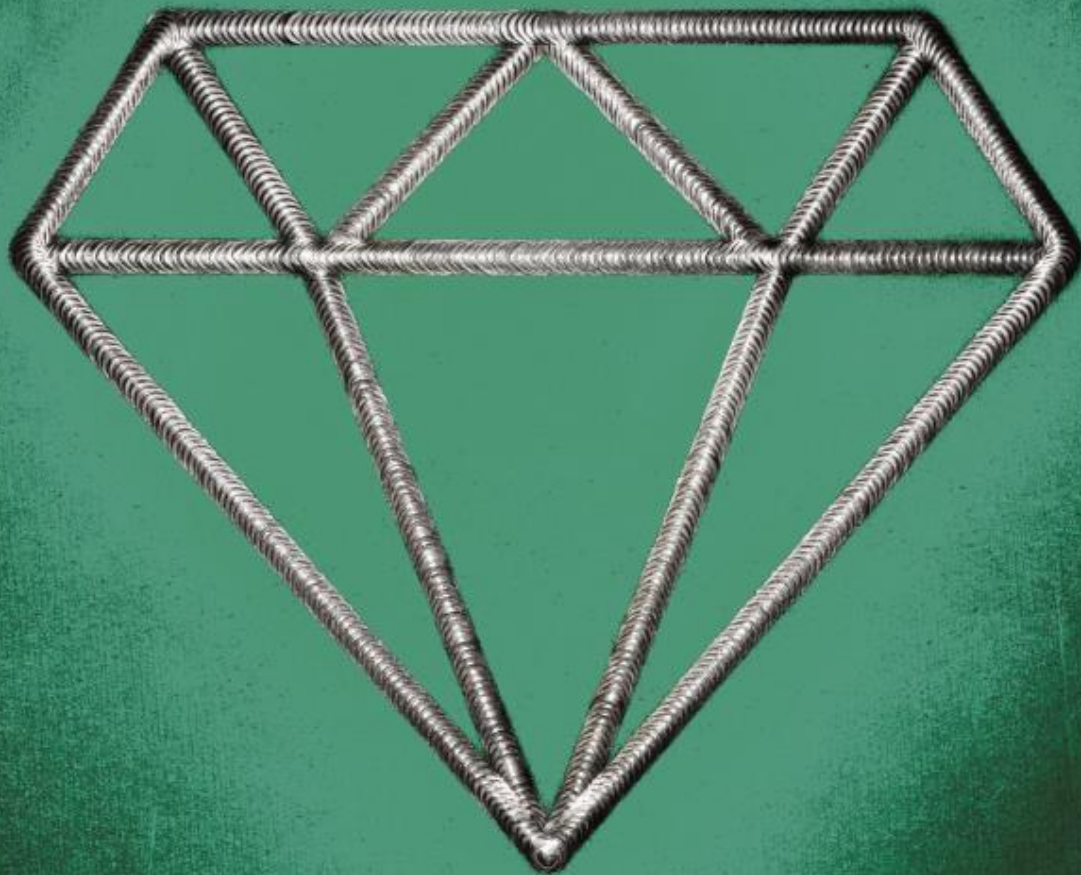


CORPORATE SOCIAL **RESPONSIBILITY** REPORT

Statutory statement on corporate social responsibility according to
the Danish Financial Statement Act

2014





micatronic

Corporate Social Responsibility is an internationally recognised term referring to a company's considerations of securing a sustainable and responsible development.

The official definition of 'responsibility' is evident in the Danish Financial Statement Act § 99a, which the Migatronik group is assigned to:

“Corporate social responsibility is understood as the considerations of human rights, social and environmental influence as well as fights against corruption which companies voluntarily incorporate in their business strategy and activities.”

CORPORATE SOCIAL RESPONSIBILITY POLICY

We consider social responsibility as a natural part of Migatronik's business principles. We continuously initiate projects to improve the working environment for our employees, to protect the environment and to contribute to a positive and sustainable societal development everywhere we operate.

The objective of integrating social and environmental considerations in all parts of the organisation is to build strong relations to Migatronik's stakeholders: customers, suppliers, employees, authorities, local communities and competitors.

Corporate social responsibility both influences and limits our business activities. We carefully consider which social responsibility activities we initiate and how we execute them.

