

NKT

Sustainability Report 2021 **We connect a greener world**

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United Nations
Global Compact

This report describes the compliance of NKT A/S with Section 99a (CSR), Section 99d (Data ethics), Section 99b (Diversity) and 107d (Diversity) of the Danish Financial Statements Act in 2021. It also includes the progress made on compliance with the principles of the UN Global Compact. NKT A/S consists of two standalone companies; NKT (power cables) and NKT Photonics (photonics equipment) which have separate sections in this report. All NKT A/S entities are covered by this report unless otherwise stated. See more at page 58.

NKT's annual reports 2021



 [Annual Report](#)



 [Remuneration Report](#)



 [Corporate Governance Report](#)

Sustainability highlights



* Scope 1 and 2

Letter of Commitment

We must accelerate the transition to renewable energy

The challenges of climate change are clearly evident. In NKT, we are taking action and responsibility by enabling efficient transmission of renewable energy and by having sustainability as an integral part of our business.

NKT is providing continued support for the transition to renewable energy by ensuring the necessary infrastructure for the green transformation. We are also continuing the journey to become a net-zero emissions company.

In another year shaped by COVID-19, global collaboration was essential to minimize the impact of the pandemic.

The same global attention is needed to address the climate changes impacting societies globally. As described in the IPCC¹ report on climate change and discussed at COP26, the need for action is immediate.

The path is clear. We must reduce global CO₂e emissions to keep temperatures from rising by more than 1.5°C above pre-industrial levels². To achieve this, the world must reach net-zero emissions by 2050 and to succeed, we must all - individually, corporately, nationally and internationally - take responsibility for reducing our carbon footprint.

At NKT, we encourage the politicians to continue setting ambitious targets and then to follow through with the necessary initiatives to limit global warming to 1.5°C.



¹ Report from the Intergovernmental Panel on Climate Change, published August 2021 - www.ipcc.ch/report/ar6/wg1/

² Period 1850-1900 as defined in IPCC report



The full impact of running all production sites on green electricity has been central to reducing the carbon footprint by

34%

compared to 2020

Here, it is essential to create the framework needed for accelerated investments in the global energy infrastructure. The green transformation and the expansion of renewable energy will not be possible without sufficient capacity in both the transmission and distribution grids.

To ensure timely decarbonization of the energy infrastructure an enhanced focus on sustainability in the value chain is needed. In our industry, a key step could be to strengthen the importance of a low carbon footprint in tender criteria for infrastructure projects to ensure that the environmental impact from manufacturing, transportation and installation of products and solutions are considered. Here, a more significant focus on capitalization of electrical losses in power cable systems will also contribute to the development and installation of more energy efficient solutions

Connecting a greener world

We continue to take responsibility and to conduct our business with a strong focus on sustainability. By living our purpose, NKT continues to connect a greener world by building the infrastructure central to the transition to renewable energy. In close collaboration with our partners, we connected offshore wind farms to the onshore power grid, continued to strengthen the development of an inter-

connected power grid, and we ensured necessary upgrades of the low- and medium-voltage distribution grids across Europe.

Within the company we reduced the corporate CO₂e emissions by 34% compared to 2020 through dedicated initiatives. This focus will continue in 2022.

Since the predominant part of our carbon footprint is generated by the supply chain, we have started collaboration with key suppliers to reduce NKT's scope 3 emissions.

Responsible partner and employer

We continue our aspiration and efforts to be a fair and responsible partner and employer empowering trust within the organization, the industry and in local communities.

Based on responsible and ethical behaviour as defined in the corporate Code of Conduct, we have continued the focus on ensuring the safety and well-being of our employees, partners and suppliers and have intensified the focus on promoting diversity and inclusion across the organization.

In 2022, we remain committed to conducting our business in accordance with the principles of UN Global Compact and look forward to continuing the sustainability journey. During the year, we also expect to finalize the corporate roadmap leading to net-zero emission by 2050 and to continue to connect the world for a low carbon future.

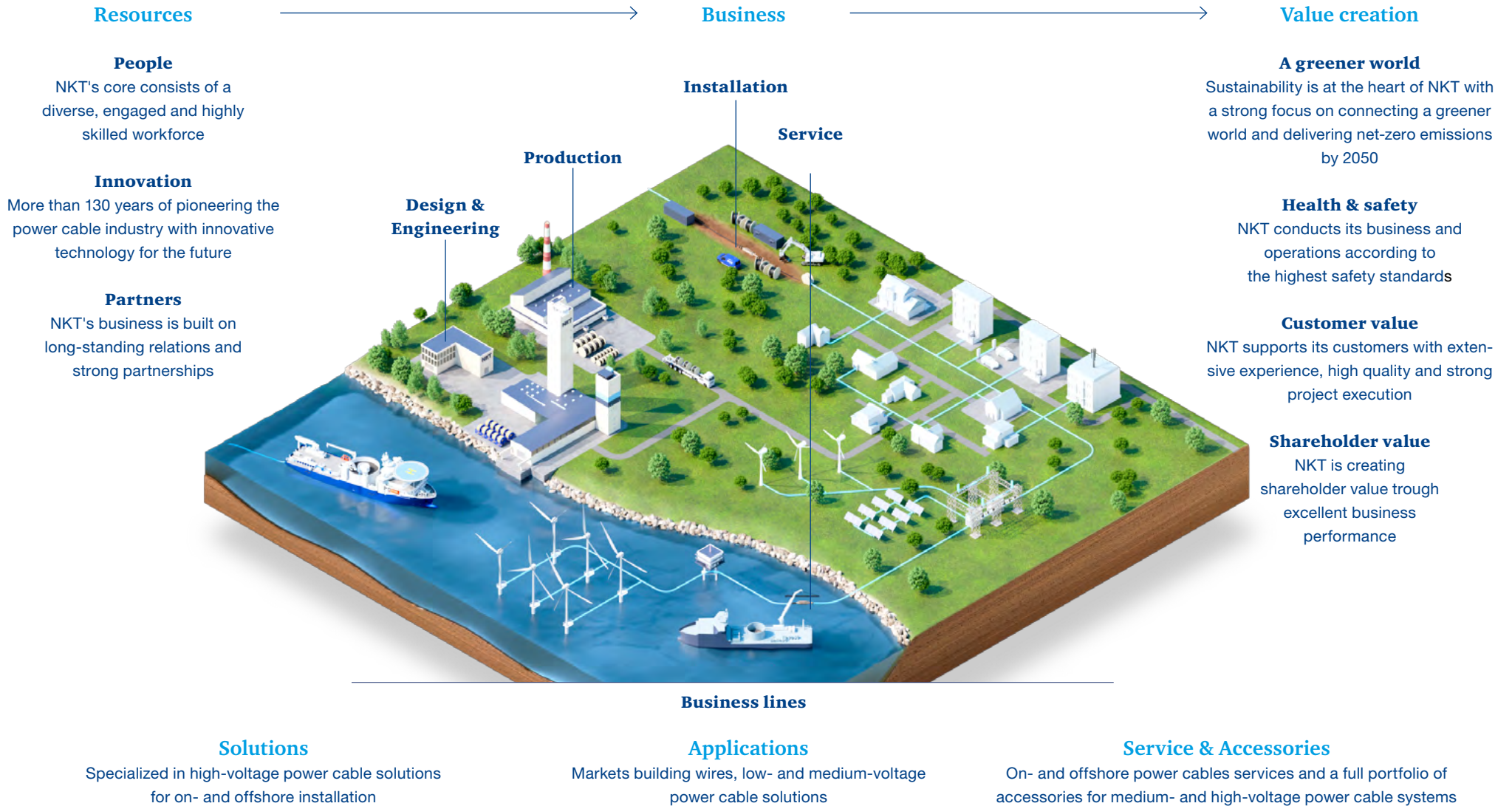
Alexander Kara

President and CEO
NKT

“The path is clear. We need to reduce the global carbon footprint to keep temperatures from rising above 1.5°C. This requires the world to reach net-zero emissions no later than 2050.”

Description of business model

NKT is connecting a greener world with high quality cable solutions for on- and offshore power transmission.



International sustainability memberships and commitments

Climate commitments



In December 2020, NKT signed up to the Science Based Target initiative to become a net-zero emissions company by 2050.



As a member, NKT has committed to taking corporate action to halve global emissions by 2030 in line with a 1.5°C pathway.



NKT has signed the commitment under the UN Global Compact to actively work to run its business within the 1.5°C scenario by setting science-based targets.



NKT is a member of the UNFCCC Race to Zero global campaign rallying to take rigorous and immediate action to halve global emissions by 2030.

Broader sustainability



NKT has been a member of the UN Global Compact since 2009 and actively supports and acts on the principles to drive sustainable changes in the world.



NKT is an active member of Europacable supporting the focus on promoting sustainable and fair conditions in the wire and power cable industry.

Diversity and inclusion



To continue to promote diversity and inclusion across the company, NKT has signed up for the UN Women's Empowerment Principles and have a corporate target of no less than 30% women in senior leadership positions in 2024.



As a member of the Above and Beyond Diversity Council NKT is actively taking part in addressing the barriers obstructing the advancement of more women into top management.



NKT supports the Tekniksprånget internship programme to promote careers in engineering for female students in Sweden.



NKT supports the work of Femtec.Alumnae in actively promoting and strengthening female career opportunities in science and technology in Germany.



NKT is a signatory to the Confederation of Danish Industry's Gender Diversity Pledge to actively promote gender diversity across the organization.

ESG ratings 2021

NKT is constantly increasing sustainability in all activities which was recognized in ESG ratings provided by four independent agencies in 2021.



- NKT is rated in the Leadership (A-) band
- NKT is among the 21% of companies reaching Leadership level in the group "Electrical and electronic equipment"



- NKT is rated AA in the MSCI ESG Ratings assessment in 2021



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- NKT scored 75 out of 100 in 2021 and was awarded a Platinum rating in the industry "Manufacture of wiring and wiring devices"
- This places NKT among the top 1% of companies



- NKT was rated 16.8 in September 2021 and was therefore assessed to be at low risk of experiencing material financial impacts from ESG factors
- It places NKT in the top 25% of companies in the "Electrical Equipment industry assessed by Sustainalytics"



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Sustainability governance

Sustainability is embedded in all processes across the company and NKT recognizes the importance of having clear governance to ensure ongoing progress.

Endorser

- The Board of Directors endorses the sustainability strategy and the sustainability report annually
- Sustainability is part of the agenda quarterly

Approver

- The CEO approves the sustainability strategy and sustainability report and oversees performance and progress
- Sustainability is an integral part of the CEO responsibilities and is also addressed at formalized meetings at least once a quarter

Formulator

- The Global Leadership Team (GLT) and the Sustainability Steering Group decide on the sustainability strategy and its implementation
- Sustainability is embedded in all areas of the business and addressed at formal meetings at least once a quarter

Owner

- Overall owner of sustainability and advisor to the corporate ESG programme

Driver

- Councils and functions ensure sustainability trends are captured, planned and prioritized. Provide guidance to Sustainability Council and ensure actions from the Sustainability Steering Group and the Sustainability Council are addressed
- Councils have monthly meetings or as needed

Implementer

- Ensures that processes are implemented in the organization, captures ideas and collects performance data
- Meetings as needed

Executive level

Board of Directors

CEO

Group Leadership Team (GLT)

Sustainability Steering Group

Group level

Group Sustainability

Compliance board

Group HSE

Sustainability Council

Group HR

HSE Council

Environmental Council

Business level

Business Work Streams – organized according to sustainability priorities

Sustainability strategy

ImpACT

While executing on existing sustainability priorities, NKT is also creating a long-term strategy for resolving global sustainability challenges in support of the Paris Agreement.

The sustainability strategy is anchored in four main pillars founded on responsible business processes.



Climate action: Be a leader in driving the green transformation of the power cable industry by reducing corporate emissions and entering partnerships that address and resolve climate challenges, see page 13.



Circularity: Create a sustainable value proposition by ensuring environmental stewardship through the lifecycle of products and solutions. Also, actively pursue zero waste through transformation of own waste into other products, see page 18.



Social: Be a fair, inclusive and safe workplace empowering trust and engagement within the organization, the industry and in local communities, see page 21.



Responsible business: NKT conducts business operations as a trusted partner and employer and sustainability risk are integrated in business processes and the overall business. See page 28.



Materiality assessment defining sustainability priorities

The materiality assessment enables the identification and prioritization of social and environmental issues presenting risks and opportunities for NKT and stakeholders.

The assessment furthermore supports the visualization of global changes and trends and their potential effect on the business. It also helps reporting on the issues of greatest importance to relevant stakeholders.

Interactions with stakeholders associated with sustainability related matters are conducted through several channels, utilizing methods such as interviews, surveys and informal dialogues. The feedback collected has been included in this year's materiality assessment and in the general sustainability processes of NKT.

Sustainability aspects are evaluated on the basis of risks, opportunities and trends in relevant industries and in political agendas. Changes in legislation, technology and general developments in the sustainability agenda have also been assessed.

The identified issues and opportunities have been processed in an impact valuation based on the NKT Enterprise Risk Management framework using multiple criteria to identify their significance for relevant stakeholder groups.



Target overview 2021

	Target	Result	Status	SDG
Environment 	Reduce corporate CO ₂ e emissions by 5%	34%	■	12.6
	Create and implement electrical vehicle strategy and install charging stations at relevant sites		■	12.6
	Complete and review pilot project with alternative fuelled forklifts		■	12.6
	Complete preventive maintenance of cooling equipment and systems at all factories		■	12.6
	Reduce total amount of waste by 3%	3%	■	12.5
Social 	Employee Engagement Index >73	74	■	8.5
	Initiate training of HR Business Partners and selected leaders to minimize biases in recruitment processes		■	5.5
	Stabilize the Lost Time Incident Rate ≤ 0.50	0.57	□	8.8
	Expand Safety Culture Ladder level 3 certification to HV Solutions offshore operations		■	8.8
	HSE management training for the top 200 leaders with 100% completion rate*	100%	■	8.8
Governance 	Achieve 90% completion rate of anti-bribery and anti-corruption e-training	92%	■	16.5
	Implement new agents and distributor compliance instruction		■	16.5
	Develop enhanced risk assessment process for ethics and compliance**	Deferred to 2022	□	16.5
	Review and update supplier qualification process within quality, environment and health and safety		■	12.6
	Implementation of NKT Market Place at remaining manufacturing sites		■	12.6

* Due to ongoing changes in the top 200 leaders the actual count for 2021 was 196, all of whom have completed the training. This translates to 100% completion rate.

** Further strengthening of existing risk assessment framework developed in 2020.

□ Incomplete

▣ Partly completed

■ Completed



Environment

Climate action

As a central player in the global transition towards renewable energy, NKT is continuously minimizing the environmental impact of its activities towards net-zero emissions.

NKT continued its sustainability focus in 2021, demonstrating commitment to achieving net-zero emissions by launching an extensive climate action programme. The aim of the programme is to establish and strengthen the processes needed to reduce corporate emissions in all scopes. The outline of the climate action programme is expected to be finalized in 2022.

While developing the roadmap for net-zero emissions, including associated near-term targets, an intermediate target was created aimed at reducing corporate CO₂e emissions by an average of 5% annually. This is in line with the Paris Agreement and NKT has chosen to pursue the most ambitious pathway of limiting global warming to 1.5°C above pre-industrial levels.

