

CSR Statement

MTS Systems Danmark ApS, Tuborg Boulevard 1, 2900 Hellerup, CVR No. 40950540

Corporate social responsibility statement cf. section 99 a of the Danish Financial Statements Act and the statement of the gender composition of the management cf. section 99 b of the Danish Financial Statements Act for the MTS Systems Danmark group for the fiscal year 2019/20.

The statements are an integral part of Annual Report 2019/20.

Our group's business model from a sustainability perspective.



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We are an international engineering company supplying knowledge and turnkey deliveries to customers within a wide range of industries.

Our ambition is to develop individualized and innovatory solutions which add substantial value to our customers' companies.

To create world-class engineering, we approach our customers' challenges from numerous angles to develop the right solution.

With a broad industry knowledge and highly specialized engineers, we provide our customers with the right expertise to execute their projects - from heavy-duty test systems and lifting solutions for the wind industry to product development and automation for the industry.

Our capabilities include Test systems, Product Development within the wind industry, Tools & structures, Service & installation, Steel constructions, Smart office.

Our values include:

- Staff: We have an open environment for professional and personal development
- Customers: We understand the customers' needs and ensure their competitiveness
- Products: We use knowledge to create the best solutions
- Culture: Going to work has to be fun
- Values are condensed into the brand tagline: "World class engineering – Heavy-duty & Sustainable Solution".

We measure our customer satisfaction rates systematically, and the results are used for implementing developments and improvements. Especially customers mention delivering high quality on time and within budget as characteristics for their cooperation with us. During 2019/20 we have established a plan aiming at further developing this area.

We have an extensive focus on renewable energy with many different development projects and solutions. We have furnished our clients within the wind energy with individualized and sustainable solutions. We develop and optimize e.g. test benches that will contribute to ensure future wind turbines and elements of high quality. Our renewable energy solutions have helped our customers reduce their carbon footprints and meet their sustainability strategies and objectives.

Our in-house specialists deliver complete life-cycle test systems for the aviation industry. The importance of the modern aviation industry is increasing, and the globalized nature of the industry, help connect continents and cultures. Our in-house specialists address customer needs as a whole, as well as to contribute to delivering sustainable test systems.

Our test solutions for the renewable energy industry and the aviation industry make it possible to test equipment under realistic conditions, giving customers the possibility to foresee life span and plan maintenance, which contribute to increase the level of sustainability with our customers.

Managing sustainability within the MTS Systems Danmark group

Doing business in a responsible way has always been an important part of our business strategies and daily work procedures, and it shall always serve as one of the foundations for management decisions.

Our sustainability governance is anchored with the management team, who as an integrated part of on-going procedures, assess risks within relevant areas and where relevant define objectives and relevant development initiatives.

Development initiatives are implemented by our managers and specialists with the right qualifications, and we encourage managers and employees to take part in and contribute to plans and development.

Our sustainability governance is aligned and coordinated with the sustainability governance, codes and values of our parent company MTS Systems Corporation, Minnesota, USA (hereinafter "MTS").

MTS has defined sustainability policies and procedures^[1] divided into three main areas "Environmental Stewardship", "Social responsibility" and "Responsible Governance", and as a subsidiary to MTS we are fully covered by these policies and procedures.

Focus area: Environment and climate

[Our policies and principles](#)

Our “Global Environmental Commitment” and our “Waste Management Commitment” states that we are committed to creating a better, safer, more sustainable world, and that we embrace energy-efficient and environmentally sound behavior and values in everything we do; as well as we want to reduce the environmental impact from our operations.

We strive at reducing or eliminating greenhouse gasses and monitor air emissions where possible; we strive at reducing water consumption in our operations and maintain or improve water quality in the areas where we operate; we strive at becoming more energy-efficient, and look for ways to use renewable energy where feasible; we strive at eliminating, reducing, reusing, and recycling wastes from our products and processes; and we strive at reducing or eliminating hazardous substances used during the manufacturing process.

