

## **NKT A/S Remuneration Policy for the Board of Directors and Executive Management**

This policy includes the general guidelines concerning the remuneration of the Board of Directors and Executive Management of NKT A/S ("NKT" or the "Company") and the incentive programmes for the Executive Management, where Executive Management refers to executives registered with the Danish Business Authority.

The aim of these guidelines is to provide a framework for remuneration at NKT, as well as specific guidelines for incentive pay.

In accordance with section 139 of the Danish Companies Act, the Board of Directors of NKT is required to outline general guidelines for NKT's incentive pay to the members of the Board of Directors and Executive Management before any specific agreements on incentive pay can be made. This Remuneration Policy is prepared in accordance with the Danish Companies Act and shall be considered and approved by NKT's shareholders at NKT's General Meeting. Information that guidelines on incentive pay have been adopted shall be incorporated in the Company's Articles of Association, cf. section 139(2) of the Danish Companies Act.

In setting the Remuneration Policy for the Board of Directors and Executive Management, the Remuneration Committee has taken account of the Recommendations on Corporate Governance as updated by the Danish Committee on Corporate Governance in November 2017.

### **Principles for remuneration of the Board of Directors**

#### **Process**

The Board of Directors reviews board fees at frequent intervals. Fees are evaluated relative to Danish and other European companies of comparable size and complexity to NKT.

Proposals for the Board of Directors' remuneration for the current year will be notified at the General Meeting prior to adoption of the remuneration. The Board of Directors' remuneration is approved as a separate item on the agenda at the General Meeting.

#### **Fee levels**

Fees are established based on market levels for companies of comparable size and scope to NKT. Each member of the Board of Directors receives a fixed annual fee while the Chairman receives 3x the base fee and the Deputy Chairman receives 2x the base fee. In addition, a member of a board committee may receive a supplemental annual fee per committee.

Shareholders approve the proposed remuneration for the Board of Directors at each annual general meeting.

Individual board members may be required to take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors. In each such case, the Board of Directors shall determine a fixed fee (e.g. per diem) for the work carried out related to those tasks. The fixed fee will be disclosed in the annual report.

#### **Travel allowance**

Expenses such as travel and accommodation in relation to board meetings as well as relevant expenses are reimbursed

#### **Incentive plans**

Board members are not eligible to participate in any short or long-term incentive plans.

## Principles for remuneration of Executive Management

The Remuneration Committee of the Company has reviewed our approach to remuneration to ensure that it:

- Is based on a set of core principles;
- Retains executives key to value creation;
- Is aligned with best practices;
- Closely ties our strategy through long-term financial and non-financial performance to remuneration outcomes;
- Remains aware of sensitivity on executive pay issues in the Danish market and therefore includes an ex poste cap on the value that can be realised through long-term incentives.

Fixed remuneration is set so as to be competitive but not excessive. The Company does not rigidly adhere to market benchmarks but does take into account pay levels of companies in our sector as well as other companies of comparable size and scope.

Short and long-term incentive pay is based on financial measures and key performance indicators that directly link to our vision and strategic focus as a leading supplier of high-voltage power cables and high-end fibre-based photonic components. The Company has specific operational and commercial excellence objectives linked to this vision.

Short and long-term incentive pay reflects these drivers in both the measures chosen and the targets applied. Bonus payments will only be made for achievement against stretch targets in revenue, EBITDA, operational margin and or other key financial, non-financial or strategic measures that the Board decides as appropriate in a given year. Long-term performance will be assessed under a simplified structure whereby performance over three years on key performance measures will align reward with shareholder value creation.

### Process

Remuneration for members of the Executive Management is proposed by the Remuneration Committee and subsequently approved by the Board of Directors annually in line with the Policy. In order to attract and retain the required expertise to add value for NKT's shareholders, the elements of remuneration for the Executive Management are determined on the basis of the work performed, the value created as well as remuneration levels among comparable Danish and other European companies.

### Principles for governing remuneration

The general principles impacting remuneration design and levels are:

**Pay for performance:** A proportion of the package is performance-based to link remuneration outcomes to the achievement of key financial and or non-financial targets that are aligned with our strategy. Each element of remuneration is weighted in order to ensure a continuous positive development of the company both in the short and long term.

**Transparency:** Our remuneration is structured so as to be transparent to shareholders, to participants in incentive plans, and to enable a clear comparison of remuneration outcomes to management performance.

**Alignment with shareholders:** NKT's remuneration, in particular incentive-based remuneration, will align the interests of management with those of shareholders.

