



CSR Report

Corporate Social Responsibility

COMMUNICATION ON PROGRESS 2017





Introduction

I am pleased to confirm that DEIF A/S reaffirms its support of the 10 principles of the United Nations Global Compact in the areas of human rights, labour rights, safety & environment and anti-corruption.

DEIF is a socially responsible and environmentally conscious company. Based on UN's general principles related to how companies work with social responsibility and sustainability, we have introduced a structured way of implementing our CSR activities and our Code of Conduct in DEIF's entire global organisation.

This CSR report describes what we focus on in our CSR activities in general, achievements throughout 2017 along with our aims for the coming period. Of course, we are eager to share everything with all our stakeholders using DEIF's primary channels of communication.

Yours sincerely,



TOKE FOSS
Group CEO



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



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DEIF Group and our core values

Established in Denmark in 1933, today DEIF is a global supplier of green, safe and reliable control solutions for decentralised power production on land or at sea.

Since its inception, DEIF has acted socially responsible aiming to positively impact society on all levels – for example through the innovation of new products and services that are beneficial to society and enterprises themselves – and to minimise and prevent negative environmental impacts.

Acting not just in active compliance with the spirit of the law, ethical standards, and international norms in our business dealings, DEIF's goal is to move beyond compliance with a particular emphasis on environmental concerns.

Exceeding 650 employees, the DEIF Group has 24 sales/regional offices, competence centres and training facilities in Europe, Asia and the Americas, and distributors in an additional 35 countries and territories.

Due to the significant growth of the DEIF Group and the fact that DEIF operates in an increasing number of countries, we're particularly focused on ensuring that DEIF conducts its business responsibly, globally.

"Our vision is to be the preferred global supplier of green, safe and reliable energy control solutions."

TOKE FOSS
Group CEO

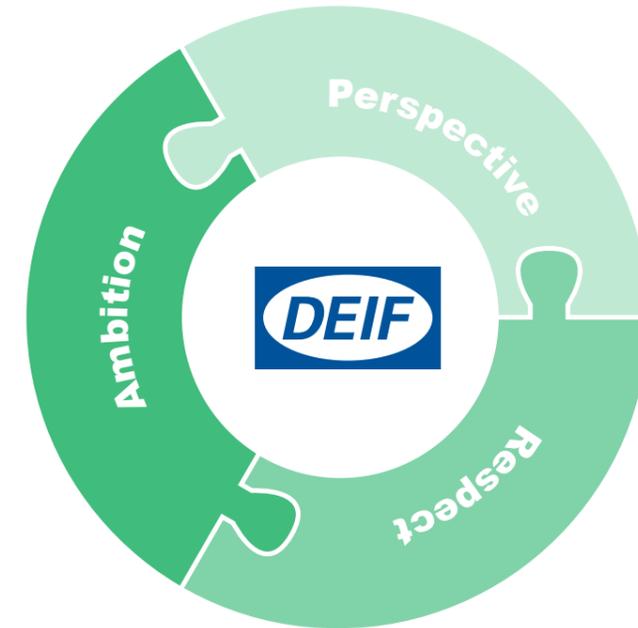


Our business approach is based on the presumption that culture, practice, ethics and moral standards differ from one country to the next. Despite the differences, our actions and business practices are always based on DEIF's values and Code of Conduct. We want to be recognised for our responsibility, honesty and integrity in all markets and in everything we do.

The overall goal of DEIF is to develop the company's value in the long term, always based on high ethics in relation to our employees, business partners and society. To be the preferred global supplier of green, safe and reliable energy control solutions is central to the DEIF Vision.

Our three values respect, ambition and perspective have been developed, defined and implemented in a process involving employees from all parts of our global organisation. As a result, the values represent the core characteristics of DEIF globally and the way we work and have been working for eight decades. This is a strong foundation for our CSR approach and activities.

DEIF's core values



- ▶ Respect the whole person
- ▶ Respect cultural differences
- ▶ Respect agreements
- ▶ Respect individual contributions to the entirety



- ▶ Do it better than yesterday
- ▶ Do it better than our rivals
- ▶ Do it better than our customers expect us to
- ▶ Show initiative and face challenges



- ▶ Show a holistic understanding
- ▶ Be open to possibilities
- ▶ Seek insight into customers' and users' situation
- ▶ Focus on knowledge sharing

UN Global Compact

DEIF has fully adopted and works according to the 10 principles expressed in the UN Global Compact.

A full-fledged member of the UN Global Compact program, DEIF has long defined where we want to make a difference within the natural context of our business: Employees, business partners and the local & global community.

