production and product development. Our goal is to contribute to making the end product as environmentally friendly as possible.

At our current state, it is found that local improvement projects at our Business Units are best suitable for our organisation. Thus, we continuously focus on implementing environmental improvement projects, including energy efficiency, chemical management, reduction of emissions, reduction of water consumption and waste management, at Business Unit level.

Our Environment- and Climate policy is supported by the following objective.

- Implementation of a minimum of two environmental improvements, annually.

Legal compliance is ensured through awareness, operational control and monitoring as well as internal audits as support of the external audits by a third party organisation.

Lastly, product safety is encompassed by the Code of Conduct, requiring for products manufactured by AH Industries and suppliers to comply with all laws and regulations relating to product safety.



Environment and Climate – Group Objectives and Progress

With reference to the Group objective encompassed by our Environment and Climate policy, the following improvement projects are reported for the reporting period 01.01.2015 – 31.12.2015.

| Objective | Business Unit | Status |
|---------------------------------------------------|--------------------------------------|-------------------------------------------------------|
| Optimization of waste management | All Business Units, DK | Completed ✓ |
| Implementation of intelligent management of light | Site Solutions, DK | Project closed. Awaits Energy Review ²² |
| Implementation of energy efficient lights source | Manufacturing DK- Horsens, Office | Transferred to 2016 project on LED lighting |

Below chart illustrates development within additional Environmental Indicators, reported for the reporting period 01.01.2015 – 31.12.2015.

| Environmental Topic | 2013 | 2014 | 2015 |
|---------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Total purchase of electricity, kWh | 8.644.288 | 8.296.578 | 6.283.838 |
| Share of renewable energy | NA | NA | NA |
| Metal scrap for recycling, tons | 14.717 | 14.003 | 9.825 |
| Non-hazardous waste for recycling, tons | NA | NA | 7 |
| Non-hazardous waste for incineration, tons | NA | NA | 98 |
| Non-hazardous waste for landfill, tons | NA | NA | 27 |
| Hazardous waste, tons | NA | NA | 49 |
| Water consumption, M3 | NA | NA | 13.592 |
| Significant environmental spills | None | None | None |
| Sanctions for failure to comply with laws and regulations concerning environment | None | None | None |
| Sanctions for failure to comply with laws and regulations concerning product responsibility | None | None | None |
| Share of units with environmental certification (ISO 14001) | 100 % | 100 % | 100 % |

²² Cf. Danish legislation

Environment and Climate – Future Focus

With reference to the objective encompassed by our Environment and Climate policy, the following improvement projects are reported as objective for reporting period 01.01.2016 – 31.12.2016.

| Objective | Concerned Business Unit |
|---------------------------------------------|----------------------------|
| Implement LED lighting | Manufacturing DK - Horsens |
| Optimize energy usage related to IT servers | AH Industries, DK |

With reference to our business integrated “shared value” understanding of CSR, we aim to ensure value for the environment as well as for AH Industries. To illustrate: Focusing on energy efficiency to reduce the amount of kWh purchased, leading to a lowering of CO2 emissions, will at the same time reduce costs for AH Industries. In sum, our environmental work aim to ensure for our activities to have the smallest possible impact on the environment while at the same time generate cost savings for AH Industries.

Compliance and progress in respect of our ISO 14001 certified Environmental Management system is evaluated by an external audit company that performs audit every sixth months. Moreover, compliance and progress is monitored by top management at monthly Management Meetings as well as at quarterly Management Reviews.



Responsible Supplier Management – In Practice

AH Industries is a global organisation, with business partners located all over the world. A global organisational presence furthers the need for a set of guidelines as a shared framework for responsible business conduct and ethical behaviour.

Responsible supplier management is a central part of our corporate responsibility. At AH Industries, we want to collaborate with our suppliers in an on-going effort to promote their social responsibility. To achieve this, we have established a Supplier Code of Conduct, which forms basis for dialogue and control with our suppliers with regard to responsibility. Our Supplier Code of Conduct communicates a requirement for our suppliers to comply with and support internationally proclaimed Human Rights and labour standards, endeavour to utilize environmental management systems, and lastly to support and comply with a zero-tolerance policy on corruption.

Responsible Supplier Management – Group Objectives and Progress

The implementation of and compliance with the Supplier Code of Conduct is supported by a screening of suppliers, encompassing a self-assessment questionnaire where suppliers report on compliance with Environmental requirements, support of Anti-corruption, Humans Rights and Labour Standards, including issues of health and safety, discrimination, salary, remuneration and leave, working hours, child labour, forced labour, freedom of association and collective bargaining.