### Executive Management remuneration components and opportunity

Component	Operation	Maximum award level
<b>Fixed salary</b>	Set in relation to comparable Danish and European companies. Salary is set in the context of the total remuneration package to ensure an appropriate balance between fixed and variable remuneration.	Salary levels take into account market remuneration as well as the executives' skills and experience.
<b>Pension and benefits</b>	Where appropriate, NKT provides competitive pension and benefit arrangements.	Benefits include company car, phone and other benefits in line with market practice.  Individual members of Executive Management may also be covered by pension schemes, with details provided in the annual report.
<b>Annual bonus plan</b>	The annual bonus plan aligns executive reward with achievement of NKT's short-term objectives, as determined by the corporate strategy. This may consist of financial and or non-financial targets such as revenue, EBITDA and operating margin and or other key strategic performance indicators. Details of measures used in a given year will be outlined in the annual report as will actual bonus outcomes.	70% of fixed annual salary.
<b>Long-term incentives</b>	<p>Long-term incentives will consist of performance share awards.</p> <p>In any given year, Executive Management may be awarded performance shares. Performance shares represent a conditional right to receive shares after a three-year performance period at nil payment. At this point, the performance shares vest, subject to continuous service and the achievement of performance targets over a period of three financial years.</p> <p>The decision to make awards under a long-term incentive plan is made by the Board of Directors each year after recommendation from the Remuneration Committee. The Board of Directors may at their discretion decide to make cash awards in a given year instead of making awards of performance shares.</p> <p>The performance measures applying to performance shares will represent key measures of long-term growth and will be disclosed in the annual report. These measures will ensure alignment of vesting outcomes with the long-term performance of the Company.</p> <p>Vesting will be subject to customary good leaver/bad leaver provisions.</p> <p>No performance share award will normally vest before the end of the three-year performance period. However, the Board may decide that awards may be subject to early vesting and exercise in various situations including (but not limited to) for certain corporate events such as a change of control.</p> <p>The Board of Directors has a discretionary right to decide to make cash settlement at vesting instead of delivering shares.</p> <p>NKT may, on an ongoing basis, cover any performance share rights granted through the issue of new shares and/or a buyback of own shares and/or the use of own shares in accordance with the Articles of Association of the Company as adopted from time to time or resolutions by NKT's shareholders.</p>	<p>The maximum value of performance share awards that can be made in any financial year, based on face value, is 100% of the participant's fixed annual salary as of the date of award.</p> <p>The value at vesting will depend on the share price at the time of vesting and the number of performance shares vesting based on achievement against performance targets.</p> <p>However, the value at vesting in respect of each individual in respect of each award, cannot exceed three times the participant's fixed annual salary as of the time of award. In such cases where this cap is applied the number of shares vesting will be reduced accordingly.</p>

### **Reclaiming variable pay**

In the event of misconduct, or if an annual bonus or long-term incentive award is made on the basis of accounts that prove to be materially misstated, the Company may reclaim, in full or in part, any overpayment from the annual bonus, or cancel or withdraw unvested and or vested long-term incentive awards made to Executive Management.

### **Notice period and severance pay**

The total value of the remuneration during the period of notice for Executive Management, including severance pay, may not exceed 24 months remuneration, including all components of remuneration.

### **Award of extraordinary incentive remuneration**

The Board of Directors is authorised, in individual cases, to operate extraordinary bonus or other extraordinary incentive remuneration in respect of recruitment to the Executive Management.

The value of such extraordinary incentive remuneration may not exceed an amount equal to 100% of the individual's base salary for the full calendar year. This amount is exclusive of any remuneration the Board deems appropriate in order to compensate an individual for loss of incentive remuneration from a former employer.

Any extraordinary incentive remuneration may consist of cash and or share-based remuneration with any associated performance targets or vesting determined by the Board of Directors.

### **Variations to the policy**

The Board of Directors retains the flexibility to make amendments to the incentive practices outlined in the policy, provided that any such amendment is within the scope of these Guidelines. Substantial amendments are subject to approval by the General Meeting.

The Board of Directors may decide that specific terms shall apply for accelerated vesting or exercise as well as for adjustment of the incentive programmes in case of a take-over in whole or in part, significant divestiture of activities, demerger, merger or other amalgamation of the Company. The Board of Directors may also adjust the long-term incentive operation to allow for any changes to the Company's capital structure or in the event of other material events.

### **Approval**

This NKT Remuneration Policy for the Board of Directors and Executive Management has been dealt with and approved at the Annual General Meeting of the Company on 22 March 2018. If the Board of Directors proposes material changes to the remuneration policy, these changes shall be presented to the General Meeting. In any event, the Board of Directors shall at least every four years present the Remuneration Policy to the General Meeting for approval. The Remuneration Policy will be in force until the General Meeting decides to make any amendments.