All employees are expected to understand the basic principles of UN Global Compact and to work towards implementing sustainable solutions whenever possible.

In addition, we also expect our suppliers and their sub-suppliers to produce and deliver sustainable solutions that live up to our principles for ethical business practices. We continuously evaluate our own business and the business of our partners on the principles of the UN Global Compact which establish and describe the ethical and legal standards we are committed to comply with.

DEIF's Code of Conduct lays out our interpretation of the 10 principles of UN Global Compact.

DEIF Code of Conduct

To ensure a globally aligned perception of DEIF's values and principles, we have laid them out in the "DEIF Code of Conduct".

The DEIF Code of Conduct covers the areas of human rights, labour rights, safety & environment, and anti-corruption fully in line with the 10 principles expressed in the UN Global Compact.

DEIF Code of Conduct is the fundamental document for our CSR activities and it forms the basis for our guidance in advancing our CSR approach (ambitions and actions).

The document has been signed again in 2017 by DEIF's international management group, and it has subsequently been implemented in all new employment contracts and in local employee handbooks in our subsidiaries.

»We want to be recognised for our responsibility, honesty and high integrity in all markets and in everything we do.«

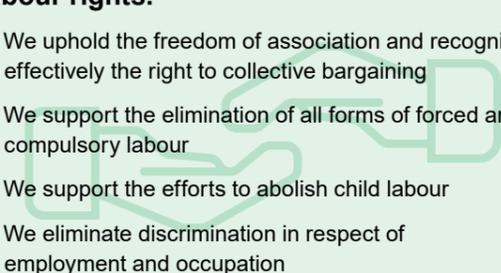
Human rights:

1. We support and respect internationally proclaimed human rights
2. We ensure that we are not complicit in human rights abuses



Labour rights:

3. We uphold the freedom of association and recognise effectively the right to collective bargaining
4. We support the elimination of all forms of forced and compulsory labour
5. We support the efforts to abolish child labour
6. We eliminate discrimination in respect of employment and occupation



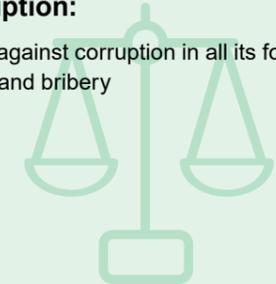
Safety & environment:

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



Anti-corruption:

10. We work against corruption in all its forms, including extortion and bribery

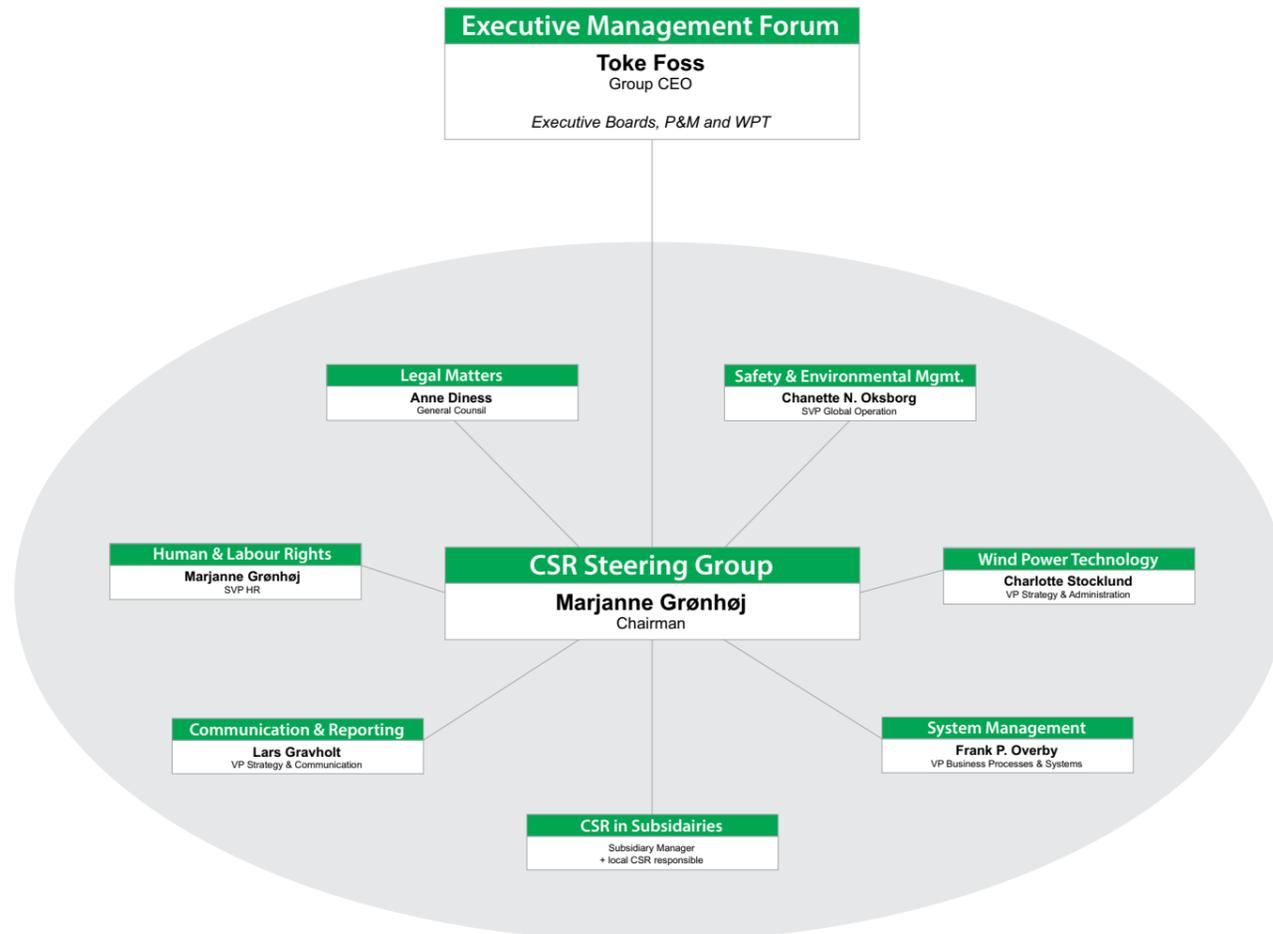


CSR organisation

DEIF's Executive Management Forum has appointed a cross-functional CSR Steering Group responsible for planning, coordination, execution and follow-up on CSR activities in the DEIF Group.

To monitor our progress within the agreed initiatives, the CSR Steering Group has created a governance overview of the person/function responsible for each action and the person/function responsible for following up on these actions. Consequently, in addition to the members of the Steering Group, a number of employees have been appointed and included in the governance overview, thus ensuring that all KPI's and actions are defined, monitored and reported back to the CSR Steering Group (part of the "CSR Governance") on a regular basis.

Furthermore, all managers are responsible for continuous follow-up and improvements on CSR within their area of responsibility – among others based on structured discussions of CSR experiences and dilemmas. CSR experiences, initiatives and improvements will be reported annually to the CSR Steering Group. CSR dilemmas are discussed on an ad hoc basis and when onboarding new employees.