OUR BUSINESS

Migatronik is among the world leaders of high-technology solutions for welding and automated welding. The product range includes small portable machines and large advanced automated solutions. In addition to the physical product, we offer our customers support in the form of training, demonstrations and counselling.

Our strategy is centred on creating 'Welding Value' by adding *extra* value to the products and services we provide. This is done through innovative welding solutions and professional service and support.

Technology is meant to serve man, not the other way around. Therefore, a high priority is assigned to functionality and user-friendliness. As a result, our machines are known to be easy to use.

Migatronik is the market leader on the Danish market for welding machines and accessories. We have more than 40 years of experience with development, production and sales in this industry.

We sell products and solutions to companies all over the world. We are represented in 10 European countries, plus India and China.



RESPONSIBILITY IN THE VALUE CHAIN

Migatronic's value chain is the point of departure for the activities of responsibility which we initiate. Our value chain also defines in which part of the organisation the activities are carried out.

Our value chain includes:



It is important to us that social responsibility is not only implemented in our own organisation, but also that our customers are able to take responsibility for their employees and the environment when using Migatronic products. This is expressed in our CSR Innovation (CSI).

R&D

At Migatronic, the green colour is more than the colour of our welding machines. We make sure to give the word "green" an extra dimension through environmental considerations and improvements in our products.

This approach to R&D is characterised as CSI: the development of features for existing and new machines, to secure less environmental impact when the machines are put into use.

The green profile in our products is for instance evident in features to reduce power consumption and the possibility of reducing gas consumption with as much as 50 %.

CSI is our combination of R&D and the extra value added to our products by reducing the energy consumption during the welding process.

In other words: we help making sure that our customers can make an effort to protect the environment.

Ergonomics

Flexibility, mobility and ergonomics are also top priorities for our developers. Functionality and user-friendliness is for instance seen in a welding torch which allows welders ergonomically correct and varying positions.

Thereby, we take part in ensuring good physical conditions for the users of Migatronic machines and help diminish the risk of injuries.

PURCHASING AND SOURCING

Since Migatronik's certification according to the ISO: 9001, we have worked with responsible supply chain management in cooperation with our suppliers. We visit all essential suppliers and evaluate on their staff conditions and how they impact the environment.

The purchasing numbers for 2014 are divided as follows: Scandinavia 42 %, Western Europe 32 %, Southern Europe 7 %, Eastern Europe 1 %, Far East 18 %.

PRODUCTION

Migatronik has no production processes which are damaging to the environment.

Throughout the years, we have invested in environmentally friendly methods and processes, such as a powder coding to replace wet coding. Therefore, Migatronik is not registered as a company with a high negative environmental impact.

Waste and recycling

Our products are covered by the WEEE directive, which describes the rules for handling electrical and electronic waste, with the aim of limiting the amount of electronic waste to be disposed of.

We have the necessary resources and systems to handle electronic waste and thereby, we comply with the directive. Thereby, we increase recycling in the industry.

Hazardous substances

Migatronik is also covered by the RoHS directive, the aim of which is to reduce the use of certain hazardous substances in electrical and electronic equipment.

We initiate the necessary activities, for instance regarding unleaded soldering in the production, and we comply with the directive.

Social responsibility - Workshop

Part of the recycling process in Migatronik Fjerritslev takes place in our Workshop, which is operated jointly with Jammerbugt Municipality.

In the Workshop, temporary staff produces electricity grids and sorts out electronic waste, among other things. The Workshop is a project of re-entry to the labour market for people who are not able to work on a regular contract due to bad social conditions or poor health.

Throughout the years, we have served as a springboard for more than 300 persons to a job, reduced-hours job or early retirement.

It is important for us to demonstrate social commitment in the local community, and take on a social responsibility by opening our door to people who have limited possibilities of getting a regular job.

SALES

Our products are marketed in more than 40 countries around the world. More than 56 percent of the revenue come from export markets, where sales primarily take place through dealers and importers.

This network is our most important partners and ambassadors of Migatronik, also when it comes to business methods and ethics.



EMPLOYEES/WORK ENVIRONMENT

Since the establishment in 1970, one of Migatronic's core values has been to work with social accountability, especially regarding our employees.

We want to create a healthy and inspiring work environment where our employees thrive on working with challenges which fit their competencies and ambitions, with great possibilities for career development.