While defining the long-term roadmap, NKT continues to implement measures to address corporate emissions. Performance is verified by an external party according to ISO 14064, ensuring trans-



parency, quality and complete inventory of GHG emissions.

Climate impact reductions

The focus on climate and energy efficiency is directed by the corporate Environmental Council, ensuring a systematic approach to energy efficiency across NKT. To ensure progress in this regard, energy performance is closely monitored to enable rapid response to anomalies and provide the necessary data for increased energy efficiency.

During 2020, all NKT power cable factories switched to using electricity based on renewable energy, reducing CO₂e emissions significantly. In 2021, NKT experienced the full impact from the switch, registering a 34% reduction in electricity-generated corporate emissions compared to 2020.

Furthermore, the program has been extended and all factories now use low-carbon electricity. The change in energy supply is documented by EU Guarantees of Origin, market-based instruments which are certified by an external auditor.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based Target initiative

In 2020, NKT committed to the Science Based Target initiative (SBTi) to support its corporate efforts towards net-zero emissions. SBTi calls upon corporations to set ambitious goals for reducing greenhouse gas emissions based on scientifically validated targets for climate action.

The SBTi Net-Zero Standard defines tackling corporate net-zero emissions as:

1. Reducing scope 1, 2 and 3 greenhouse gas (GHG) emissions to zero or to a residual level that is consistent with reaching net-zero emissions at global or sector level in eligible 1.5°C-aligned pathways
2. Neutralizing any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter

The Science Based Target initiative is a collaboration between Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi defines and promotes a clearly defined pathway for companies to reduce their greenhouse gas emissions. NKT expects to finalize the outline of the roadmap to net-zero emissions and have its climate target verified by the SBTi approval process in 2022.



Environment

This provides proof that NKT's power cable production in Germany, Denmark, Sweden, Norway, Poland and Czech Republic is based on renewable energy and direct low carbon energy agreements on electricity for sites manufacturing cable accessories.

Energy efficiency

Continuous focus on energy efficiency is central to NKT. In 2021, data-driven initiatives included installing free-air cooling, reduced production downtime and optimizing energy consumption per tonne of output at the Nordenham factory in Germany. These initiatives have led to energy savings of 33% per tonne output compared to 2020.

In Alingsås, Sweden, the focus on reducing energy consumption continued, driving savings and prompting investment in more energy-efficient equipment.

At the company's high-voltage sites in Karlskrona, Sweden, and Cologne, Germany, execution of the energy-efficiency programmes continued in 2021. The work generated close to 1,400 MWh

Corporate emissions 2021

Kilotonnes CO ₂ e	2021	2020	2019
Scope 1	15.7	12.1	16.3
Scope 2*	1.0	13.2	47.1
Scope 3***	1,242	1,541	8.2**
Outside of Scope 1 reporting	0.010	0.006	-

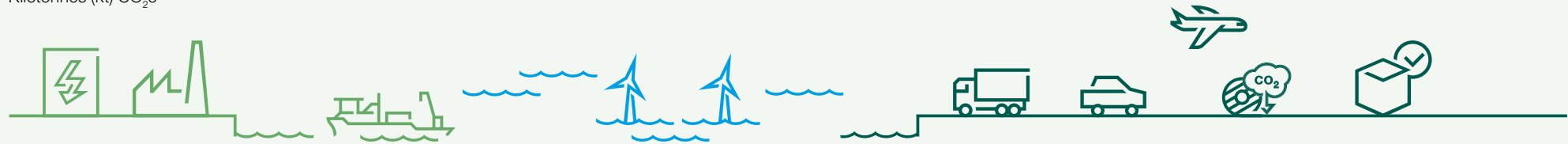
* Market-based method.

** Limited scope: Transport, distribution and business travel.

*** Data for 2020 and 2021 has been externally verified as per ISO 14064-1.

Overview of corporate emissions 2021

Kilotonnes (kt) CO₂e



Scope 1

CO₂e emissions from direct corporate activities

- **Emissions from NKT sites (7.7 kt)**
Forklifts, gas for heating of cable tracks, handling of fluorinated gases, production emissions, company cars etc.
- **NKT Victoria (8.0 kt)**
Fuel consumption and use of electricity when connected to shore, including services and installation

Scope 2

CO₂e emissions from indirect corporate activities

- **Purchased heat and electricity (1.0 kt)**

Scope 3

CO₂e emissions from the corporate value chain

Upstream activities

- **Transportation and distribution (4.5 kt)**
- **Business travel (0.1 kt)**
- **Purchased goods and services (1,182.3 kt)**
- **Employee commuting (6.3 kt)**
- **Capital pools (33.9 kt)**
- **Fuel and energy-related activities (4.1kt)**

Downstream activities

- **Transportation and distribution (10.1 kt)**
- **End-of-life: 100% recyclable products and solutions**
(Avoided CO₂e at end-of-life of power cable solutions produced in 2021 159 kt)
- **3rd party waste recycling (0.9 kt)**

in energy savings by upgrading lighting, ventilation and insulation across the factories.

Reducing fuel consumption

In 2021, switching to certified renewable electricity and further decrease in fossil fuels were key drivers in reducing scope 1 and 2 emissions by 34% compared to 2020. In 2021, fuel for stationary and non-stationary equipment accounted for 58% of corporate CO₂e emissions, making decreased fuel consumption central to NKT's ambition to become a net-zero emissions company.

The company's cable-laying vessel NKT Victoria is one of the most energy-efficient vessels in the power cable industry. NKT has an ongoing focus to increase energy efficiency and optimize fuel consumption. In 2021, the vessel was upgraded with an additional thruster improving her ca-

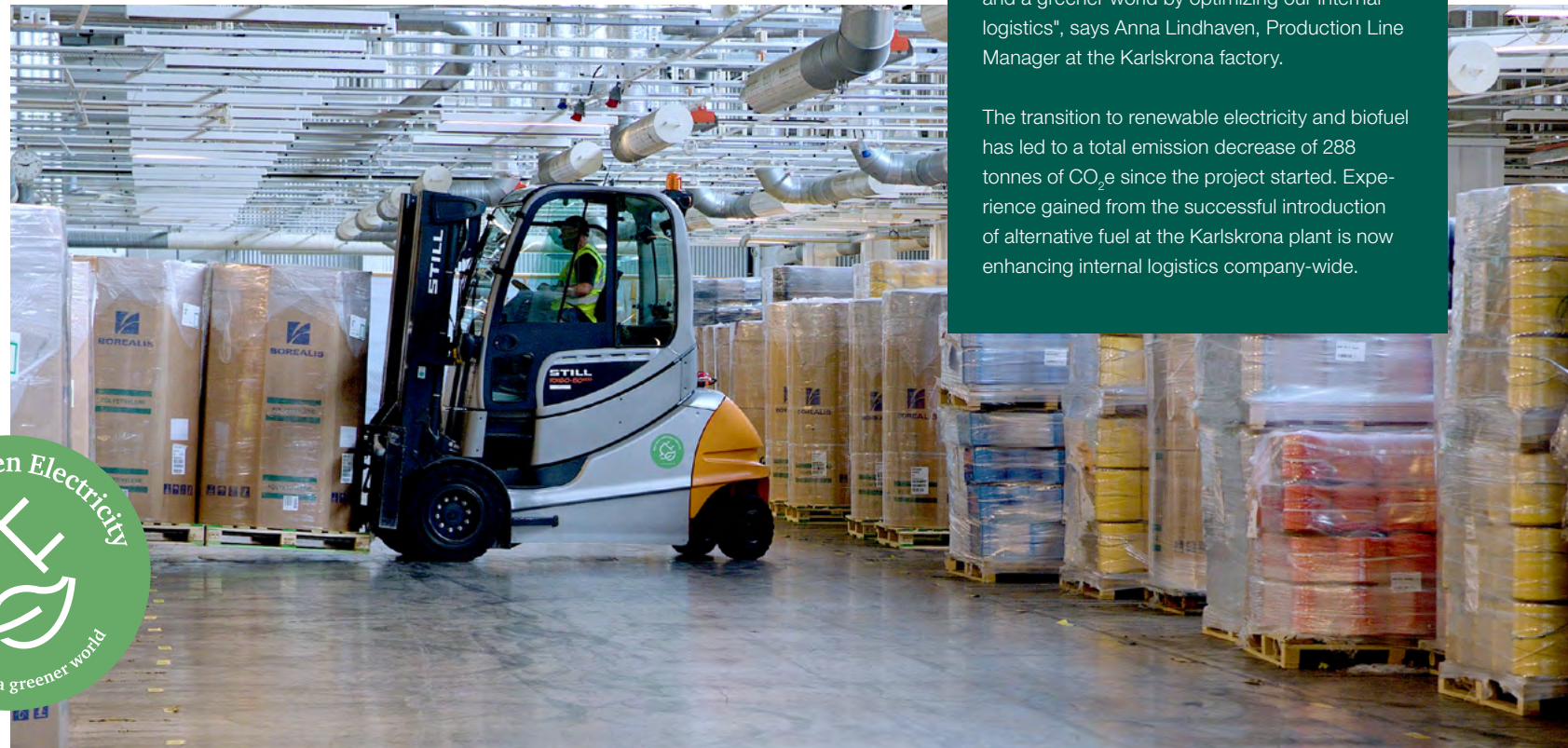
pability to keep a steady position during cable laying in rough waters and to further increase the onboard energy efficiency.

Transition to alternative fuels

During 2021, NKT initiated a gradual changeover to the use of electrical cars and aims to complete the process by 2025. To support this initiative, electric

chargers have been installed at several company sites.

Work to convert processes and machinery to renewable energy sources also continued in 2021, with focus on upgrading internal logistics to run on electricity and alternative fuel such as biofuel.

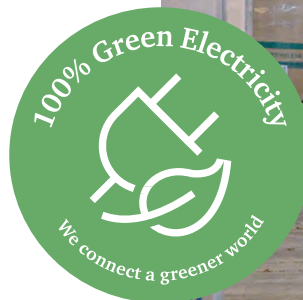


Green logistics in Karlskrona

At NKT's high-voltage power cable factory in Karlskrona, Sweden, the majority of forklifts are now powered by electricity or biofuel, and the transition to alternative fuel has reduced CO₂e emissions by 80% compared to 2020.

"I am proud of my team and the impact we have had on carbon footprint from production. It is very rewarding to contribute to sustainability and a greener world by optimizing our internal logistics", says Anna Lindhaven, Production Line Manager at the Karlskrona factory.

The transition to renewable electricity and biofuel has led to a total emission decrease of 288 tonnes of CO₂e since the project started. Experience gained from the successful introduction of alternative fuel at the Karlskrona plant is now enhancing internal logistics company-wide.

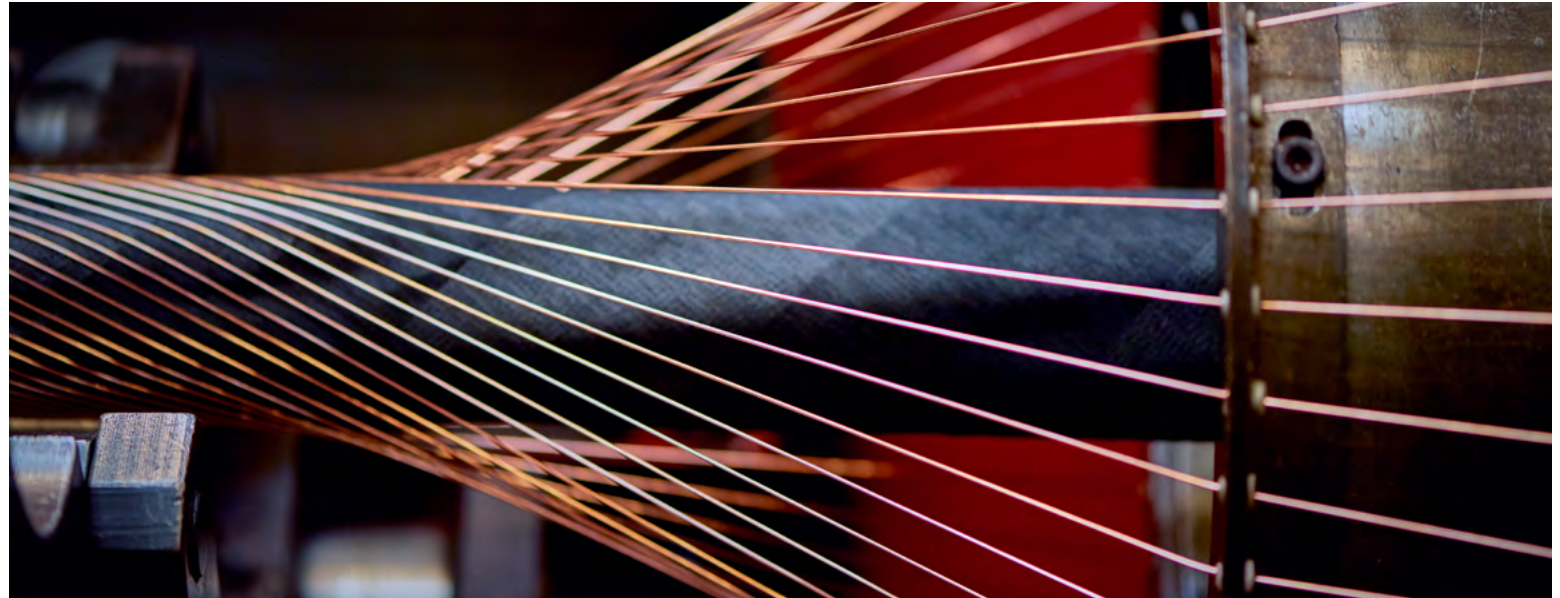


Decarbonization of supply chain

For NKT, an important element in the journey towards net-zero emissions is to decarbonize the value chain, which accounts for a significant part of the corporate emissions.

NKT has launched a supplier engagement programme aimed at driving emission data transparency and developing strong collaboration and decarbonization processes. This programme is addressing reductions in more than two thirds of the corporate scope 3 emissions totalling 1,242 kilotonnes in 2021.

Carbon footprint is a central consideration in the design and materials development for NKT's power cable solutions and accessories. To enable the use of low carbon alternatives in the product portfolio and reduce scope 3 emissions the company runs several initiatives that include engagement with both the upstream and downstream value chain. In addition, partnerships are explored and dialogue takes place with suppliers, customers and regulators to ensure collaboration and common goals for decarbonizing the NKT value chain.



Climate-related risks and opportunities

In 2021, NKT conducted a review and analysis of risks and opportunities associated with climate change, identifying areas potentially having substantial or strategic impact. The results of the review are incorporated in a Climate Risk Assessment based on the International Energy Agency's SDS and 450 scenarios.

The analysis clearly showed that climate changes will impact the operations of both NKT and its value chain. Overcoming this will require a proactive approach based on ongoing review of risks and opportunities relating to climate impacts. To mitigate the potential impact, NKT is developing a roadmap for decarbonizing its operations as well as its value chain.

The transition to renewable energy will create opportunities for NKT as the demand for power cable systems

is expected to grow in order to prepare the global power grids for the integration of renewable energy.