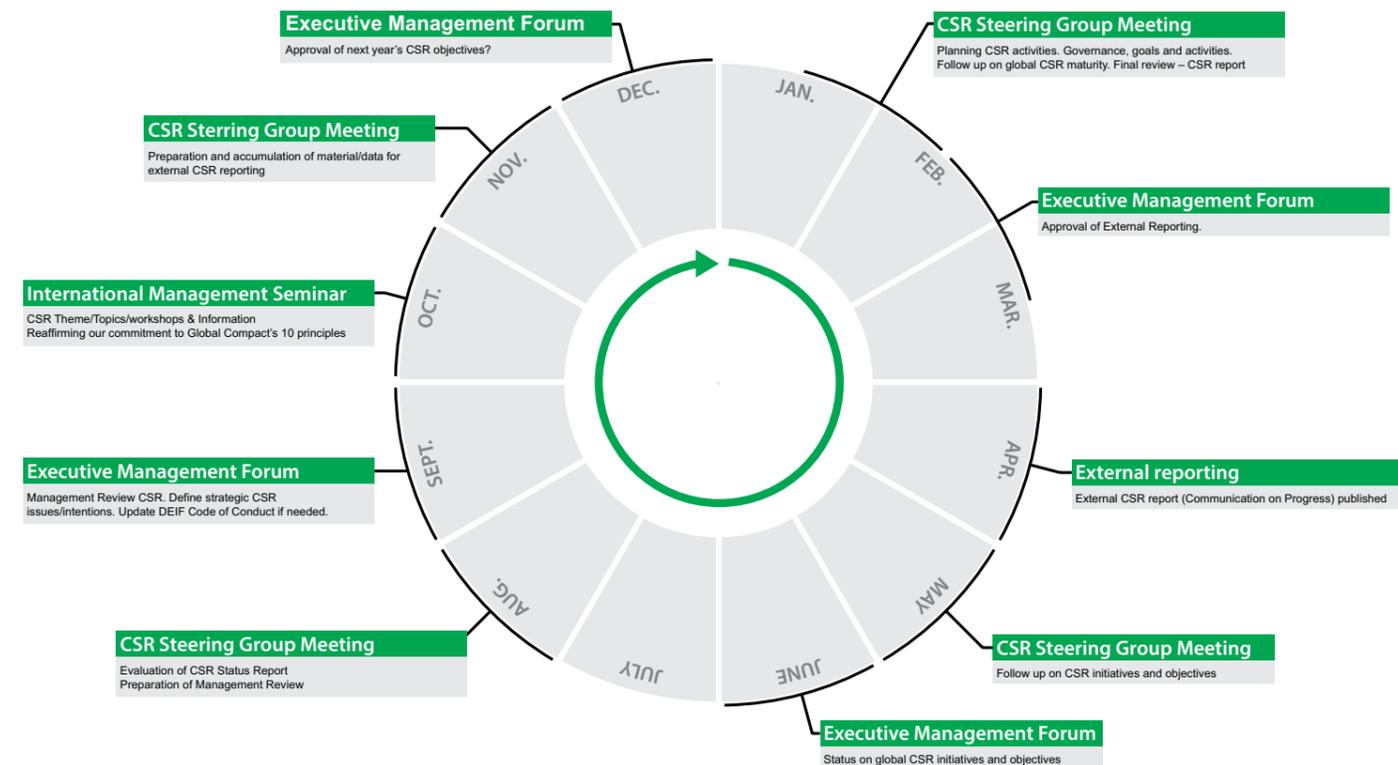
CSR management system integration

The DEIF Code of Conduct's focus areas (human rights, labour rights, safety & environment and anti-corruption) will – to the extent possible – be managed under existing organisational structures within the DEIF Group, e.g. Health, Safety & Environment (HSE) and Human Resource Development. Correspondingly, we have trained our internal audit team to also conduct audits within the CSR area.

CSR monitoring and follow-up

Conducted on a regular basis, CSR self-assessments ensure continuous improvements of our CSR efforts, and they also constitute an important tool for the subsequent selection of specific CSR objectives.

The CSR Steering Group has created the below CSR annual cycle of work as a tool to ensure that relevant CSR activities are conducted in a structured and recurring way.





Ambitions, objectives & activities

In late 2017, the CSR Steering Group and Executive Management Forum identified a number of objectives within each of the following four CSR areas: Management, human & labour rights, safety & environment and anti-corruption. These are the primary objectives we will follow-up on during 2018.

The following pages contain a brief presentation of our CSR ambitions, the activities conducted in 2017 and our plans for 2018 within the four CSR areas.

CSR management

To manage our global CSR performance and implement our Code of Conduct, we have conducted the following activities in 2017.

The primary focus in 2017 was the implementation of structured CSR risk assessment, structured communication of CSR activities, continuous self-assessments and targeted supplier management.

Achievements & activities in 2017

- New risk assessment procedures have been implemented globally in all relevant business case evaluations, stipulating evaluation criteria and tools to be used for risk management. This ensures that new initiatives are always assessed based on our Code of Conduct principles.
- Templates for all relevant contracts have been updated to include CSR requirements, so that commitment to the UN Global Compact principles is a prerequisite for contracts with DEIF representatives, suppliers and consultants. A procedure for CSR assessment of candidates for DEIF representatives has also been implemented.
- The compliance with DEIF's Code of Conduct of all DEIF representatives (agents, distributors, service partners) worldwide has been evaluated by DEIF. On a scale of 0 to 5 (0 indicates non-compliance and 5 indicates full compliance), the average score for the 32 DEIF representatives was 4.6.
- DEIF's first official CSR report was published internally and externally in the spring of 2017 in compliance with the UN guidelines 'Communication on Progress' to promote and communicate our activities to all relevant stakeholders.

Ambition

We want to ensure a high degree of awareness of and commitment to our Code of Conduct and CSR objectives throughout the global DEIF organisation. Moreover, we want to secure continuous improvements within all CSR areas through a structured CSR approach.

- 99% of the suppliers to DEIF's production line have confirmed that they live up to the 10 principles of the UN Global Compact.
- Three non-EU suppliers have been subjected to a DEIF CSR audit to ensure compliance with the 10 principles.
- Governance overview linked to DEIF's CSR objectives has been approved. The responsibilities have been distributed among the members of DEIF's CSR Steering Group.
- Self-assessments of the impact of our CSR activities have been conducted in Denmark, China and Singapore. Moreover, China and Singapore have been trained to perform future self-assessments on their own.