Our actions during 2019/20

When we organize projects for our customers it is an integrated part of the project manager’s task to have focus on optimizing both resource consumptions and the amounts of waste. It is our experience that this focus reduces both elements – which creates both enhanced sustainability and financial performance.

We have appointed one of our engineers to be overall responsible for managing hazardous waste, oil for hydraulics, batteries, chemicals etc. This task also includes creating awareness with colleagues on integrating these resource elements into project planning and execution.

Disposal of waste from our projects are done via the customers’ normal disposal channels, and disposals from our fixed sites are done by recognized vendors within this area. We receive declarations for responsible handling for part of the waste volumes.

When it comes to end of life handling of customers’ wind turbine test benches we ongoingly seek to either find an alternative use for or customer for the equipment, or we engage in disassembling the equipment with the aim of separating materials into each possible waste fraction. To our knowledge we are the only supplier handling test bench end of life in this way.

At year end we have decided that going forward obsolete laptops, servers, screens, accessories etc. will be sold to a professional service company specialized in refurbishing IT equipment, which ensures an extended use-period for the equipment.

To achieve minimized energy consumption, it is our policy that laptops are replaced at least once every three years, as well as we have renewed and consolidated our server configuration to significantly fewer units.

Replacing physical meetings with virtual meetings can save time for travel, energy consumption and carbon emissions. With this goal we are in a process of establishing at least one virtual meeting room at each of our seven locations in Denmark, Germany, and the Czech Republic. Further we encourage our employees to use virtual meetings when possible.

We have the overarching design rule, that we rather spend more hours designing the solution, if this will save construction materials – than the other way round. We believe that this is a sound principle; both seen with environmental and financial glasses on.

In connection to designing wind turbine test benches for our customers, it is a mandatory rule to us always to ensure that the electricity produced during test runs is fully utilized in the grid.

Climate change is an important issue for us to address. During the year we have installed automatic light switches, bought our first fully electric company car, replaced conventional light sources with LED lightning, installed sun reflection foil on the windows, and at the end of the year we have entered into a supplier contract ensuring us carbon-neutral electricity in Denmark going forward.

Our results

We are convinced that our efforts have contributed to reducing resource and material consumptions, to increasing recycling of materials and to reducing the amounts of waste, as well as waste potential negative impacts have been reduced.

Our actions within energy have contributed to reducing our energy consumption and to minimizing the carbon emissions associated to our business activities.

Our risks and management procedures

Risk within this area include e.g. unintentional development in or handling of material consumption, energy consumption, carbon emissions and waste amounts

Our described policies, organizational setup and management principles provide a good basis for monitoring and managing this area.

Focus area: Human rights, anti-corruption and bribery

Our policies and principles

Our policy “Global Human & Labor Rights” states that we follow ethical and compliant business practices and is committed to the highest standards of business conduct in everything we do in our business dealings throughout the world. The policy addresses the main areas Protecting human rights, No discrimination, Freely chosen employment, Anti-slavery, No human trafficking, Benefits and wages, No child labor, Working hours and minimum wages, No harsh or inhumane treatment, Freedom of association and Privacy.

Our policy “Foreign Corrupt Practices Act Compliance” states that we prohibit bribery. No employee may give, offer, promise, or authorize the provision of Anything of Value to a Foreign Government Official, for the purpose of corruptly influencing or inducing any official act or decision.

Our “Global Code of Ethical Business Conduct” states on Anti-Corruption that we take a firm stance against corruption and bribery, regardless of impact on business performance. Corruption or bribery runs counter to our values and is not tolerated. Further the code states that gifts, business courtesies, and sponsorships are not allowed to be used as a bribe, kickback or the like, and on Antitrust Compliance, that we compete fairly and honestly, not through unethical or illegal business practices in restraint of trade which may reduce competition.

Our “Global Code of Ethical Business Conduct” states that we follow legal, compliant and ethical business practices and expects the same from the business partners, vendors, suppliers and other third parties we work with.