TCFD Disclosure

To succeed in becoming a net-zero emissions company NKT is integrating the climate agenda directly into its business strategy.

The guiding framework for the integration process is TCFD (Task Force on Climate-related Financial Disclosures), which requires companies to report and disclose information about the company's strategy, governance metrics and performance. NKT has incorporated its information into the Carbon Disclosure Project (CDP) climate disclosures, and an overview of the TCFD-related data can be found in the ESG scorecard for this report.



Copper and aluminium are central to the production of power cables, and metal suppliers are part of NKT's ongoing focus to reduce the environmental impact of the value chain.



Climate action programme

Why this is important



To drive the transformation to a low carbon future it is vital that companies take responsibility and reduce the environmental impact of their operations by decreasing CO₂e emissions and offering climate-conscious solutions. NKT is embracing the risks and opportunities associated with climate change by incorporating climate actions into its business strategy.

- Completed
- Partly completed
- Incomplete

Ambitions



To reach net-zero emissions, NKT is continuously reducing its corporate emissions through a variety of actions, including decarbonizing the value chain through partnerships and customer collaboration on low carbon solutions and eco-design.

Long-term target

To progressively reduce corporate CO₂e emissions to net-zero by 2050.

Key challenges and mitigations

An underdeveloped infrastructure is a limiting factor in the transition to renewable energy and alternative fuel. The transition also depends on mature political frameworks, investment in both infrastructure and new technologies. NKT is mitigating the challenges by incorporating climate actions in the business strategy and by engaging in relevant partnerships supporting the needed change.

Targets



2021

Target	Result	Status	SDG
Reduce corporate CO ₂ e emissions by 5%	34%	<input checked="" type="checkbox"/>	13.2
Create and implement electrical vehicle strategy and install charging stations at relevant sites		<input checked="" type="checkbox"/>	13.2
Complete and review pilot project with alternatively fuelled forklifts		<input checked="" type="checkbox"/>	13.2
Complete preventive maintenance of cooling equipment and systems at all factories		<input checked="" type="checkbox"/>	13.2

Additional progress

- First external verification of corporate carbon footprint
- Implementation of new data collection process and system

2022

Action	Target	SDG
Finalize climate action programme	Receive SBTi verification for corporate climate target	13.2
	Acquire further data transparency via decarbonization programme	13.2
Reduce environmental impact	Reduce corporate CO ₂ e emissions by 5% compared to 2021	13.2
	Maintain full low-carbon electricity supply at all factories	13.2



Environment Circularity

The need for circularity is becoming increasingly important to the green transformation and has a central role in NKT's ambitions to reduce the environmental impact of its products and solutions.

Journey to zero waste

NKT is committed to eliminating waste, and progress is based on a long-term focus on the reuse and recycling of cable scrap and other materials.

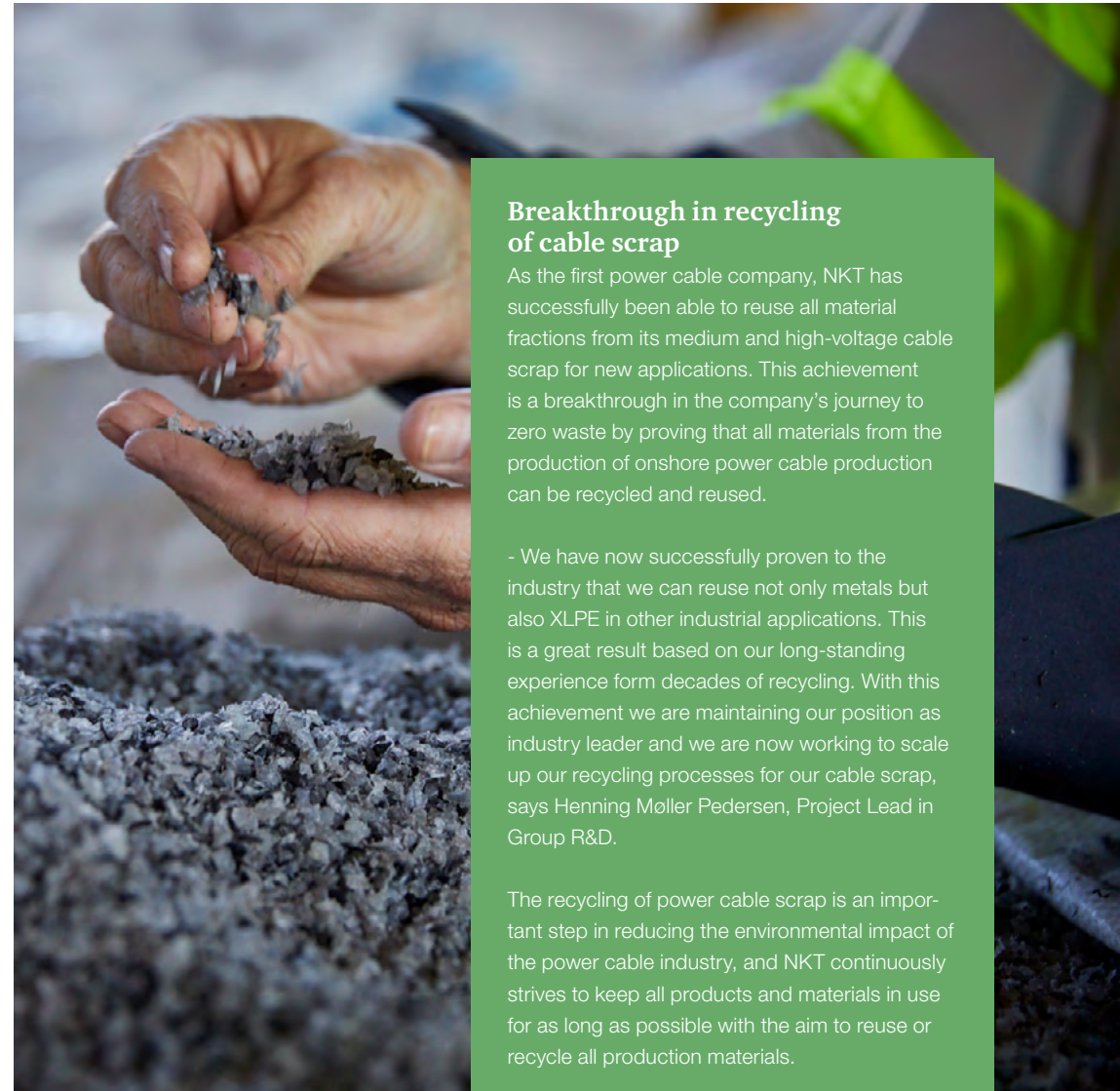
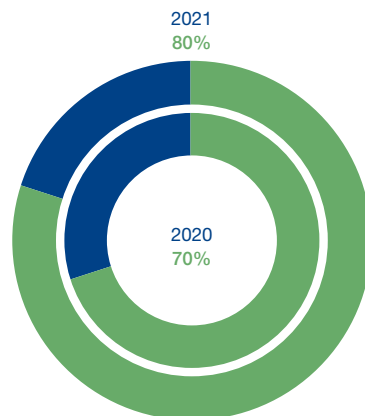
In 2021, several local initiatives supporting the zero-waste objective have been completed and teams at all factories are focusing on reducing the total amount of waste from NKT sites. The amount decreased by 3% compared to 2020.

Recycling and reusability

The focus on the recycling of cable scrap has continued in 2021 with significant progress made. Following last year's successful development of mechanical recycling of cross-linked polyethylene (XLPE), NKT has now found ways to reuse the remaining mixed fraction of materials from its production and give it a second life in new applications and products. The continuous focus on material recycling is driving the increase of total waste sent for material recycling from 70% in 2020 to 80% in 2021.

NKT is constantly monitoring the need for new material fractions to drive improved reusability and recycling of production scrap. As part of the ongoing development, NKT is currently investigating the polyethylene materials used for jacketing of power cables at the factory in Falun, Sweden. The purpose of the pilot project is to replace a substantial part of the materials with recycled polyethylene to drive down the carbon footprint of the production. The project in Falun will be evaluated on an ongoing basis with a view to implementation company-wide.

Total amount of waste sent for material recycling:



Breakthrough in recycling of cable scrap

As the first power cable company, NKT has successfully been able to reuse all material fractions from its medium and high-voltage cable scrap for new applications. This achievement is a breakthrough in the company's journey to zero waste by proving that all materials from the production of onshore power cable production can be recycled and reused.

- We have now successfully proven to the industry that we can reuse not only metals but also XLPE in other industrial applications. This is a great result based on our long-standing experience from decades of recycling. With this achievement we are maintaining our position as industry leader and we are now working to scale up our recycling processes for our cable scrap, says Henning Møller Pedersen, Project Lead in Group R&D.

The recycling of power cable scrap is an important step in reducing the environmental impact of the power cable industry, and NKT continuously strives to keep all products and materials in use for as long as possible with the aim to reuse or recycle all production materials.



Finding new materials for power cable solutions

Future power cable technology is closely linked to understanding and developing new and alternative materials, and NKT is actively talking part in building the foundation for future generations of technology. In 2021, Mikael Unge, Senior Principal Scientist in NKT, became the first Adjunct Professor in the company leading a research project at the KTH Royal Institute of Technology Sweden with the aim to find new materials for the insulation of high-voltage power cable systems.

“The primary goal is to create a better understanding of new material combinations to support the development of improved power cable insulation. New materials are a key piece of the puzzle of improving the performance of the power cables to make the global grids more efficient and ready for the challenges of the increasing amount of renewable energy,” says Mikael Unge.

The research project is expected to include several Ph. D. projects and is planned to run for the next six years.



Eco-design and innovation

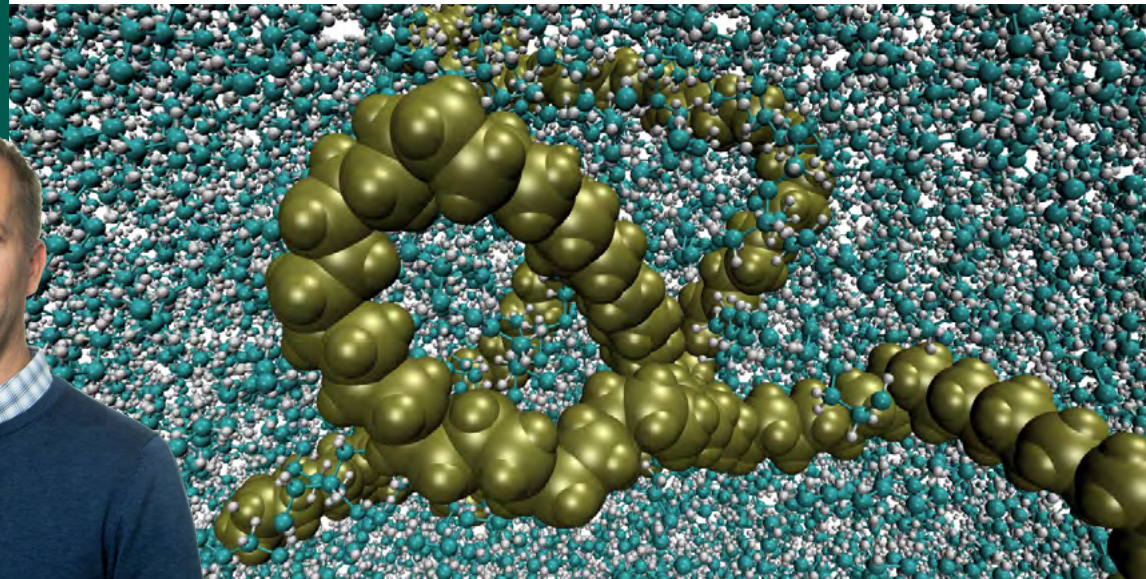
NKT is continuously developing new technologies to enable more efficient, reliable and sustainable power transmission based on environment-friendly materials. The need for new technology is essential for a low carbon future as the global power grids are constantly expanding. As a technology leader in the power cable industry, NKT has a long-term strategy to be a key player in developing the next generation of power cables and accessories to deliver the solutions needed to drive the transition to renewable energy.

To succeed, a central focus for NKT is to include considerations concerning overall environmental impact, recyclability and safety when developing new products and solutions.

Materials development

In NKT, environmental impact and carbon footprint are core considerations in the development of new products and solutions. A key focus in this development is to design for sustainable manufacturing processes, efficient material usage, long product lifespan and potential for decommissioning and recycling.

NKT investigates, develops and tests new materials on an ongoing basis with constant focus on minimizing the environmental impact of its products and solutions. The ongoing development of new and existing materials is maintained by Group R&D in NKT in close collaboration with the business lines and through external partnerships.



Atomistic model of polyethylene with one chain highlighted. Using atomistic simulation models properties at atomic scale can be used to fine-tune the insulation materials for high-voltage power cables.



Circularity and recycling programme

Why this is important



Technology development and the expansion of the global power grids which is central to the transition to renewable energy are creating increased demand for raw materials. Rational and responsible use of resources is therefore vital to minimize environmental impact, and circularity is a key element in this.

■ Completed

▣ Partly completed

□ Incomplete

Ambitions



NKT strives to make efficient use of resources in all production processes, prioritizing high materials efficiency and maximum recyclability. Strong focus is placed on circular use of materials, including open and closed-loop recycling of metals and plastics.

Long-term target

NKT's long-term target is to generate zero waste by the transition to total material recycling, thereby also eliminating landfill. Target year for reaching zero waste will be decided in 2022.

Key challenges and mitigations

The limited recycling infrastructure within the EU means fluctuating recycling rates across countries, creating challenges for a unified approach in recycling. NKT is addressing these challenges through local recycling partnerships and sustainable product design.

Targets



2021

Target	Result	Status	SDG
Reduce total amount of waste by 3%	3%	■	12.5

Additional progress

- Improved mechanical recycling process for XLPE materials
- Achieved 100% recyclability of power cable scrap from factories in Falun, Sweden, Cologne, Germany and Asnæs, Denmark
- Further improved recycling rate for the factory in Karlskrona, Sweden
- Improved recycling rates for several other sites through optimized waste sorting

2022

Action	Target	SDG
Develop long-term strategy roadmap for achieving zero waste and increased circularity		12.5

Social People and diversity

NKT believes a safe, diverse and inclusive working environment is fundamental to the continued growth of both the company and its employees.

For NKT, the principal exposure in the area of human and labour rights relates to threats to employee safety in the form of injuries and accidents and to violations in the supply chain. To mitigate this exposure NKT promotes continuous focus on health and safety and has established an improved, digitized procurement process for vendors and business partners to strengthen supplier assessments in sustainability-related areas.

Human and labour rights

As a signatory to the UN Global Compact, NKT is committed to conforming to all aspects of the Universal Declaration of Human Rights. NKT respects and abides by local labour law, supports freedom of association and all employees have contracts complying with local laws and regulations. Respect for human and labour rights is also a key parameter in the company's screening and qualification of suppliers. As NKT mainly operates in low-risk countries, use of forced and child labour is not considered to constitute a material risk,

but the situation is continuously monitored to ensure adherence to best practices.

Conflict minerals

NKT uses the Conflict Minerals Reporting Template (CMRT) provided by the Responsible Minerals Initiative to increase transparency in respect of the smelters and refiners used in the supply chain and ensure they are conformant.