"99% of the suppliers to our production line have confirmed that they live up to the 10 principles of the UN Global Compact."

JETTE-MARIE G. KRAGH
Department Manager
Sourcing & Purchase



Plans & main focus for 2018

1 Implementation of structured risk-assessment

We want to evaluate risks, opportunities and the impact of our decisions in a structured and methodical way to secure that new initiatives are always assessed using our Code of Conduct principles. Having mapped all the risk of corruption on all markets, we must determine if deployment of further CSR evaluation criteria is required based on discussions with the sales responsible for markets with a corruption perceptions index score of 40 or less (see www.transparency.org for more). Based on discussions with the sales responsible for each partner rated below 5 (DEIF's internal maximum score for Code of Conduct compliance), we must determine if further CSR evaluation criteria are to be deployed. A list containing the countries with the highest CSR risk is to be created as well.

2 Communication of our CSR activities

We want to ensure a structured internal and external communication of our CSR activities with the aim of securing ongoing anchoring, transparency and focus. This includes publishing our external CSR report once a year and promoting it on social media platforms as well as communicating objectives and activities on an ongoing basis using internal media platforms and information meetings. This will be supported by a flow of internal CSR case stories and best practices. In addition, we will ensure that all new employees are introduced to Code of Conduct and we will follow up with a global survey to ensure it has been communicated. For customers, we will include CSR questions in DEIF's bi-annual customer satisfaction survey.

3 Targeted supplier management

We want to continue our structured evaluation approach towards our suppliers in relation to our Code of Conduct principles. We will continue to follow up on suppliers and conduct selected audits. In addition, we will make sure 100% of all new suppliers to DEIF's production line confirm that they live up to the 10 principles of the UN Global Compact.

4 Governance

We want to evaluate and update the CSR governance and create a CSR cycle pinpointing expected 2018 deliveries. This is to be communicated to the subsidiaries, specifying the expected level of involvement.

5 Continuous assessment

We want to secure follow-up on the impact of our CSR activities via yearly self-assessments, which will also serve as input for our future CSR work. For 2018, self-assessments based on UN's evaluation criteria will be conducted in Denmark, China, Singapore, India and Brazil. An overall assessment report based on these will contain improvement suggestions and include the key findings in the activity plan for the coming year.



CASE Danish working conditions in Asia

In 2017, DEIF's wind power division made a special CSR effort by implementing Danish working conditions for local Philippine employees. The effort improves sourcing and competitiveness significantly. The highest quality is achieved by moving part of a complex and expensive production process of racks for DEIF's Advanced Wind Turbine Controller, the AWC 500.

Producing part of the racks in the Philippines, DEIF Wind Power Technology remains focused on Corporate Social Responsibility in order to give the local employees the same working conditions as in Denmark. For this purpose, we are willing to create healthy and safe working conditions

for the workers. The partnership with the supplier Tae Sung Phils was established on the basis of their willingness to create good working conditions for local employees. In addition, the innovative supplier is strongly committed to aspects such as quality, product finish and on-time delivery. Combined, these form the baseline required to fulfill our CSR efforts and make sourcing more efficient, while at the same time streamlining the production in Denmark.

By carrying out various local audits, we make sure that the Danish working conditions are maintained at the Philippine workplace, for instance in relation to worker safety and environmental friendliness.

Reflecting a healthy culture, the employees express satisfaction towards the working environment and community.

A good community and work-relation is an important part of the cross cultural collaboration. "I have a very close relation to management and colleagues. I think their approach is highly professional and they share the work values and norms we have in our Danish company This is crucially important to us", says Frank J. Aaby, Project and Sourcing Manager.

"The partnership with Tae Sung Phils was established on the basis of their willingness to create good work conditions for local employees".

FRANK J. AABY
Project & Sourcing Manager
DEIF Wind Power



Human & labour rights

We support and respect the protection of internationally proclaimed human rights and make sure that we do not in any way contribute to the violation of human rights.

DEIF and our suppliers must protect employees against physical, sexual or mental abuse of any kind. DEIF upholds the right to freedom of association and recognises the right to collective bargaining. We respect and comply with relevant labour regulation in the countries where we do business.