Our actions during 2019/20

The large majority of our procured products and services are contracted with suppliers that origin within the EU, and we seek to prioritize suppliers that are ISO-certified and thoroughly validated by independent external parties, as this contributes to lower potential CSR issues in the supply chain.

Until now we have not performed specific supplier sustainability audits or defined focused supplier sustainability requirements, but these are areas planned to be addressed in the future.

Our management team have signed and together with other relevant risk position employees received individual training in our Global Code of Ethical Business Conduct, with focuses including anti-corruption, anti-cartel etc.

All employees in our group have confirmed that they are aware of and focused on complying with our Global Code of Ethical Business Conduct.

A whistle blower scheme has been established covering our entire group. The scheme can be use by both internal and external stakeholders.

We are aware of the importance of establishing the foundation for the highest level of customers' safe use of our delivered products and solutions. From our side this includes e.g. that we train customer employees, that we draft high-quality user manuals etc.

Our results

The above described sourcing principles, the performed trainings and the established whistle blower scheme have contributed to lowering the potential risk levels within this area.

Further our efforts towards safe use of our products and solutions have benefited the overall risk picture.

Our risks and management procedures

Risk within this area include e.g. involvement in corruption or cartel cases, collaboration with dubious business partners and low ethical standards.

Our described policies, organizational setup and management principles provide a good basis for monitoring and managing this area.

Focus area: Social and employee topics

Our policies and principles

Our “Global Code of Ethical Business Conduct” states that we are committed to supporting the health, safety and well-being of our employees, and that we contribute to global safety in our communities with products and solutions that improve the reliability of cars, planes, bridges, buildings and more.

Further the code states that we are committed to creating and maintaining a workplace characterized by co-operation based on respectfully and inclusive principles.

Also, the code prohibits actual or threatened violence against co-workers, visitors or anyone else who is either on our premises or has contact with employees, and states that we are committed to conducting our business in a manner consistent with all applicable employment laws, and that we are committed to maintaining compliance with the highest health, safety, and security standards.

We constantly want to strive at offering employees career development programs to strengthen their business capabilities and support ongoing professional development, including trainings, mentoring programs, and continuing education.

Our actions during 2019/20

Annually we conduct an employee satisfaction survey among all employees. Results from the survey are incorporated into our development plans in general and results also form basis for more specific improvement initiatives. It is important to us, that all employees and managers enjoy going to work, as we believe this both makes better results and happier employees – therefore the survey results are of great importance to us.

Our work environment committee addresses topics within both physical, psychological and health work-related areas. The committee have representatives from employer and employee sides and meets on a regular basis. The committee identifies, evaluates, and mitigates on both retrospective and forward-looking concrete topics throughout our group.

During 2019/20 the committee has e.g. initiated a two-day training for site managers and newly-elected committee members, initiated one employee to participate in an external course within chemicals handling and drafted a plan for further focus on near-misses.

We always aim at contributing to a good physical work environment, which includes e.g. installing PC screens that meets each employee’s needs for adjustments, adjustable tables and chairs, correct lighting etc.

It is highly prioritized for us to prevent stress situations for our employees, and to do our utmost to handle such situations. When the workload or other circumstances impacts an employee negatively, we take open dialogues with the employee to identify and agree on the best solution. Solutions can include reduced worktime for a period, replanning etc.

A voluntary thorough health check performed by an external medical vendor has been offered for all employees and a large majority chose to participate. Our company financed fifty percent of the costs.

At most of our permanent sites we offer employees a partly company-financed lunch arrangement, and free fruit during the workday.

We support training and education programs for our employees. The programs performed have had both professional and personal development objectives, and programs also include renewals of certificates and approvals.

When relevant we support and participate in events and promotions at education institutions near our headquarter.

Currently we have three apprentices among our employees – one workshop technician and two in our IT department. Further a number of students studying within the areas mechanics, electronics and machinery have had practice periods with us.

Throughout the group our employee club ongoingly initiates a variety of social activities, including sports events, physical training, cultural events etc.