Committed workforce

For NKT it is a long-term focus to ensure a culture driven by high engagement. To track workforce engagement, an annual survey is conducted based on an employee engagement index. The positive trend recorded since 2017 continued in 2021 with a record-high engagement score that exceeded the global benchmark. In 2022, leaders at all levels will continue to foster employee commitment by initiating actions based on survey feedback.

Diversity and inclusion

Convinced that a diverse and inclusive organization is a key driver for both employee development and company performance, NKT is dedicated to promoting diversity and inclusion across its business. A number of initiatives have been implemented to ensure achievement of the target of no less than 30% female representation on the Board of Directors,

the Group Leadership Team and the Extended Leadership Team by 2024.

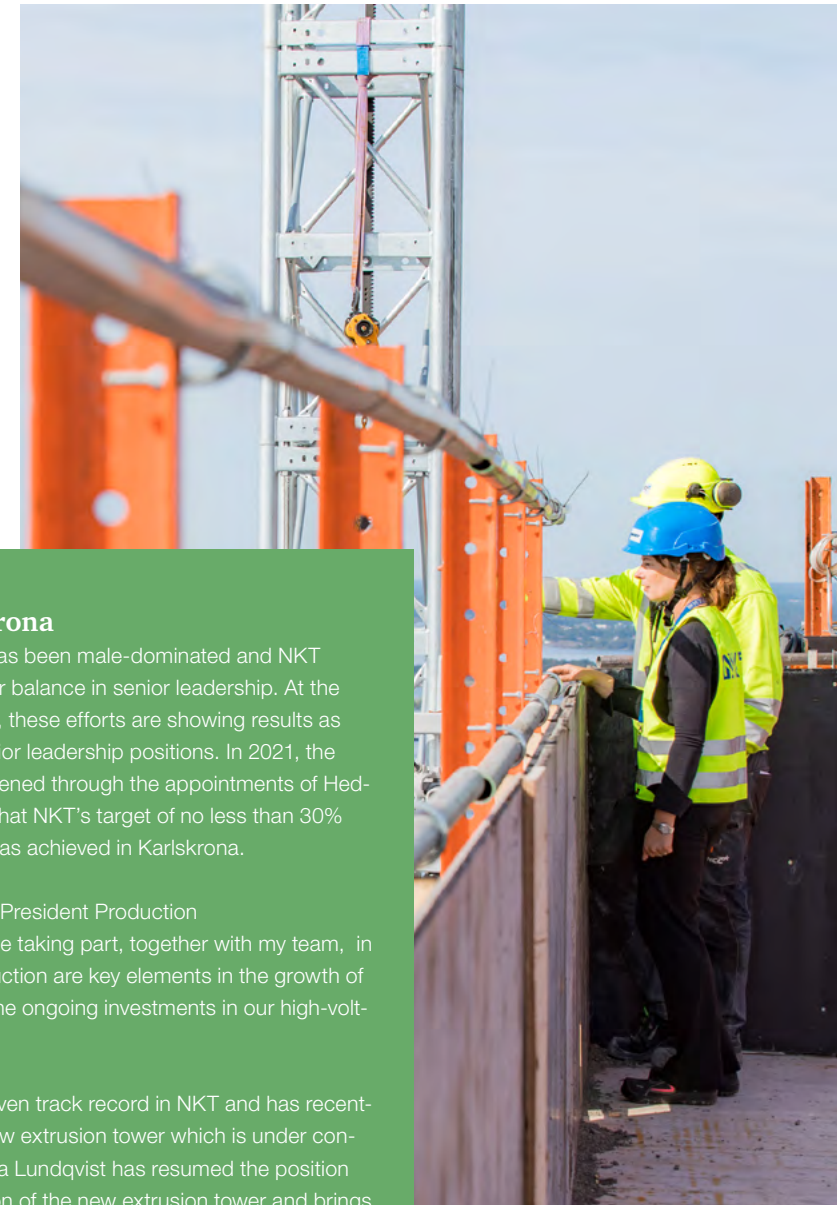
In 2021, initiatives included updating the Diversity & Inclusion Policy and implementing a dedicated strategy to strengthen the focus on fostering a diverse and inclusive organization. The progress in this area is tracked by a Diversity and Inclusion Score which increased to 73 in 2021 from 65 in 2020.

More female leaders join management team in Karlskrona

Traditionally, the power cable industry has been male-dominated and NKT is taking steps to create stronger gender balance in senior leadership. At the high-voltage site in Karlskrona, Sweden, these efforts are showing results as more women are being assigned to senior leadership positions. In 2021, the management team was further strengthened through the appointments of Hedda Lundqvist and Louise Olausson, so that NKT's target of no less than 30% females in senior leadership positions was achieved in Karlskrona.

Louise Olausson, newly appointed Vice President Production and Operations, says: "I am excited to be taking part, together with my team, in ensuring high quality and efficient production are key elements in the growth of NKT. These are interesting times with the ongoing investments in our high-voltage production and technology."

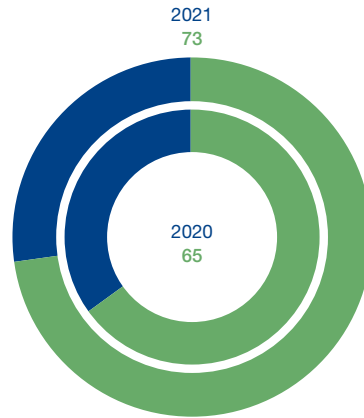
She is an experienced leader with a proven track record in NKT and has recently been the Program Manager on the new extrusion tower which is under construction at the site in Karlskrona. Hedda Lundqvist has resumed the position as Program Manager for the construction of the new extrusion tower and brings extensive leadership experience from the commercial side of the high-voltage project business.



During 2021, NKT also entered into several partnerships to locate, develop and attract female talents in technical areas to ensure the long-term gender balance in the power cable industry, which traditionally has been male-dominated. The focus on diversity and inclusion has been strengthened in the recruitment processes and in the mandatory leadership development programmes and will continue in 2022.

In 2021, the share of the underrepresented gender, female decreased both in senior leadership and the overall organizational composition compared to 2020. NKT strives to mitigate this development by continuing to strengthen recruitment, succession planning and talent processes with focus on diversity and inclusion.

Diversity and Inclusion Score



Diversity in senior leadership*

	Total	Age profile			Gender	
		<40	40-54	>54	Female	Male
2019	53	10	32	11	8 (15%)	45 (85%)
2020	80**	14	44	22	14 (18%)	66 (82%)
2021	80	15	44	21	10 (13%)	70 (87%)

* Senior Leadership consists of the Extended Leadership Team, including members of the Group Leadership Team.

** The number of members in the Extended Leadership Team increased to strengthen representation from all parts of the business.



Improving diversity in production

When NKT was having difficulty hiring the necessary labour to expand its production in Warszowice, Poland, part of the solution was to improve diversity. With a few suitable initiatives the company modified its production workflow to match the health & safety requirements needed to attract more females to the coiling lines. The initiatives were successful, the number of female workers more than doubling in 2021

“The coiling machine is a great workplace for women. The activities I perform daily require only moderate physical effort and the work itself is safe and sustainable. Providing a physical working environment suitable for female workers was a great initiative as it delivers ergonomic benefits for everyone”, says Barbara Bednarczyk, one of the women working at the coiling lines in Warszowice.

NKT continues to identify areas of improvement with view to attracting more females to production across the organization and promoting continued improvement.



Patrycja Bandera, Barbara Bednarczyk, Natalia Zubek and Mariola Procek (from the left) working at the production site in Warszowice, Poland.



Talents and trainees - pipeline for a greener world

As a leading company in the power cable industry, NKT requires strong technical skills to continue building the necessary infrastructure for the transition to renewable energy. Attracting, developing and retaining talents is therefore a focus area to facilitate long-term career progression for leaders and technical specialists.

Talent programme for leaders

In 2021, NKT launched a global talent programme aimed at bringing together emerging leaders from across the company to exchange ideas, share perspectives and engage with executive sponsors. Development plans and pro-active follow-ups are a central part of this programme

to ensure that the learning received is consolidated. Currently, 16 young leaders are participating in the programme which will be further developed in 2022.

Trainee programme

NKT operates a 12-month trainee programme at its high-voltage engineering centre and manufacturing site in Karlskrona, Sweden. After completing the programme the participants are expected to continue in relevant positions throughout the NKT organization.

Academic collaboration

As innovation is key to the development of future power cable technology, NKT participates in research programmes with academic institutions, primarily technical universities. This is an area of long-term, strategic priority for NKT with the aim of strengthening the technological foundation of the power cable industry by combining in-house expertise with fundamental academic research. NKT is actively participating in several MSc and PhD programmes focused on developing solutions and knowledge to drive the industry in a more sustainable direction.

Community engagement

Across the company, NKT employees are engaging with and making a difference to their local communities:

In 2021, employees from Alingsås, Sweden, and from Nordenham and Berlin, Germany, continued their charity work with local non-profit organizations to support children and families in need. This collaboration, which began in 2017 at Nordenham and has since extended to other locations in Germany and Sweden, aims to provide underprivileged children with a merry Christmas in the form of gifts and social activities.

In Kaunas, Lithuania, NKT employees again joined forces with local child day centres in donating school equipment for underprivileged children.

In Asnæs, Denmark, NKT employees continued their long-standing association with the local Red Cross, supporting people with special needs. Under this initiative, redundant wooden cable drums are recycled into fashionable furniture which is sold locally, the proceeds being spent on special activities in the sheltered accommodation.

“The talent programme is a great initiative. It provides an opportunity to gain a deeper understanding of our corporate purpose and how to deliver accordingly. The programme also provides personal development, a deeper understanding of our four shared beliefs and brings us closer to the company’s leaders, strengthening collaboration across business lines.”

Lirie Hoxha

Director of Workshop Area and participant in the Advance Talent Programme

Diversity and inclusion programme

Why this is important



Non-discrimination is fundamental to NKT's ethical mindset. Discrimination creates inequality and destabilizes companies, communities and societies. NKT is committed to fostering a diverse organization and a culture where people from different backgrounds have equal opportunity based on merit and can perform at their best regardless of their personal traits or attributes.

Completed

Partly completed

Incomplete

Ambitions



NKT aspires to create a diverse organization and a culture in which all employees can thrive, experience a sense of belonging and are inspired to perform at their best. For NKT, a diverse and inclusive workforce is the way to sustainable corporate performance by providing competitive advantages, ensuring access to global talent, nurturing innovation and driving wellbeing across the company.

Long-term target

NKT has set a corporate target of no less than 30% female representation on the Board of Directors¹, the Group Leadership Team and the Extended Leadership Team by 2024.

Key challenges and mitigations

The number of female candidates with relevant technical background in the power cable industry is limited and poses a challenge to NKT's diversity target. NKT is addressing this challenge by enabling outreach programmes that support the education of female engineers and help them achieve relevant technical positions in the industry after graduation. Diversity is also a mandatory consideration in all NKT recruitment processes and selected HR partners and leaders have received recruitment-related diversity training.

Targets



2021

Target	Result	Status	SDG
Training of HR Business Partners and selected leaders to minimize biases in recruitment processes		<input type="checkbox"/>	5.5
Increase Employee Engagement Score >73	74	<input checked="" type="checkbox"/>	8.5

Additional progress

- Diversity & Inclusion policy updated and long-term strategy implemented
- NKT joined several partnerships dedicated to fostering, locating and attracting female talent
- Talent programme developed and implemented to grow our internal talent pipeline
- Trainee programme launched to attract, develop and retain a diverse field of talents
- Training on inclusion offered to all leaders and employees

2022

Action	Target	SDG
Maintain Employee Engagement Score	≥74	8.5
Diversity and Inclusion Score in employee engagement survey	≥74	5.5

¹ Members elected at the Annual General Meeting.

Social Health and safety

The health and safety of employees, suppliers, customers and partners is paramount to NKT.

NKT's corporate safety culture is continuously strengthened by mitigating risks and supporting ongoing improvements through a variety of initiatives.

The focus on ongoing improvement in corporate safety culture was maintained throughout 2021, building on the foundation laid in 2020 with the full implementation of the centralized Health and Safety Information System (IA) at all manufacturing sites. This has strengthened data collection, analysis and reporting on a global scale, enabling improvements and risk mitigations within health and safety. In 2021, the integration of health and safety into the general processes continued after last year's transition to the health and safety standard ISO 45001.



Celebrating 1000 accident-free days

Strong safety focus based on a dedicated HSE organization with extensive support from both employees and management has paid off at NKT's site in Warszowice, Poland. In October 2021, the factory reached a major milestone, celebrating 1000 days without a single accident.

"This achievement has been driven by the entire organization, with constant focus on building and strengthening safety culture. The plan is to maintain this focus in future, continue to eliminate risks, improve machine safety and keep safety top of mind", says Miroslaw Krywult, Plant Manager in Warszowice.

Focused safety approach in 2022

In 2021, several safety initiatives were completed to promote awareness, increase focus and mitigate identified risks.

Safety progress is tracked by three main KPIs: Lost Time Injury Rate² (LTIR), Total Recordable Injury Rate³ (TRIR), and Lost Work Day Rate⁴ (LWDR). All three KPIs are normalized over the total number of hours worked, enabling faster identification of trends and helping decrease statistical fluctuation. As announced in 2020, TRIR will be the primary KPI for monitoring injury rates as it provides deeper insights in the consequences of the recorded accidents.

The TRIR decreased slightly to 1.19 from 1.20 in 2020 while the LWDR increased slightly from 11.66 in 2020 to 12 in 2021. The LTIR increased to 0.57 from the very low level recorded in 2020. This development has been analyzed and dedicated initiatives are under implementation to drive improvements supported by three pillars:

- Increased training and awareness campaigns based on NKT Life Saving Principles.
- Implementation of management safety walks in production.
- Ongoing improvements and mitigations with strong focus on reducing the primary risks identified within machine safety, electrical work and workplace safety including risk observation and near miss reporting.

Furthermore, the ongoing focus on strengthening processes by leveraging the IA system and chemical management software will continue in 2022 when a global safety week initiative will also be implemented.

Safety Culture Ladder

During 2021, the HV Solutions offshore operations mirrored the onshore operations by receiving a level 3 certification of the Safety Culture Ladder standard, which provides a framework for safe working in various sectors and promotes a robust safety culture across the value chain of products and services.

² The LTIR is defined as the number of Lost Time Injuries, multiplied by 200.000 and divided by the sum of worked hours.
³ The TRIR is defined as the combined number of Fatal Injuries, Lost Time Injuries, Medical Treatment Incidents and Restricted Work Cases, multiplied by 200.000 and divided by the sum of worked hours.
⁴ The LWDR is defined as the sum of lost workdays due to Lost Time Injuries (LTI), multiplied by 200.000 and divided by the sum of worked hours.





Health and safety programme

Why this is important



Being safe at work is a basic human right and is directly correlated to the well-being of employees and their families. It is therefore imperative for NKT to ensure the safety of employees, suppliers, customers and partners by continuously strengthening safety culture through new initiatives and data-driven risk mitigations.

- Completed
- Partly completed
- Incomplete

Ambitions



NKT is committed to keeping its people, operations and business safe by eliminating accidents and severe injuries entirely and reducing risk across all activities.