Achievements & activities in 2017

- In 2017, we made the format and content of job advertisements more appealing to women, and we repeated our sponsorship and participation in an IT Camp for women in cooperation with Aalborg University.
- The total share of women in leadership positions in the DEIF Group reached 19.8% (17.2% in 2016). For the top management, the share was 18.8% and in lower level management the share was 20.3%.
- The share of trainees, apprentices and PhD students in Denmark increased from 4.5% in 2016 to 4.7% in 2017 (6.2% including interns).
- DEIF participated in a range of educational institution events and projects such as 'Science Cup Denmark' and the 'Youth Goodwill Ambassadors project' to further career opportunities for young people.

Ambition
We strive for diversity in the DEIF organisation and therefore want to provide equal opportunities for all people, regardless of race, gender, age, religion and political conviction. We want to ensure compliance with UN's Guiding principles on Business and Human Rights (UNGPs).

- DEIF sponsored a range of sports clubs and culture institutions both in Denmark and abroad in support of the local community.
- DEIF teams have participated in 'Race against cancer' runs in Singapore and Denmark.
- Seasonal greetings from DEIF to all customers are now sent 100% electronically. The saved postage was donated to "Médecins Sans Frontières".

Plans & main focus for 2018

1 Women in leadership positions

The number of women in leadership positions must increase towards 2020 at all management levels. A systematic approach towards the field of candidates will be introduced to secure at least one female candidate among top 5 candidates for any specific leadership position.

We will also develop an interview guide, including management training for subsidiaries, to ensure that external candidates are not asked questions related to their gender.

2 The society

In 2018, we want to define which role DEIF is to play in the local society, for instance how DEIF can act as an even more active contributor, who integrates particularly vulnerable groups in our company.

The percentage of trainees, apprentices and PhD students is to reach or exceed 4.5% in Denmark even though the total number of employees is expected to increase in the years to come. We want to use our website more actively to brand DEIF as

a workplace, and we want to increase our presence at relevant educational institutions through speeches and events. We also want to enter into a dialogue with the municipality of Skive to better understand how we can maximise the value we add to the local society.

3 Business and human rights

We want to ensure continued compliance with the UN's guiding principles on business and human rights (UNGPs). This includes identifying, planning and implementing improvements, among others based on annual evaluations of the guiding principles in a DEIF context by means of the UN Global Compact self-assessment tool and CSR questions in the ongoing Employee Satisfaction Survey (ESS). For departments with a low workload ESS score, we will initiate special activities locally.

"In 2017, we've focused on gender diversity at management level, cooperation with educational institutions and people with reduced ability to work, sponsorships, and global working conditions".

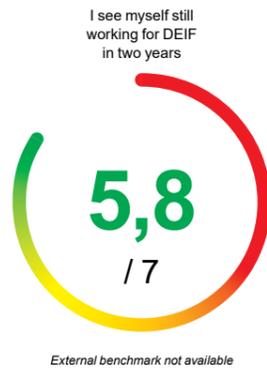
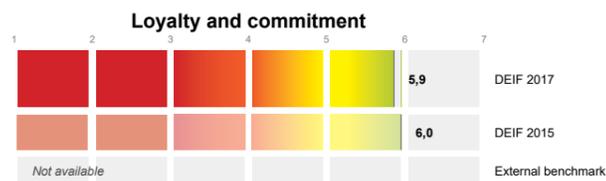
MARJANNE GRØNHØJ
Senior Vice President
Human Resource



Working environment

Working environment in 2017

- Results from the Employee Satisfaction Survey 2017 demonstrate a continued score well above industry standards within well-being, satisfaction and loyalty.
- In the same survey the “balance between workload and time available” scored 5.1 (1-7 scale). An increase from 4.9 since last survey in 2015.
- DEIF came in second in a national competition to become best workplace in Denmark in 2017.
- We conduct annual employee development dialogues with all employees.
- In DEIF India, all employees have been introduced to the local anti-sexual harassment act (POSH).
- DEIF offers weekly workout sessions and free physiotherapy in Denmark, running and other sports events in subsidiaries and much more in a quest to promote healthiness.



Second-best workplace of the year

DEIF A/S came in second in the national competition to become best workplace in Denmark in 2017 at the 3F labour Union's business & growth conference 'Vision Denmark'. The decision fell 30 November in the Danish Broadcasting Corporation's concert hall in Copenhagen. The jury was particularly focused on corporate social responsibility.



DEIF is number one to me, says warehouse employee Pia Kalms, who nominated DEIF.

'I was very sick with severe body infections and had actually been approved for early retirement benefits. But in cooperation with DEIF and our health insurance we managed to fight it off & I now work full time.'