We have a reliable and loyal workforce, which is motivated by working in an organisation where it is possible to follow the product all the way from idea to development and see the customer take the final product into use.

The average length of service in Migatronic Fjerritslev is 13 years.

Health

Employees in the production area rotate between different work functions to avoid monotonous work.

In Migatronic Fjerritslev, the project 'Exercise at the Workplace' applies to all employees. They have the opportunity to spend seven minutes of their working hours on exercise every day – often in the form of a brisk walk around the factory.

The project has not proven a drop in sickness absence, but it has contributed to an increase in job satisfaction. The total sickness absence is 4.6 %.

In 2014, the canteen eliminated all deep fried food and held a presentation about healthy living.

Preventing and handling stress

As an answer to some cases of long-term sickness due to stress, Migatronic's working environment committee has appointed a team which are to formulate a so-called 'contingency plan' for this area.

The contingency plan should include procedures for how we prevent and handle cases of stress among the employees.

HUMAN RIGHTS

Migatronic does not have an actual policy for human rights; however, this area is covered in the Code of Conduct, which is going to be approved during the first six months of 2015.

CLIMATE IMPACT

Migatronic does not have an actual policy for reducing the company's impact on the climate.

RESPONSIBILITY IN 2014

Specific efforts and initiatives for 2014 are:

- Approving and adopting a CSR policy for the Migatronic group.
- Drawing up a Code of Conduct for Migatronic and our suppliers.
- Beginning the work with preventing and handling stress among the employees.

CSR POLICY

Towards the end of 2014, we formulated and adopted a general CSR policy in which we take a stand on social, human and environmental issues. The goal is to improve our stakeholder relations, including employees, suppliers and customers.

At the same time, the goal is to strengthen our credibility, everywhere we operate.

The CSR policy has its starting point in the United Nation's Global Compact, which describes ten principles for companies' initiatives of corporate responsibility. These principles are derived from internationally recognised conventions on human rights, labour rights, the environment and anti-corruption.

CODE OF CONDUCT

In continuation of the CSR policy, we began drawing up a Code of Conduct for Migatronic employees and our suppliers.

We want to appear as a responsible and credible partner focusing on ethical, social and environmental issues. Code of Conduct describes how we do business and how we expect our suppliers to do business.

Code of Conduct furthermore describes which requirements we have regarding our suppliers' corporate responsibility efforts. These requirements are also the starting point for working with supplier management.

PREVENTING ACCIDENTS AT WORK

In the factory in Fjerritslev, we have introduced a system for registration of incidents which almost caused an accident. Employees report about incidents and what they have done to prevent the same thing from happening again in the future.

There were five incidents in 2014. In all cases, the relevant employees took steps to improve the working conditions and thereby prevent accidents at work.

RESPONSIBILITY IN 2015

Migatronic's efforts and initiatives for 2015 should first of all build on the existing projects.

The initiatives are:

- Approving the Code of Conduct.
- Continue working with how to handle stress among the employees.
- Well organised efforts related to responsible supplier management.

THE UNDER-REPRESENTED GENDER

TOP MANAGEMENT

The top management is the supervisory board with 4 members elected at the annual meeting, all men.

Additionally, there are 2 staff-elected members, including 1 woman.

The most important criterion for electing members to the supervisory board is that candidates have the right professional competencies compared to the company's business and compared to the other board members.

Relevant and qualified board members are to be found in industrial enterprises. There are few women in executive positions in the industry, and therefore it is difficult to attract women with the right competencies to a company like Migatronik.

The board acknowledges that a more equal division of gender might have a beneficial influence on the board's work and in the company in general. Therefore, Migatronik will in 2017 at the latest have at least 1 woman in the board, equal to 25%.

OTHER MANAGEMENT LEVELS

In the other management levels, 31% were women, compared to 35% in 2013.

Many of the female managers are recruited internally, which shows that the company culture is open-minded and that each employee can unfold his or her competencies and potential in the best possible way, regardless of gender.

The most important criterion for selecting managers is that candidates have the right professional competencies compared to a certain job and compared to other managers. The final selection is therefore based on an overall consideration concerning the actual position and the candidate's competencies.

Migatronik will strive to continue having a high number of women in leading positions.