Key challenges and mitigations

Workplace safety is an inherent risk factor for an industrial company with advanced production facilities and complex installation operations. Mitigating risk is effected through dedicated and continuous focus on strengthening corporate safety culture, reducing identified threats, operating according to leading safety standards and complying with laws and regulations.

Targets



2021

Target	Result	Status	SDG
Lost Time Injury Rate ≤ 0.50	0.57	<input type="checkbox"/>	8.8
Expand Safety Culture Ladder level 3 certification to HV Solutions offshore operations		<input checked="" type="checkbox"/>	8.8
100% completion rate for HSE management training for the top 200 leaders*	100%	<input checked="" type="checkbox"/>	8.8

2022

Action	Target	SDG
Total Recordable Injury Rate	≤1.20	8.8
Strengthen safety culture	Complete corporate Safety Week	8.8
Strengthen safety leadership	Implement Management Safety Walks	8.8

*Due to ongoing changes in the top 200 leaders the actual count was 196 for 2021, which all have completed the training. This leads to a completion rate of 100%.



Governance

Responsible business

Responsible business operations are fundamental for global sustainable development and are a key priority for NKT.

NKT is committed to promoting ethical behaviour throughout the company. Ethical compliance across all segments, markets and entities is crucial for commercial success. Ethical compliance is therefore continuously strengthened and improved via a broad-reaching compliance programme based on the principles and standards outlined in the Code of Conduct. In the performance of its business NKT conforms to all applicable laws, regulations and international standards and strives to meet the expectations of stakeholders.

Anti-bribery and anti-corruption

As clearly expressed in the Code of Conduct, NKT will not tolerate any form of bribery or corruption, and appropriate training and awareness initiatives are regularly provided to all relevant employees. Strict guidelines and requirements governing gifts, entertainment and hospitality are also in place.

NKT's risk exposure in relation to bribery and corruption principally arises through financial interactions with external partners including both customers and

suppliers in connection with tenders and business agreements. Accordingly, ongoing initiatives, including targeted training and awareness campaigns, are conducted to mitigate and minimize this exposure. In 2021, accountability and transparency were increased throughout the value chain via an enhanced third-party compliance process focused particularly on conducting increased due diligence in relation to agents and distributors. Work also began on expanding and strengthening the risk assessment process and this will continue in 2022

Export controls and sanctions

NKT complies with national and international trade controls, including economic sanctions and export controls. All relevant business partners are subjected to a robust screening process to ensure they are not subject to sanctions or other restrictions. While NKT primarily operates in low-risk countries as far as sanctions and trade controls are concerned, the situation is continuously monitored.

Data privacy

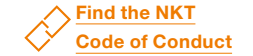
NKT remains committed to maintaining strict privacy in respect of all personal information relating to employees and

third parties and this focus will continue in 2022.

Data ethics policy

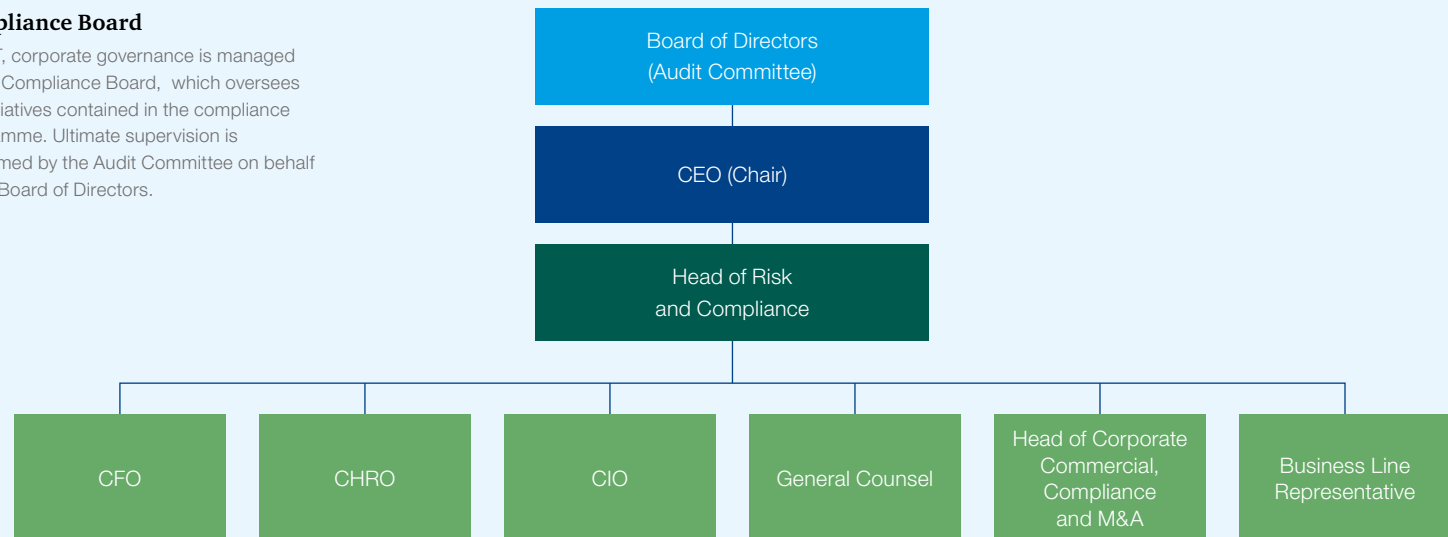
In addition to the dedicated data privacy compliance programme, NKT respects all data, including non-personal data, received or collected from employees, customers and other stakeholders. Such data is handled in compliance with applicable laws and regulations and in accordance with internal ethical standards.

In 2021, NKT established a formal data ethics policy defining the overall approach and the principles applied to the handling



Compliance Board

In NKT, corporate governance is managed by the Compliance Board, which oversees the initiatives contained in the compliance programme. Ultimate supervision is performed by the Audit Committee on behalf of the Board of Directors.



of data, including collecting, using, accessing and sharing data, as well as technical and organizational measures implemented to protect and safeguard data. The data ethics values provide the foundation for ethical decision-making when adopting or developing new data-driven technologies. Efforts and activities relating to continued implementation of the NKT data ethics policy will remain a focus point in 2022.

Net Promotor Score

In 2021, the customer satisfaction measured in a Net Promotor Score (NPS) decreased compared to 2020. This reflects the general decrease in customer ratings due to an increase in detractors and a matching decrease in promoters. The results have been analyzed in detail and will be actively used to implement improvement actions across all business lines during 2022.

Responsible tax

NKT has implemented a corporate tax policy with focus on a tax approach which is responsible and sustainable globally. The purpose is to ensure tax compliance and value creation for all stakeholders. As a responsible taxpayer, NKT pursues openness and transparency in all aspects of tax-related reporting and compliance in the countries where the company operates. NKT does not operate in tax havens and tax is paid in the countries where value is created. Furthermore, the company aims to benefit from tax incentives in the countries where it has substance.

NKT is committed to responsible tax through adherence to international double taxation treaties, EU regulations and relevant domestic and OECD guidelines. The corporate tax policy is reviewed and approved by the Board of Directors annually and applies to all NKT companies.

Compliance training

Throughout 2021, focus was maintained on ensuring an effective level of compliance training across the organization, placing specific emphasis on employees working in high-risk areas.

Competition law

NKT is committed to free and fair competition on all markets where the company operates and have no tolerance for non-compliance in this area. A competition law compliance programme is in place to ensure robust procedures and training of all relevant employees.

In January 2022, unannounced inspections were carried out at NKT’s two main German sites as part of investigations by the German Federal Cartel Office into various power cable manufacturers and other industry-related companies. The investigations were prompted by suspicions that power cable manufacturers may have coordinated calculations of industry-standard metal surcharges in Germany. NKT is cooperating with the German authorities.

Whistleblower hotline

NKT is committed to a culture of openness and honesty and takes full responsibility for its actions. Employees and business partners are urged to report any concerns arising from their daily work or their collaboration with NKT.

NKT operates a whistleblower hotline for the use of both employees and external stakeholders to report unethical or suspected unlawful behaviour. Awareness of the hotline is raised on an ongoing basis, and NKT has a strict policy whereby whistleblowers can choose anonymity to eliminate risk of retaliation for raising a concern or reporting suspected misconduct in good faith.

Reports received in 2021 primarily related to potential concerns about abuse of confidential information, conflicts of interest, misuse of company funds and violations of the Code of Conduct. All cases were investigated thoroughly, and appropriate corrective and disciplinary actions were taken where relevant.



E-training module	Completion rate 2021	Ambition
Code of Conduct, incl. anti-corruption and anti-bribery	92%	90%
Data privacy	87%	90%
Competition law	89%	90%
Trade sanctions	95%	90%

Number of whistleblower reports 2019-2021





Ethics and compliance programme

Why this is important

Responsible business operations are fundamental for global sustainable development and are a key priority for NKT.



- Completed
- Partly completed
- Incomplete

Ambitions

NKT is committed to promoting ethical behaviour throughout the company and ensuring ethical compliance across all segments, markets and entities. NKT focuses on mitigating risk exposure in respect of corruption and bribery, complies with all applicable laws, regulations and international standards, and strives to meet the expectations of shareholders.



Key challenges and mitigations

NKT's risk exposure in relation to corruption and bribery principally arises through financial interactions with external suppliers and business partners in connection with tenders and business agreements. NKT operates a number of ongoing initiatives, including targeted training and awareness campaigns, designed to minimize this exposure. In 2021, an enhanced third-party compliance process was implemented with focus on increased due diligence in relation to agents and distributors. The aim is to increase responsibility and transparency throughout the value chain.

Targets



2021

Target	Result	Status	SDG
Achieve 90% completion rate for anti-bribery and anti-corruption e-training	92%	<input checked="" type="checkbox"/>	16.5
Implement new agents and distributor compliance instruction		<input checked="" type="checkbox"/>	16.5
Develop enhanced risk assessment process for ethics and compliance*	Deferred to 2022	<input type="checkbox"/>	16.5

Additional progress

- Initiated plan for further strengthening data privacy (GDPR) compliance programme
- Developed Data Ethics Policy
- Updated whistleblower hotline setup based on EU Directive

2022

Action	Target	SDG
Maintain completion rate for Code of Conduct, incl. anti-corruption and anti-bribery e-training	≥90%	16.5
Further strengthening existing risk assessment framework		16.5

* Further strengthening of existing risk assessment framework developed in 2020.

NKT ESG scorecard

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Introduction to the ESG Scorecard

Reporting structure and principles

Scope: NKT uses operational scope for data collection for NKT Cables Group A/S and all subsidiaries.

ESG data collection and quality:

NKT continuously strives to improve data quality and increase data transparency and granularity.

Reporting period: Q4 2020 - Q3 2021 for all environmental data and full year for social and governance data.

Contact: Carina Lindberg

Director, Head of Group Sustainability
info@nkt.com

New indicators:

Environment

- None

Social

People

- New recruitments: total, male, female
- Diversity and Inclusion Score, engagement survey
- Employees with performance and career development review

Health and safety

- HSE management training of top 200 leaders, completion rate

Governance

- Number of concluded whistleblower cases
- Percent of strategic suppliers that have signed Code of Conduct
- Percent of strategic suppliers completing qualification process

Changes in the business structure affecting

ESG performance: Facility in Denmark divested, new facility added in Sweden.





Environment

Climate and circularity

Sustainability scorecard and indicators

		Unit of measure	2019	2020	2021
Energy consumption					
Fuel	Fuel for transportation of personnel and goods				
	Non-stationary sources: Diesel and fuel oil	MWh	36,306	22,997	36,185
	Non-stationary sources: Petrol (gasoline)	MWh	489	794	860
	Non-stationary sources: LPG	MWh	-	255	149
	Non-stationary sources: Renewable fuels	MWh	-	130	602
Fuel	Fuel for own stationary equipment				
	Non-renewable: Natural gas	MWh	28,878	25,695	31,671
	Stationary equipment: Diesel	MWh	930	613	154
Electricity	Electricity and district heating				
	Electricity	MWh	142,294	154,333*	151,528
Heat/cooling	District heat	MWh	11,915	11,978	14,580
Resource consumption*****					
Water withdrawal	Water	m ³	102,508	130,105**	128,709
Waste and material utilization	Material utilization rate	%	95.8	95.5***	95.6
Hazardous waste:	Reuse, recycling and composting	Tonnes	-	477	747
	Recovery, including incineration with energy recovery	Tonnes	-	532	152
	Landfill and incineration (no energy recovery)	Tonnes	-	387	105
Non-hazardous waste:	Reuse, recycling and composting	Tonnes	-	13,362	14,655
	Recovery, including incineration with energy recovery	Tonnes	-	4,600	2,515
	Landfill and incineration (no energy recovery)	Tonnes	-	412	967
Total amount of waste per treatment type:	Total material recycling and energy recycling	%	-	70	80
	Total waste recovered (incl. energy)	%	-	26	14
	Total waste to landfill	%	-	4****	6

* Data impacted by two new sites included and increased production volumes.
 ** Increase due to added sites and improved data collection.

*** One site excluded from calculation.
 **** Two sites excluded from the reporting scope.

***** Sites producing more than 1% of the total revenue-generating production in the year.

Trend evaluation

Diesel and fuel oil: Increase due to utilization of NKT Victoria.

Renewable fuels: Increase primarily driven by move to bio-diesel at site in Karlskrona, Sweden.

Petrol (gasoline): Increase due to higher utilization of petrol at the sites in Cologne, Germany, Falun, Sweden, and Warszowice, Poland.

Diesel for stationary equipment: Decrease due to use of biodiesel at site in Karlskrona, Sweden.

Liquefied petroleum gas (LPG): Decrease due to change in operational patterns.

Natural gas and district heating: Increase due to colder winter compared to 2020.

Electricity: Decrease driven by focus on energy efficiency.

Hazardous waste:

Reuse, recycling and composting: Increase driven by larger recycling volumes, high material utilization and waste segregation at the site in Karlskrona, Sweden.

Recovery: Decrease driven by larger recycling volumes and high material utilization and waste segregation.

Landfill and incineration: Reduction in landfill is driven by new methodology developed enabling recycling of material fractions previously landfilled.

Non-hazardous waste:

Reuse, recycling and composting: Increase driven by larger recycling volumes, high material utilization and waste segregation at the site in Karlskrona, Sweden.

Recovery: Decrease driven by larger recycling volumes, high material utilization and waste segregation.

Landfill and incineration: Increase due to production increase.



Environment

Climate and circularity continued

Sustainability scorecard and indicators

		Unit of measure	2019	2020	2021
Greenhouse gas emissions					
Scope 1	Direct emissions from own energy consumption and production process	Tonnes CO ₂ e	16,247	12,053	15,748 *****
Scope 2	Emissions and purchased electricity (market based)	Tonnes CO ₂ e	47,138	13,147	705
	Emissions and purchased electricity (location based)	Tonnes CO ₂ e	42,774	44,385	39,456
	Emissions and purchased heat (market based)	Tonnes CO ₂ e	199	296*	294
	Emissions and purchased heat (location based)	Tonnes CO ₂ e	199	296*	852
Scope 3	Total Scope 3 emissions	Kilotonnes CO ₂ e	8.2**	1,541	1,242
Other emissions	Emissions related to biofuel usage	Tonnes CO ₂ e	-	5.9	10.2
Relative targets	Carbon intensity	Tonnes CO ₂ e/EUR	0.000050	0.000018	0,000010
	Green electricity, share at production facilities (full year), verified by Guarantees of Origin.	%	-	100***	100
Incidents and certifications					
Incidents	Environmental and climate impact incidents, for 2021: Environmental / climate major / climate minor	Number	1	4****	0/0/9
Certification	ISO 14001 certification, main production sites*****	%	100	100	100

* Scope prior to 2020 included only production facilities.