PIA M. KALMS
Warehouse employee
DEIF A/S



Sponsorships

DEIF supports a range of leisure activities, including the following sports clubs in the vicinity of DEIF's headquarters:



Safety & environment

Aiming for zero work-related injuries, DEIF and our suppliers place the safety of employees before everything else. We expect our customers to provide a safe working environment that prevents accidents and do not expose our employees to health & safety risks when working at customer sites.

We want to increase the level of safety and environmental protection through continuous measurements and improvements, and our approach to all aspects of business is 'green'. As a result, DEIF develops energy-efficient products and solutions that reduce fuel consumption, cut

emissions and costly maintenance intervals. It is central to DEIF's green vision that new product developments, specifications and designs meet and exceed a number of strict self-imposed targets.

Ambition

We want to be a safe workplace for everyone who work for or visit us. We want to be recognised for being a green company that delivers environmentally optimised solutions meeting customer expectations for performance, cost reductions and uptime.

Achievements & activities in 2017

- The new HSE (Health, Safety and Environment) structure was implemented in remaining DEIF subsidiaries.
- Safety walks were conducted at all DEIF locations around the world. The safety walks covered areas such as signage, labelling, safety and first aid equipment and courses.
- First-aid and fire-fighting training were carried out or scheduled in all DEIF companies.
- Safety check and approval of DEIF China by local authorities.
- New guidelines for correct handling of urgent sickness and accidents were implemented at DEIF's HQ – they include a new system for quick defibrillator assistance. 27 employees have been trained in first aid and the use of defibrillators.
- Two minor work-related accidents causing absence were registered.
- DEIF joined 'Greenlab Skive' – a project aiming to create new green solutions and growth in the region by means of facilitating integration and storage of sustainable energy in the national grid.
- Internal and external environmental audits according to ISO 14001 were conducted.
- DEIF India was awarded the 'Green City Certificate' for the ability to scrap electronics environmentally correct.
- Waste handling was improved in DEIF's subsidiaries and at the HQ.
- LED lighting was introduced at a number of DEIF locations, including France and China.
- In general, all DEIF locations increased their focus on reducing energy consumption as much as possible.
- The number of chemicals and harmful substances in use in products, production, buildings and cleaning activities has been reduced from 174 late in 2016 to 154 at the end of 2017.

Plans & main focus for 2018

1 Safe workplace

We want to have zero work-related injuries in the global organisation. To increase the level of safety, we will update signposting and markings in and around DEIF's production facilities at the headquarters. In addition, we will work to increase focus on safety even more.

2 Green company

We want to further substantiate our participation in the global green transformation in 2018 through installation of charging stations for electric cars and reduction of outdoor salting during the winter time at DEIF's headquarters. In addition, we will evaluate our energy consumption during "idle running" at the headquarters to eliminate energy waste, and we will improve our incoming inspection of chemicals to make sure all labelling is correct.

"We have increased focus on safety through relationship building between the safety organisation and all employees and also enhanced internal communication, for instance by means of video promotionals".