Furthermore during 2015, our work with responsible supplier management has been further strengthened by two central projects:

- CSR issues have been integrated within our supplier evaluation form, for supplier audits performed by AH Industries' Compliance Officer
- Supplier Code of Conduct has, in cooperation with Group Purchase Manager, been integrated with standard supplier contract documents, used for new supplier agreements

Below chart will illustrate progress within our work with responsible supplier management.

| Objective/Progress | 2013 | 2014 | 2015 |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Number of suppliers that have signed the Supplier Code of Conduct | 11 | 13 | 7 |
| Number of suppliers that have participated in the CSR screening | 8 | 11 | 6 |
| Number of screening reports which gave reason for a CSR audit | 0 | 0 | 0 |
| Number of suppliers that have gone through a CSR audit by external 3 rd party audit partner | 0 | 2 | 0 |
| Number of supplier audits, encompassing a CSR focus, performed by AHI Compliance Officer | NA | NA | 9 |
| Number of supplier cooperation ended based on identified non-compliance with our Supplier Code of Conduct | 0 | 0 | 0 |

Responsible Supplier Management – Future Focus

With reference to our Supplier Code of Conduct, the following is reported as objective for reporting period 01.01.2016 – 31.12.2016.

- CSR evaluation (screening and/or audits) of selected suppliers
- Our long term ambition is for all primary suppliers to have signed the Supplier Code of Conduct

UN Global Compact – COP Specific Overview

With reference to our UN Global Compact membership, the following chart illustrates an overview of COP specific elements of the CSR report, within Human Rights, Labour Standards, Environment, and Anti-corruption. Reference is made to page number of the relevant headline, and solely to primary pages. Thus, supplementary information on the four issues is included at other pages, as illustrated by figure 4, cross-referencing the UN Global Compact issues with GRI indicators.

Figure 1 - Overview of COP specific elements of the CSR Report

| UN Global Compact | | | |
|-------------------------|---------------------------|----------------|--------------|
| | Assessment, Policy, Goals | Implementation | Outcome |
| | Page | Page | Page |
| Human Rights | 8 & 10 & 21 | 10 & 21 | 10 & 21 |
| Labour Standards | 8 & 10 & 12 & 21 | 10 & 12 & 21 | 10 & 13 & 21 |
| Environment | 18 & 21 | 18 & 21 | 19 & 21 |
| Anti-corruption | 7 & 8 & 10 & 21 | 10 & 21 | 10 & 21 |

Overview of Standard Disclosures and Indicators (GRI4)

The following chart presents an overview of GRI Standard Disclosures encompassed by our CSR report 2015.

Figure 2 - Overview of GRI Standard Disclosures

| GRI Standard Disclosures | Reporting at page |
|--------------------------|-------------------|
| G4 – 1 | 2 |
| G4 – 3 | 3 |
| G4 – 4 | 4 |
| G4 – 5 | 4 |
| G4 – 6 | 4 |
| G4 – 10 | 4 |
| G4 – 17 | 3 |
| G4 – 18 | 3 |
| G4 – 24 | 3 |
| G4 – 28 | 3 |
| G4 – 30 | 3 |
| G4 – 56 | 8 |

The following chart presents an overview of GRI Indicators encompassed by our CSR report 2015. The indicators are, where possible, cross-referenced with the ten business principles encompassed by the UN Global Compact.

Figure 3 - Overview of GRI Indicators

| GRI Indicators | UN Global Compact Principle | Reporting at page |
|-----------------------|------------------------------------|--------------------------|
| G4 – ECO01 | | 3 |
| G4 – EN03 | 7,8,9 | 19 |
| G4 – EN23 | 7,8,9 | 19 |
| G4 – EN24 | 7,8,9 | 19 |
| G4 – EN29 | 7,8,9 | 19 |
| G4 – LA01 | 6 | 4 |
| G4 – LA06 | 6 | 16 |
| G4 – HR03 | 1,2,6 | 10 & 21 |
| G4 – HR04 | 1,2,3 | 10 & 21 |
| G4 – HR05 | 1,2,5 | 10 & 21 |
| G4 – HR06 | 1,2,4 | 10 & 21 |
| G4 – HR12 | 1,2 | 10 |
| G4 – SO03 | 10 | 8 |
| G4 – SO05 | 10 | 10 |
| G4 – SO08 | | 3 |
| G4 – PRO02 | | 19 |