** 2019 included business travel and downstream transport emissions.

*** Only power cable manufacturing sites. For 2021, including all production sites.

**** New definition of Environmental Impact Incidents implemented including climate incidents.

***** Sites producing more than 1% of the total revenue-generating production in the year.

***** Excluding methane emissions.

Trend evaluation

Total material recycling and energy recycling: Increased due to strengthened focus on treatment of scrap from medium-voltage production as well as overall waste reduction.

Total waste recovered (incl. energy): Decrease due to strengthened focus on material recycling with external partners.

Total waste to landfill: Increase due to inclusion of one more site in reporting scope for 2021.

Production scrap and produced goods: Development driven by increased production volumes.

Scope 1: Increase in total emissions due to utilization of NKT Victoria and increased gas consumption at several sites.

Scope 2, electricity (market based): Site in Nordenhamm, Germany, has moved to renewable energy. Decrease also due to the full benefit of the transition to renewable electricity due to Q4-Q3 reporting cycle for cable production plants.

Scope 2, electricity (location based): Method is based on a country mix of energy factor (non NKT-specific factor). Development due to reduction in electricity consumption as well as improvement in local country mixes.

Scope 2, heat (market based): Carbon footprint from district heat decreased in Sweden due to process improvements at the power plants.

Scope 2, heat (location based): Location based method is based on a country mix of energy factor (non NKT-specific factor). NKT has improved the accounting of location based emissions.

Scope 3 emissions: Change in 2021 due to improved methodology. The change in 2020 was due to re-evaluation of the estimate based on spend using the Quantis GHG calculator.

Carbon Intensity: A reduction of the carbon intensity due to a reduced carbon footprint and increased revenue.



Environment

Climate and circularity continued

Methods and comments

Energy consumption: Includes all energy consumptions leading to generation of greenhouse gasses according to scope 1 emissions from all production facilities including the NKT owned cable-laying vessel. Currently excluded processes: service and installation consumption (mapping in progress).

Electricity and district heat: Include all heat and power purchased for own consumption both for production and non-production sites. Production sites use accounting methods based on financial documentation and non-production sites are estimated based on the use per m².

Material utilization: Calculated based on production volumes as a factor for the scrap generated in relation to the product produced.

Water withdrawal: Data collected based on invoices received from utility companies, supplemented by site specific measuring methods where applicable.

Waste by type and disposal method: Data on waste is collected based on invoices received from waste recipients, supplemented by site specific measuring methods.

Greenhouse gas emissions:

Scope 1: Reporting is conducted based on the Greenhouse Gas Protocol (GHG Protocol) and covers direct NKT emissions included in the scope of reporting. Emissions are calculated based on the emission factors applicable to the type of fuel. Emissions from the biofuels are excluded from the Scope 1 emissions and are reported separately as per GHG Protocol.

Scope 2: Reporting is based on the GHG Protocol and covers indirect greenhouse gas emissions from the generation of power, heat and steam purchased and consumed by NKT. The calculation is conducted based on the volumes purchased and average emission factors based on the site location. Within the method is based on emission factors. Market based calculation is based on the Guarantees of Origin certification as well as other calculations.

Scope 3: Reporting is based on the GHG Protocol using the Quantis Scope 3 Evaluator tool which divides the scope 3 inventory into 15 subcategories. C5 are calculated based on actual waste data multiplied by relevant emission factors. C6 are calculated based on GHG emissions from airplane travel provided by our travel agent. C9 are calculated based on volumes of residual products, estimated distances transported and relevant GHG emission factors for transportation. The subcategories C10 and C12-C15 are not relevant for NKT operations.

For 2021, the average-data method has been used for calculation of the category C1 "purchased goods and services" (covering over 50% of the total emissions).

Carbon intensity: Calculated based on the total scope 1 and 2 (market based) emissions divided by the revenue.

Environmental incidents: Reported based on the HSE reporting principles.

Environmental Impact Incident (EII) means a discharge or release of hazardous substances into the environment, or other negative impact on the environment or stakeholders, have occurred. Discharges or releases that have been decontaminated before causing harm to the environment is not classified as an Environmental Impact Incident but reported as an environmental incident.

Incidents only impacting the climate is classified as Minor or Major Climate Incidents, not as EII.

Incidents impacting climate are categorized as Minor or Major based on the amount of emitted GHG measured as CO₂e. An emission less than 5% of NKT Carbon Footprint Scope 1 (equals less than 500 ton CO₂e for NKT A/S) is classified as a Minor climate incident.

Green electricity share: Calculated based on the share of verified green electricity minus those entities in which non-renewable electricity are used.





Environment

Climate and circularity continued

EU Taxonomy

Economic activities	Absolute turnover (EURm)	Proportion of turnover (%)	Absolute CAPEX (EURm)	Proportion of CAPEX (%)	Absolute OPEX (EURm)	Proportion of OPEX (%)
A. Eligible activities						
A.1. Environmentally sustainable activities (Taxonomy-aligned)						
3.1. Manufacture of renewable energy technologies	399.7	22%	94.6	42%	-123.5	26%
4.9. Transmission and distribution of electricity	274.1	15%	52.7	24%	-70.7	15%
7.6. Installation, maintenance and repair of renewable energy technologies	59.3	3%	0.3	0%	-18.0	4%
Environmentally sustainable activities (Taxonomy-aligned) (A.1)"	733.1	40%	147.6	66%	-212.2	45%
B. Non-eligible activities						
Non-eligible activities (B)	1,094.8	60%	76.2	34%	-255.5	55%
Total (A+B)	1,827.9	100%	223.8	100%	-467.7	100%

EU Taxonomy method statement

NKT is a European based turn-key provider of power cable solutions and accessories. NKT has evaluated the business activities against the EU Taxonomy eligibility criteria for climate mitigation and climate adaptation under the Regulation (EU) 2020/852 of the European Parliament. NKT has subdivided eligible activities into three activity types:

'3.1. Manufacture of renewable energy technologies',

'4.9. Transmission and distribution of electricity', and

'7.6. Installation, maintenance and repair of renewable energy technologies'.

1. For all the projects and products that relate to manufactured cable systems for the renewable energy sector as per NACE code C27.3 'Manufacture of wiring and wiring devices' - those projects has been deemed eligible for both activity 3.1 and 4.9.

2. Repair activities conducted for the renewable energy sector were also deemed eligible as per activity '7.6. Installation, maintenance and repair of renewable energy technologies'

3. For projects and products related to construction and installation of interconnectors or enforcement of the grid under the '4.9. Transmission and distribution of electricity', the following conditions were applied:

a. Where the main purpose of the interconnector/power cable system was to enable transmission of renewable power between or within countries (based on the specific project data), those projects were considered eligible. If one of the countries' carbon intensity of the grid was less than 100g CO₂e per kWh, the project was considered eligible.

b. If projects and products for installation within the same country or between two countries where the grid carbon intensity was above 100g CO₂e per kWh, the projects and products were deemed not eligible, unless project specific information is available to ensure that installed cable system carbon intensity is below 100g CO₂e per kWh.

When reporting on CAPEX and OPEX, a share of the site and business line CAPEX and OPEX was allocated based on revenues generated from eligible activities within the HV Business Lines. The majority of NKT's investments have been within the HV Solutions business line, where a relatively larger part of activities are eligible under the taxonomy. As investments can be used to produce both eligible and non-eligible projects, NKT has reviewed the activities within the specific Business line and decided to use the split within the Business Line as a proxy for eligible CAPEX share.



Social People

Sustainability scorecard and indicators

		Unit of measure	2019	2020	2021
People					
Organizational data	Full-time equivalent employees, end of year	Number	3,303	3,469	3,948
	Senior leadership positions*	Number	53	80	80
	Employees with performance and career development review	Number	-	-	1,417
	New recruitments, total	Number	-	-	887
	New recruitments, male	Number	-	-	708
	New recruitments, female	Number	-	-	179
	Student jobs and apprentices	Number	-	19	29
Diversity and inclusion					
Engagement	Employee Engagement Index	Index	58	73	74
Senior leadership*	Gender (male/female)	Number	45/8	66/14	70/10
	Gender with lowest representation (female)	%	15	18	13
	Age profile (average)	Number	-	49	48
	Nationalities	Number	10	12	14
Organization	Gender (male/female)	Number	2,673/630	2,779/690	3,276/672
	Gender with lowest representation (female)	%	19	20	17
	Diversity and Inclusion Score, engagement survey	Index	-	65	72

* Senior leadership Includes the Group Leadership Team (GLT) and the Extended Leadership Team (ELT).

Methods and comments

Senior leadership: Includes the Group Leadership Team (GLT) and the Extended Leadership Team (ELT).

Group Leadership Team (GLT): Consists of Executive Vice Presidents, CEO and CFO.

Extended Leadership Team (ELT): Consists of Senior Vice Presidents, Vice Presidents and Directors as well as selected subject matter experts.

Full-time equivalent employees: The count of full-time equivalent employees excluding external staff.

Gender with lowest representation (female), senior leadership: Number of female members of senior leadership divided by total number of senior leadership positions multiplied with 100.

Gender with lowest representation (female): Number of female employees divided by total number of employees multiplied with 100.

Trend evaluation

Organizational growth: The total number of employees has increased due to investments supporting company growth. This affects the increase in total number of male and female employees.

Student jobs and apprentices: Increase due to organizational growth and a company focus to provide professional experience through student jobs and apprenticeship.

Gender diversity: The share of the underrepresented gender, female, has decreased both in senior leadership and the overall organizational composition due to difficulties in finding female candidates in a male dominated industry and talent pool.



Social Safety

Sustainability scorecard and indicators

		Unit of measure	2019	2020	2021
Health and safety					
Statistics	Lost Time Injury Rate	Per 200 000 hours worked	0.73	0.41	0.57
	Total Recordable Injury Rate	Per 200 000 hours worked	-	1.20	1.19
	Lost Work Day Rate	Per 200 000 hours worked	21.3	11.6	12.0
	Fatal injuries	Number	0	0	0
	Reported near misses	Number	259	532	328
	Reported unsafe acts and conditions	Number	1,922	2,723	2,269
	HSE management training for top 200 leaders, completion rate	%	-	-	100**
	Implement Safety Culture Ladder level 3 certification, HV Solutions	Scope achieved	-	Onshore	On- and offshore
ISO 45001 certification, main production sites*	% (OHSAS 18001)		100	100	

* Sites producing more than 1% of the total revenue-generating production in the year.

** Due to ongoing changes in the top 200 leaders the actual count was 196 for 2021, all of whom have completed the training. This translate to 100%.

Trend evaluation

Unsafe acts and conditions:

Decrease due to an intensified focus on closing the existing backlog of unsafe actions and conditions potentially leading to lesser focus on reporting unsafe conditions and near misses. In 2022, there will be renewed focus in reinforcing the safety culture encouraging the reporting of near misses as well as unsafe acts and risk observations.

Lost Time Injury Rate:

LTI increased after a very low value in 2020 due to COVID-19 restrictions which led to alternate work streams, although however still below the average for the last four years.

Methods and comments

Fatal Injuries (FI): A fatality as a consequence of a work-related injury.

Medical Treatment Injury (MTI): A work-related injury that is treated by a paramedic or doctor (either on site or at a medical facility) not resulting in lost time beyond the day of occurrence.

Restricted Work Case (RWC): A work-related injury with the consequences of temporary assignment to more suitable tasks and/or reduction in working hours beyond the day of occurrence.

Lost Time Injury (LTI): A work-related incident with consequences of lost time beyond the day of occurrence.

Lost Time Injury Rate (LTIR): The number of Lost Time Injuries (LTI) of NKT employees, multiplied with 200.000 and divided by the sum of worked hours.

Total Recordable Injury Rate (TRIR): The combined number of Fatal Injuries, Lost Time Injuries, Medical Treatment Injuries and Restricted Work Cases, multiplied by 200.000 and divided by the sum of worked hours.

Lost Work Day Rate (LWDR): The sum of lost workdays due to Lost Time Injuries (LTI) multiplied by 200.000 and divided by the sum of worked hours.

Near miss (NM): An incident which did not lead to a safety incident or illness but which potentially could have done given a slight shift in time or position.

Unsafe acts and conditions: Observed unsafe situations and behaviours that if not corrected can cause harm and could result in incidents, illness, and/or damage to material, property and/or environment.

HSE management training for top 200 leaders: Internal initiative with the purpose to provide basic training and understanding in health and safety to top managers in NKT.



Governance

Responsible business

Sustainability scorecard and indicators		Unit of measure	2019	2020	2021
Ethics	Whistleblower cases, total	Number	12	11	14
	Whistleblower cases, concluded	Number	12	11	11
	Whistleblower cases concluded as substantiated	Number	3	1	2
Ethics training	Completion rate for e-training in Code of Conduct, incl. anti-bribery and anti-corruption	%	-	91	92
	Completion rate for data privacy e-training	%	-	75*	87
	Completion rate for competition law compliance e-training	%	-	96	89
	Completion rate for trade sanctions e-training	%	-	97	95
Supplier due diligence	Supplier quality audits	Number	23	3***	14
	Share of strategic suppliers**** who have signed the Code of Conduct	%	-	-	100
	Share of strategic suppliers who have completed the qualification process	%	-	-	81
Quality	ISO 9001 certification, main production sites*****	%	100	100	100
Customer experience	CX Pro Performance	Number	-	80	77
	Satisfaction	Number	-	83	79
	NPS	Number	-	57	41
	Environmentally responsible	Number	-	81	80

* The re-certification campaign was launched in October 2020, thereby impacting the completion rate.

*** Reduced number of audits due to impacts of COVID-19 related travel restrictions.

**** Strategic suppliers (segmented as A+/ A/ B) represent 85% of the overall third party supplier spend. NKT has a total of 92 strategic suppliers.

***** Sites producing more than 1% of the total revenue-generating production in the year.

Trend evaluation

Whistleblower hotline:

Continuous focus on awareness of the whistleblower hotline is believed to increase the overall number of reported cases compared to 2020.

Increase in number of concluded and substantiated whistleblower cases due to overall increase in total number of cases compared to 2020.

Ethics training

Competition law: Temporary lower completion rate compared to 2020 due to new employees enrolled close to year-end.

Data privacy: The increase in completion rate is driven by new employees being enrolled late in 2020 pushing completion to 2021.

Customer experience:

Drop in NPS reflects the general decrease in customer ratings due to an increase in detractors and a matching decrease in promoters.

Supplier quality audits:

In 2021, 14 supplier quality audits were conducted and all actions have been implemented according to plans.



Governance

Responsible business

Methods and comments

Whistleblower cases: The corporate whistleblower hotline is in place for both internal and external use. All cases are assessed by the Compliance Board which also determines whether a case is violating the Code of Conduct or relevant legislation.