CHANETTE N. O. PEDERSEN
Senior VP
Global Operations

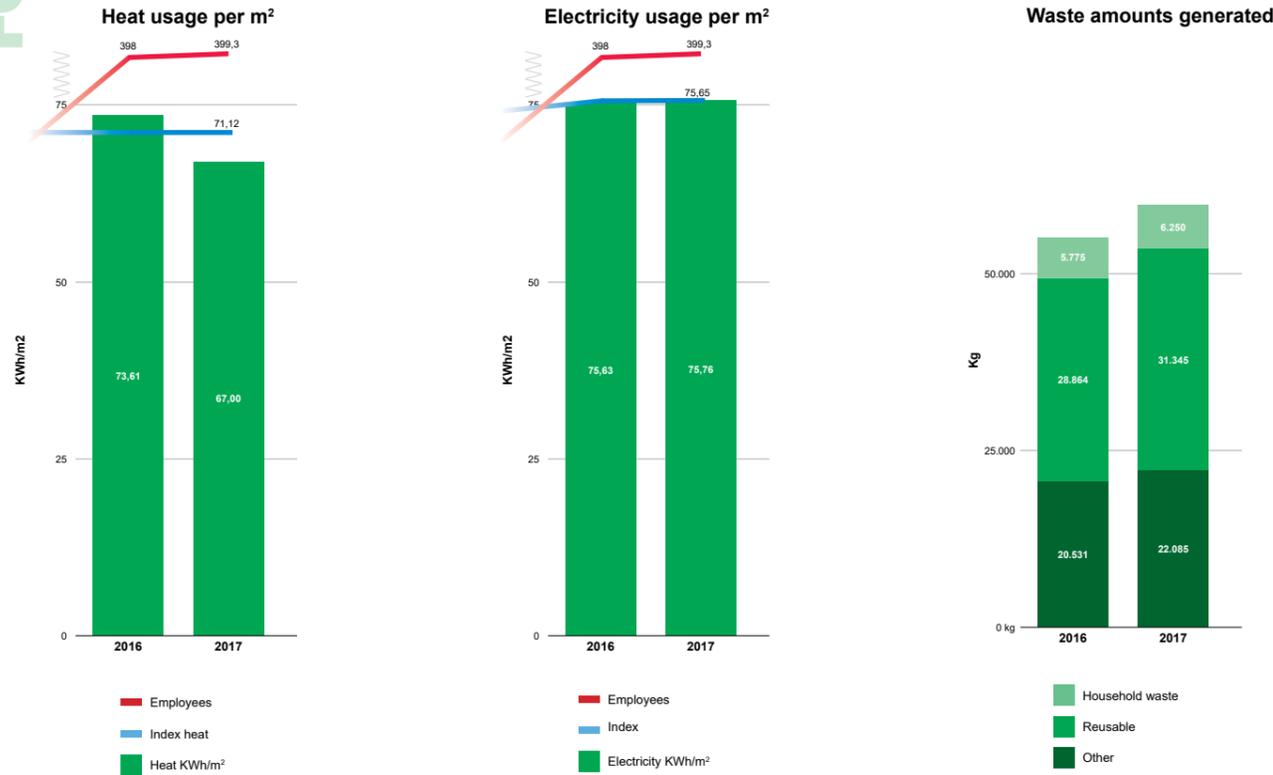


"DEIF will participate in Greenlab Skive's planned biogas CHP test plant and also deliver the control solution for a local microgrid which will come to include a planned wind turbine park".

TOKE FOSS
Group CEO, DEIF
Board member, Greenlab Skive



Energy & waste



The DEIF Group's headquarters in Skive, Denmark, boasts an advanced and comprehensive green energy system that includes a carbon neutral Aqua Thermal Storage System, a micro CHP plant and a comprehensive Energy Optimisation System that spots and eliminates energy waste.



DEIF headquarters in Skive, Denmark

Anti-corruption

DEIF refrains from corruption, bribery, extortion and use of other methods that may create conflicts of interest related to our business.

We request DEIF colleagues only to accept or give minor gifts and only to participate in meetings, events, etc. that are within the scope of normal business practices. If in doubt about issues concerning gifts and entertainment, the individual employee is required to consult his/her manager for clarification.

Any decisions, actions or behavior compromising DEIF's stance on anti-corruption will have consequences for the employee(s) involved. Our contracts are always prepared in accordance with applicable laws and regulations, and we make sure our contracts with suppliers, consultants and other cooperation partners include sections on anti-corruption. DEIF has a zero-tolerance policy for corruption, bribery and extortion of any kind.

Ambition
We will not participate in any kind of corruption.

Achievements & activities in 2017

- A corruption risk assessment of all countries and markets where DEIF is active has been performed by DEIF's Danish HQ, with DEIF subsidiaries contributing with local evaluations of their markets in general and their key customers. The management in charge of sales to any areas with questionable corruption measures ensures that appropriate risk assessment is performed for new projects in these areas/markets, using the analysis tool mentioned under "CSR Management".
- Based on a review of existing, relevant contracts, we have requested all contract partners to confirm in writing that their business practices comply with the 10 UN Global Compact principles.
- In addition to the commitment to the UN Global Compact principles, templates for all relevant contracts with DEIF representatives and consultants have been updated, allowing DEIF to terminate the agreement without notice if DEIF's contracting partner commits a bribery offence or is subjected to an investigation/prosecution related to an alleged act of bribery.
- In 2018, we will continue our structured CSR risk assessment work, focusing especially on geographical areas with an increased corruption risk.

Plans & main focus for 2018

1 Continuous avoidance of corruption

We want to secure that all employees in the global DEIF Group continuously refrain from engaging in any corrupt activities. In order to do so, we want to develop an e-learning course for relevant employees on anti-corruption and ensure that all relevant employees have

accomplished the e-learning module before end of 2020. In the meantime, we want to develop a method/solution to ensure that relevant people know how to deal with dilemmas linked to anti-corruption.



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