Based on our experiences from the COVID19 period, we have established the possibility for employees to work partly from home in situations where this is mutually considered possible. Digital equipment for this purpose has been bought and installed in some employees' private homes.

All professional employees with technical topics are assigned to a specific and relevant competence area (examples are software, hydraulics, mechanics etc.), within which large parts of professional trainings are performed.

In the course of the year we have performed internal and external courses for new managers, team leaders and project managers. Equality and anti-harassment has been an integrated part of our code of conduct training for managers.

As in previous years individual development interviews have been performed with all employees. The interviews form basis for plans on each employee's responsibilities, tasks and development, and it always includes discussions on needed training or education. Interviews are based on systematic procedures including an IT solution for documenting discussions and agreements.

Our results

Overall results from the above described efforts and objectives related to our employees, are that we have exceptionally low illness absence rates, a similarly low employee turnover rate, and that we have been able to attract and retain talented employees and managers.

Further results are low accident incident rates and low stress-related absence.

Our risks and management procedures

Risk within this area include e.g. unintentional development or handling of accidents, occupational health and safety and employee satisfaction.

Our described policies, organizational setup and management principles provide a good basis for monitoring and managing this area.

Focus area: Equality

We believe that gender equality and diversity help increase our innovation ability, generate better results, make better decisions, and make us an even more attractive employer.

We always welcome and respect all current and new employees regardless of age, gender, ethnicity, religion, disabilities, sexual orientation etc. Currently we employ people who origin from seven different countries.

Our policies and principles

Board of directors: Our target for the underrepresented gender on the Board of Directors at MTS Systems Danmark ApS is by the end of fiscal year 2024 to have one out of a four members of the Board of Directors to be a woman.

The target is considered ambitious and realistic. At the end of fiscal year 2019/20, the Board of Directors consisted of four male members, which according to the definitions in the Section 99b of the Danish Financial Statements Act, is not considered an equal gender distribution. The target has been set during the fiscal year, and due to no planned changes in the Board of Directors the target has not yet been fulfilled.

Other management levels: Our principles are formulated in our "Gender and diversity policy for other management levels"[2]. It is the vision for the policy, that we want our employees and managers to be diverse, as we believe this promotes the company's development and is one of the basic prerequisites for our business success.

It is our objective to have equality and diversity on e.g. gender, age and educational background among our managers and employees, and it is important to us that we avoid discrimination and that we create an open-minded culture.

Our actions during 2019/20

Our industry is generally characterized by having only very few females employed – and this is also the situation for our company, despite the fact that we have a constant focus on attracting female employees.

We still invite qualified candidates of both genders to interviews for open job positions at all levels, and both internal and external recruiters aim at identifying candidates of both genders, when possible.

Applicants' age, gender, ethnicity, national origin, religion, disabilities, sexual orientation etc. is not influencing our recruitment or promotion decisions, as personal and professional competences always are the bases for our hiring of employees.

Employees with the desire and competences to advance within our company, are ongoingly encouraged to apply for open positions – regardless of gender, age, ethnicity etc.

Our results

Our recruitments, promotions, and redundancies have been based on personal and professional qualifications. Unfortunately, we have been able to recruit only very few women during the year.

Applicant's gender, religion, race, ethnic or social background etc. have not influenced our decisions, and our policy has therefore been applied.

At yearend we had one female member of our management group which totals four members.

Our risks and management procedures

Risk within this area include e.g. unintentional development of equality in the board of directors, recruitments or promotions that does not promote the intended diversity.

We have an ongoing management focus on this area to ensure that our policy is applied throughout the group.

Non-financial Key Performance Indicators

We do not systematically collect data for non-financial KPIs, which is the reason for not including such in this statement.

[1] The policies and procedures can be found here:

<https://www.mts.com/home/sustainability.html> and here:

<https://www.mts.com/home/governanceinfo.html>

[2] The policy can be found here: <https://www.rd-as.com/corporate-social-responsibility/group-gender-and-diversity-policy/>