Suppliers signed the Code of Conduct: All strategic suppliers have gone through the registration process to confirm adherence to the Code of Conduct. This means that 100% of the spend allocated to strategic suppliers is compliant to the code acceptance by the suppliers.

Supplier qualification process: Share of strategic suppliers that have gone through the qualification process. 81% of the annual spend is tagged to suppliers who have gone through the qualification process with NKT.

Customer satisfaction: Numbers are based on the results of the yearly relationship survey conducted in October 2021. Customers were asked to evaluate different statements on a scale from 1 to 10. All other scores are measured from 0 to 100.

CX Pro Performance: Main customer experience identification, contains 4 dimensions: Satisfaction, value for money, willingness to recommend and excitement.

Satisfaction: Shows the overall customer satisfaction

Net Promoter Score (NPS): Shows the level of customer loyalty.

Environmentally responsible: Customers view on the extent to which extent NKT is environmentally responsible.



GRI content index

Statement of use	NKT has reported the information cited in this GRI content index for the period Q4 2020-Q3 2021 (environmental data) and full-year 2021 (social and governance data), with reference to the GRI standards. NKT refers to the Annual Report 2021 (AR) and the Sustainability Report 2021 (SR).
GRI 1 used	GRI 1: Foundation 2021

GRI standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	SR page 57
	2-2 Entities included in the organization's sustainability reporting	SR page 32
	2-3 Reporting period, frequency and contact point	SR page 32
	2-4 Restatements of information	SR page 34-35
	2-6 Activities, value chain and other business relationships	SR page 6
	2-7 Employees	SR page 22, 37
	2-9 Governance structure and composition	SR page 9
	2-10 Nomination and selection of the highest governance body	AR page 76
	2-11 Chair of the highest governance body	SR page 9
	2-12 Role of the highest governance body in overseeing the management of impacts	SR page 9
	2-14 Role of the highest governance body in sustainability reporting	SR page 9
	2-16 Communication of critical concerns	SR page 29
	2-17 Collective knowledge of the highest governance body	AR page 77-79
	2-18 Evaluation of the performance of the highest governance body	AR page 75-76
	2-19 Remuneration policies	AR page 75-76
	2-20 Process to determine remuneration	AR page 94-97

GRI standard	Disclosure	Location
	2-22 Statement on sustainable development strategy	SR page 4-5
	2-23 Policy commitments	SR page 21, 23, 25, 28, 29
	2-27 Compliance with laws and regulations	SR page 28-29
	2-28 Membership associations	SR page 7
	2-29 Approach to stakeholder engagement	SR page 11, 23
GRI 3: Material Topics 2021	3-1 Process to determine material topics	SR page 11
	3-2 List of material topics	SR page 11
	205-2 Communication and training about anti-corruption policies and procedures	SR page 29, 39
GRI 207: Tax 2019	207-1 Approach to tax	SR page 29
	207-2 Tax governance, control, and risk management	SR page 29
	207-3 Stakeholder engagement and management of concerns related to tax	SR page 29
GRI 302: Energy 2016	302-1 Energy consumption within the organization	SR page 33
	302-4 Reduction of energy consumption	SR page 14-15
	303-3 Water withdrawal	SR page 33
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	SR page 14, 34
	305-2 Energy indirect (Scope 2) GHG emissions	SR page 14, 34
	305-3 Other indirect (Scope 3) GHG emissions	SR page 14, 34
	305-4 GHG emissions intensity	SR page 14, 34
	305-5 Reduction of GHG emissions	SR page 12
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	SR page 18-20
	306-3 Waste generated	SR page 33
	306-5 Waste directed to disposal	SR page 33

GRI content index continued

GRI standard	Disclosure	Location
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	SR page 37
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	SR page 25
	403-5 Worker training on occupational health and safety	SR page 38
	403-6 Promotion of worker health	SR page 26
	403-9 Work-related injuries	SR page 26-27, 38
	403-10 Work-related ill health	SR page 26-27, 38
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	SR page 23
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	SR page 37

Independent assurance statement on selected ESG data

SGS Poland's report on sustainability activities in the NKT Sustainability Report 2021 ESG scorecard (pages 31-40) dated 15 Feb 2022 - for 2021. The original and signed statement can be found at nkt.com/about-us/sustainability.

Nature and scope of the assurance/verification

SGS Poland (SGS Polska Sp. z o.o. - hereinafter referred to as SGS) was commissioned by NKT Cables Group A/S (hereinafter referred to as NKT) to conduct an independent assurance of the NKT Sustainability Report 2021 ESG scorecard (pages 31-40) dated 15 Feb 2022 (hereinafter referred to as the Report).

Intended users of this assurance statement

This Assurance Statement is provided with the intention of informing all NKT's Stakeholders.

Responsibilities

The information in the Report and its presentation are the responsibility of the Senior Leadership Team and the management of NKT. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification (ESG scorecard, pages

31-40) with the intention to inform all NKT's stakeholders.

Assurance methodology, standards, type and level of assurance

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognised assurance guidance and standards including the principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and ISAE3000 (revised).

The assurance of this report has been conducted according to the following Assurance Standards:

- SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)
- ISAE3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information
- ISO 14064-3 :2019 Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements

We are providing a limited level of assurance, using our protocols for:

- Evaluation of KPIs within the ESG scorecard (Excluding GHG-related data)

We are providing a reasonable level of assurance, using our protocols for:

- Evaluation of the GHG-related KPIs against the ISO14064-3 Standard requirements.

Within the scope of assurance, the procedures we performed included, but were not limited to:

- Pre-assurance research
- Interviews with the relevant managers and directors with responsibility for each element of the assured part of the report, including those responsible for producing and validating KPI data
- Remote site tours in Karlskrona and Cologne production units
- Review of documentation of record to check statements back to source.

Greenhouse gas (GHG) data

CO₂ emissions from own operations were verified at a reasonable level of assurance according to standard EN ISO14064-3:2006 Specification With Guidance For The Validation And Verification Of Greenhouse Gas Assertions, to establish conformance with the requirements of EN ISO14064-1:2006 and the WRI/WBCSD GHG Protocol – A Corporate Accounting and Reporting Standard ('The WRI/WBCSD GHG Protocol'), within the scope of the verification. The materiality required of the verification was considered by SGS to be below 5%, based on the needs of the intended user.

The engagement included verification of emissions from anthropogenic sources of greenhouse gases included within the organisation's boundary and meeting the requirements of EN ISO14064-1:2006 and the WRI/WBCSD GHG Protocol. The organisational boundary was established following the operational control approach.

- Description of activities: Manufacturing of High Voltage Cables, Medium Voltage Cables, Low Voltage Cables, Accessories and also Cable Services and Technology Consulting
- Location/boundary of the activities: Europe (Czech Republic, Denmark, Germany, Sweden, Poland, Norway) and also NKT Victoria (vessel)
- Physical infrastructure, activities, technologies and processes of the organisation: Manufacturing facilities, offices, warehouses, transport
- GHG sources, sinks and/or reservoirs included:

- Scope 1 – stationary combustion, mobile combustion, fugitive emissions;
- Scope 2 – purchased electricity, purchased district heat;
- Scope 3 – purchased goods & services – direct suppliers, capital goods, fuel and energy related activities, third party upstream transportation, waste generated in operations, business travel, employee commuting, end-of-life treatment of sold products

- Types of GHGs included: CO₂, N₂O, CH₄, HFCs, PFCs, SF₆
- Directed actions: none

Limitation and mitigation

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process (refers to EU Taxonomy KPIs).

Assurance process was performed remotely due to limitations in travelling caused by COVID-19 pandemic – MS Teams tool, phone calls and e-mails exchange were used.

Statement of independence and competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from NKT, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with expertise in ESG fundamentals, Social Auditing, OHS Systems, Environmental Protection and Carbon Footprint Assessments, Information Security and Data Quality.

Assurance/verification opinion/non-GHG related data

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the specified performance information included in the scope of assurance (excluding GHG-related KPIs) is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting.

Assurance/verification opinion/GHG-related data

On the basis of methodology described for GHG data verification SGS concludes with reasonable assurance that the presented CO₂ equivalent assertion is materially correct and is a fair representation of the CO₂ equivalent data and information, and is prepared following the requirements of ISO 14064 and GHG Protocol.

NKT Cables A/S provided the GHG assertion based on the requirements of EN ISO14064-1:2006 and the WRI/WBCSD GHG Protocol. The GHG information for the period 01/10/2020 – 30/09/2021 disclosing gross emissions of 1 298 189 metric tonnes of CO₂ equivalent (Location-Based) and 1 258 881 metric tonnes of CO₂ equivalent (Market Based) plus 10 metric tonnes of CO₂ equivalent from biofuels combustion are verified by SGS to a reasonable level of

assurance, consistent with the agreed verification scope, objectives and criteria.

Verified emissions by scope are as follows:

- Scope 1 (Direct): 15 748 tCO_{2e}
- Scope 2 – Location based (Indirect): 49 308 tCO_{2e}
- Scope 2 – Market-based (Indirect): 999 tCO_{2e}
- Scope 3 (Other Indirect): 1 242 133 tCO_{2e}
- Emission from combustion of biofuels: 10 tCO_{2e}

Recommendations

Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- NKT were open, cooperative and well organized throughout the assurance process, however some key decisions on report content should be made earlier in the reporting cycle to enable a longer timeframe for finalization of assurance activities.
- NKT uses different systems and platforms in order to collect and collate data in a more accurate and convenient way, however internal checks and reports should be made in advance of assurance to make sure there are no gaps during assurance activity.

- NKT's Sustainability report includes main definitions of KPIs and calculation methods, however attention should be paid to completeness and clarity of these, as it makes the report understandable for readers, regardless their expertise.

Find the original and signed statement at nkt.com/about-us/sustainability.

Sustainability in NKT Photonics

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Letter of Commitment:

Driving change through innovation

NKT Photonics is committed to working for a sound environment through sustainable business practices and with focus on human health and safety.

We operate in a global industry characterized by an increasing focus on sustainability through the entire supply chain. In NKT Photonics, we have a continuous focus on delivering environment-friendlier products and solutions manufactured safely and responsibly.

Products from NKT Photonics are marketed and sold with a reputation for high quality, and product development relies on significant investment and R&D. It is therefore important for us and for our business performance that players in our industry compete on fair terms, and we will tolerate no form of bribery or other acts contributing to unfair competition.

As a company at the cutting edge of photonics technology it is vital that we can attract highly committed, top-qualified people and provide them with incentive to do their best. Consequently, we strive to offer a good, stimulating, and challenging work environment with ongoing dialogue on both job- and non-job-related development, goals, and performance.

We believe that the focus on sustainability and our commitment to the principles of the UN Global Compact will support our business opportunities and at the same time contribute to improved health and living conditions for future generations.

Basil Garabet

President and CEO
NKT Photonics

“We are a technological leader in a global industry characterized by increasing focus on sustainability”



Description of business model

NKT Photonics develops and markets ultrafast lasers and sensing systems for industrial and medical partners.

In Q3 2021, NKT Photonics introduced a new market segment, Quantum & Nano Technology, both components of which were previously included in the Industrial segment. The new segment is a growth area with significant potential. NKT Photonics has been active in the segment for two decades but the growth in the segment, especially driven by quantum technology, has made separation into a separate area meaningful.

Consequently, NKT Photonics now divides its main market into four main segments: Medical & Life Science, Industrial, Aerospace & Defence, and Quantum & Nano Technology. Most of the products in NKT Photonics' portfolio have applications across these four segments.

In 2021, the Industrial market was the biggest, accounting for more than 49% of revenue. The company presides over a strong patent portfolio and employs many highly skilled specialists driving technology development and deployment in the field.

NKT Photonics is headquartered in Denmark and has additional manufacturing sites in Germany, Switzerland, UK, US, and Sweden. Including worldwide sales and service operations, NKT Photonics employed approximately 401 people at end-2021.

NKT Photonics primarily contributes to the following UN Sustainable Development Goals :





Governance

Business ethics

NKT Photonics is an active corporate citizen with a global mindset and is committed to responsible and ethical business conduct.

Developing and fostering long-lasting relationships with stakeholders is integral to the business philosophy of NKT Photonics, and this is achieved through a compliance regime.

Compliance

NKT Photonics operates with a compliance framework continuously monitored with vision to maintain and further develop strong methods of compliance within the company. The framework is anchored in the Business Code of Conduct, which applies to all employees and representatives. Accordingly, training in line with the established compliance framework continued in the organization in 2021.

Business Code of Conduct

The NKT Photonics Business Code of Conduct applies to all employees and defines the fundamental principles governing conduct both internally as well as externally in relation to vendors, partners, the supply chain and the general public. The principles set out in the Code are designed to guide and ensure the right

decisions are taken in all business actions. The Code identifies how business must be conducted across the organization and includes policies relating to business integrity, anti-corruption, environment, fair competition, human and labour rights, information security, product compliance and quality, compliance management, and misconduct reporting.

Training and awareness

As part of an extensive onboarding process, all new employees in NKT Photonics are introduced to the Business Code of Conduct and trained and tested in its use by means of e-learning courses.

The focus and emphasis on proper business conduct was maintained in 2021. Strong focus is placed on minimizing this exposure both internally and externally, and anti-corruption is an integral part of a corporate training agenda that also includes the Code of Conduct.

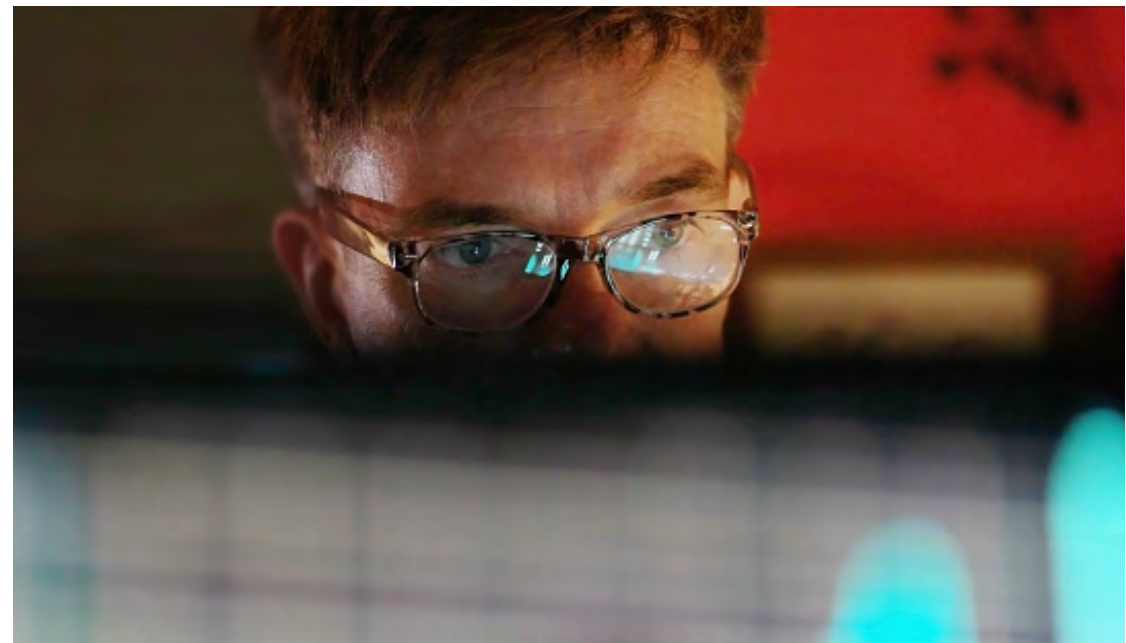
Since 2016, NKT Photonics has extended the availability of the whistleblower hotline to external stakeholders for reporting instances of unethical behaviour. In 2021, NKT Photonics registered three incidents under the whistleblower scheme. All were investigated thoroughly and appropriate corrective and disciplinary actions were taken where relevant.

Sustainability focus areas

To ensure commitment at senior level and support at local level, the managements of all NKT Photonics' entities have signed a Statement of Representation based on the principles of the Business Code of Conduct for the reporting of potential violations. The contents of the individual Statements of Representation are subsequently consolidated and potential actions are taken accordingly. Policies, actions, goals, and plans are presented

in the sections below for the following topics:

- Business ethics
- Energy and climate
- People and safety
- Vendors and business partners



Anti-corruption

Participation in corruption and bribery is contrary to the business values of NKT Photonics, and the company refrains from such activities.

The company has a clear anti-corruption policy; no officer, employee, or representative may directly or indirectly offer, give, or accept money or anything else of value as part of business dealings in order to obtain an improper advantage.

Key risks in regard to corruption and bribery are primarily linked to the interaction with external vendors, suppliers, and business partners.

NKT Photonics works to minimize these risks both internally and externally: Anti-corruption is an integral part of the corporate training program covering among other things the Business Code of Conduct in which all employees receive appropriate training.



	Targets 2021	Outcome	Status
 <p>Governance</p>	Review of the Business Code of Conduct and associated awareness training programme		■
	Enrol new employees in awareness programme		■
	Provide training for employees exposed to above-average levels of corruption	Deferred to Q1 2022	□

□ Incomplete Partly complete ■ Complete

Actions 2022	Targets
	Enrol new employees in awareness programme
	Provide training for employees exposed to above-average levels of corruption

Social
 **People and safety**

Ensuring a healthy, safe and secure working environment is fundamental to the continued growth of NKT Photonics and is therefore an intrinsic part of the everyday activities.

NKT Photonics values all its employees and consider them key to company success. Hence, diversity in the workplace is perceived as a key asset and the company does not tolerate any form of

harassment or discrimination and is firmly committed to equality of opportunity for all employees.

At NKT Photonics, the principal exposure in terms of human and labour rights relates to safety and employment, and clear processes and policies are therefore in place to mitigate these risks.

All employees are employed on contracts that comply with local labour laws and their safety is closely monitored.


Exposure in regard to forced labour and child labour is not considered material as NKT Photonics mainly operates in low-risk countries. A key element in risk prevention is the whistleblower hotline.

Reporting according to the UK Modern Slavery act

As stated in the policy on human and labour rights, NKT Photonics rejects any form of forced labour, including bonded labour, indentured labour, slave labour and human trafficking. Furthermore, the company does not condone the hiring

of child labour. In view of the countries in which it mainly operates and the nature of the production, NKT Photonics does not deem itself materially at risk in this regard. However, employees are obliged to continuously identify and mitigate potential violations.

The company's business partners are expected to comply with the principles set the out in the Business Code of Conduct, and relevant due diligence processes are pursued in conjunction with mergers and acquisitions.

	Targets 2021	Outcome	Status
	Revised incident-reporting program established		■ Complete
	New HSE policy to be implemented globally		■ Complete
	No eye injury caused by high-intensity light		■ Complete
	No employee accidents	6 cases resulting in 2 Lost Work Days	□ Incomplete
	Conduct employee survey		■ Complete
		<input type="checkbox"/> Incomplete <input checked="" type="checkbox"/> Partly complete <input checked="" type="checkbox"/> Complete	
Actions 2022	Targets		
Sufficient trained first aiders to provide safe coverage during working hours	Lost Time Incident Frequency* (LTIF) <3		
Develop and implement HSE on-boarding			
Develop and implement programme for HSE inspections			

* Number of lost time incidents with ≥1 day of absence per 1 mio. working hours

Diversity

Diversity is encouraged in NKT Photonics as it is seen to enrich both our corporate culture and long-term competitiveness. NKT Photonics is committed to promoting gender equality without compromising on qualifications in terms of professional skills and personal competencies. The photonics industry, especially in R&D departments, has a relatively high over-representation of males.



Women accounted for

17%

of senior management in 2021.

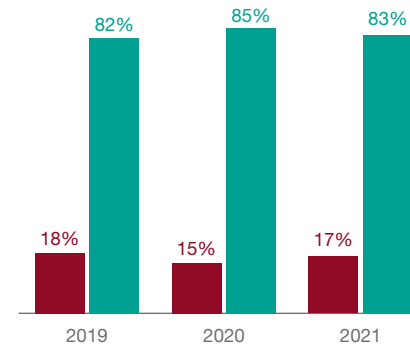
Diversity in senior management*

	Total	Age profile			Gender		No. of nationalities
		<40	40-54	>54	Female	Male	
2021	12	0	8	4	2	10	5
2020	13	0	9	4	2	11	5
2019	11	0	8	3	2	9	5

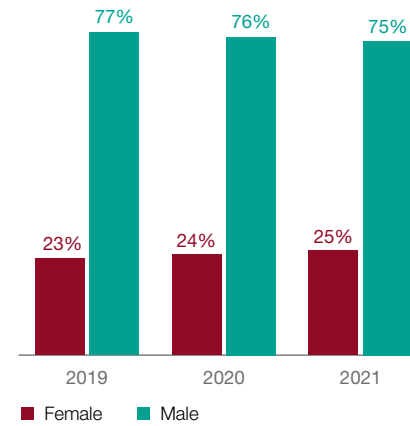
*Defined as the Global Management Team.

Gender diversity in NKT Photonics

Senior management*



All employees



■ Female ■ Male

Driving healthcare innovation

NKT Photonics produces several products targeted at the medical and life science markets with the aim of improving health and wellbeing globally.

NKT Photonics' unique supercontinuum white light lasers are incorporated in all high-end confocal microscopes from Leica Microsystems. Used in medical research around the globe, these microscopes deliver unprecedented resolution and ability to distinguish between different kinds of cells in a sample. In a recent example, Leica's microscopes were used in COVID-19 research, helping to detect antibodies important in vaccine development. In 2020, Leica also launched an all-new mid-range microscope equipped with NKT Photonics' technology, thereby bringing high-end performance to laboratories that could otherwise not afford it.

Driving healthcare with ultrafast lasers

In addition to its supercontinuum white light lasers, which are used in a wide array of bio-imaging applications, NKT Photonics produces ultrafast lasers. These lasers also have several medical applications, the most important being for ophthalmology and marking of medical devices.

In ophthalmology, NKT Photonics' ultrafast lasers are used for eye surgery, the very short and clean pulses from these lasers replacing traditional methods using scalpels. Consequently, the cuts are more precise, and the risk of complications and recovery time are reduced. Moreover, automated surgery with lasers requires only weeks of training to perform, whereas it typically takes years to train a skilled eye surgeon. With this technology, life-changing surgery can therefore be delivered both at lower cost and in areas where skilled surgeons are not available.

Finally, ultrafast lasers are used for marking of medical equipment, such as surgical tools or vials containing medicine. This marking is critical to ensure tracing and authentication of both equipment and medicine. Furthermore, the marking must be non-reactive to chemicals and able to withstand autoclave sterilization without changing, something that is beyond most traditional marking techniques. This is because the high temperatures and humidity of the autoclaves quickly erase the marking, or result in rust if the surface has been removed by the marking technique. Using ultrafast lasers, hospitals can reliably track all equipment and its state of sterilization.

In the case of vials containing medicine, authenticity and trackability are a major concern. As some medicaments can cost enormous sums per dose, counterfeit medicine is a significant problem in certain parts of the world. Ultrafast lasers can be used to embed barcodes and serial numbers directly inside the glass vial, which cannot be changed or copied, thereby ensuring that the vial content is authentic.



NKT Photonics' unique supercontinuum white light lasers are incorporated in all high-end confocal microscopes from Leica Microsystems. Recently used to detect antibodies important in vaccine development for COVID-19.



**Environment****Energy and climate**

NKT Photonics is committed to working for a sound environment through sustainable business practices.

NKT Photonics has implemented an environment, energy and climate policy company-wide through campaigns and training to ensure a high level of awareness throughout the organization. Product manufacture at NKT Photonics entails little environmental footprint and relatively small amounts of raw materials are used. No material environmental exposure is deemed to exist. The majority of the products are manufactured in compliance with regulations such as the Reduction of Hazardous Substances Directive (RoHS), which restricts the use of hazardous substances in electronic and electrical equipment. The corporate operations have very limited environmental impact compared with conventional industry. The total energy consumption is also determined more by current product mix – e.g. the ratio of high-power lasers to lower-power lasers – than by the energy economies introduced. It is therefore difficult to define relevant KPIs for consistent and long-term measurement, and no such KPIs have therefore been introduced.





Procurement

Vendors and business partners

The corporate Enterprise Resource Planning system achieved stability and demonstrated a strong platform for supply chain management across the global business for 2021.

The impact of COVID-19, and NKT Photonics' policy of discouraging all unnecessary travel throughout 2021 has increased the focus on ensuring minimal business disruption.



	Targets 2021	Outcome	Status
Procurement 	Develop inspection plan to monitor the extent of supplier compliance		■
	80% of our procurement (above EUR 50,000 in value) to be supplied by partners adopting the UN Global Compact principles	Rescheduled for 2022 due to COVID-19 travel restrictions	□

□ Incomplete ■ Partly complete ■ Complete

Actions 2022

Targets maintained for 2022

Targets

- Develop inspection plan to monitor the extent of supplier compliance
- 80% of our procurement (above EUR 50,000 in value) to be supplied by partners adopting the UN Global Compact principles

NKT Photonics ESG data

Datasheet

	Unit of measure	2019	2020	2021
Business ethics				
Whistleblower cases, total	number	1	0	3
ISO 9001 certification	%	100	100	100
Environment				
Emissions from purchased electricity (market based)	Tonnes of CO ₂ e	-	400	401
Social				
Diversity in senior leadership: gender (male/female)	number	9/2	11/2	10/2
Gender with lowest representation (female)	%	18	15	17
Diversity in senior leadership: nationalities	number	5	5	5
Diversity: male/female (all employees)	%	77/23	76/24	75/25

EU Taxonomy

Economic activities	Absolute turnover (EURm)	Proportion of turnover (%)	Absolute CAPEX (EURm)	Proportion of CAPEX (%)	Absolute OPEX (EURm)	Proportion of OPEX (%)
A. Eligible activities						
A.1. Environmentally sustainable activities (Taxonomy-aligned)						
3.1. Manufacture of renewable energy technologies	0	0%	0	0%	0	0%
4.9. Transmission and distribution of electricity	0	0%	0	0%	0	0%
7.6 Installation, maintenance and repair of renewable energy technologies	0	0%	0	0%	0	0%
"Environmentally sustainable activities (Taxonomy-aligned) (A.1)"	0	0%	0	0%	0	0%
B. Non-eligible activities						
Products and solutions	80.1	100%	16.0	100%	-43.6	100%
Non-eligible activities (B)	80.1	100%	16.0	100%	-43.6	100%
Total (A+B)	80.1	100%	16.0	100%	-43.6	100%

EU Taxonomy method statement

NKT Photonics is a European based leading supplier of fiber lasers and photonic crystal fibers. NKT Photonics has evaluated the business activities against the EU Taxonomy eligibility criteria for climate mitigation and climate adaptation under the Regulation (EU) 2020/852 of the European Parliament.

NKT Photonics has evaluated the business activities and assessed that none are covered by the current eligibility criteria defined in the Regulation (EU) 2020/852 of the European Parliament. Consequently, reporting on Revenue, CAPEX and OPEX has been included under "non-eligible activities". NKT Photonics continue to monitor the development of eligibility criteria including interpretations hereof.

Group

58 Group Compliance, EU Taxonomy and reporting principles

Group

NKT A/S monitors progress on sustainability by means of three main elements:

1. Key Performance Indicators have been developed based on relevant policies and programmes with corresponding data collected by the business units responsible for data quality.
2. An annual Statement of Representation covering the principles of the Code of Conduct is signed by senior management representing the activities of the two standalone companies.
3. A whistleblower hotline, maintained by an external provider, allows all employees as well as external stakeholders to raise concerns about seemingly inappropriate conduct, events or circumstances.

Reporting methodology

The reporting parameters used in 2021 are largely unchanged from previous reports. The present report covers all entities of NKT A/S unless otherwise stated.

Data integrity

The data is considered to be valid.

Auditing

The data in the present report has been audited by SGS Poland for NKT Cables Group A/S. Data for NKT Photonics has not been audited.

Reporting period

For all environmental data the reporting period in this report is from Q4 2020 to Q3 2021 and full year 2021 for Social and Governance reporting. NKT Photonics reports full year in all areas.

Diversity and inclusion

As described in the Diversity Policy, NKT A/S is firmly committed to equality of treatment for all employees. As part of this commitment, the workforce composition and changes are monitored as shown below. NKT A/S promotes equality of gender representation and is further committed to promoting equality in terms of career opportunities, nationality, religion, age and other factors. Diversity is a key consideration when hiring for executive management and the Board of Directors. At Board level, a target has been set to have at least two members from the underrepresented gender amongst the six annually elected Board members. This target was achieved in 2021 and is unchanged for 2022.



In the Board of Directors

33%

of the members are from the underrepresented gender.

Diversity in senior management at NKT A/S

	Total	Age Profile			Gender		No. of nationalities
		< 40	40-54	>54	Female	Male	(The predominant nationality in %)
Board of Directors*	6	0	1	5	2	4	3 (Danish 67%)
NKT A/S**	2	0	1	1	1	1	2 (Danish 50%, Swiss 50%)
NKT***	80	15	44	21	10	70	14 (30% Swedish)
NKT Photonics****	12	0	8	4	2	10	5 (Danish 42%)

* Elected at the Annual General Meeting.

** Also part of the Group Leadership Team of NKT.

*** The senior leadership level in NKT consists of the Extended Leadership Team, including members of the Executive Group Leadership Team.

**** The senior leadership in NKT Photonics is defined as the Global Management Team.

EU Taxonomy

Economic activities	Absolute turnover (EURm)	Proportion of turnover (%)	Absolute CAPEX (EURm)	Proportion of CAPEX (%)	Absolute OPEX (EURm)	Proportion of OPEX (%)
A. Eligible activities						
A.1. Environmentally sustainable activities (Taxonomy-aligned)						
3.1. Manufacture of renewable energy technologies	399.7	21%	94.6	39%	-123.5	24%
4.9. Transmission and distribution of electricity	274.1	14%	52.7	22%	-70.7	14%
7.6 Installation, maintenance and repair of renewable energy technologies	59.3	3%	0.3	0%	-18.0	4%
Environmentally sustainable activities (Taxonomy-aligned) (A.1)	733.1	38%	147.6	62%	-212.2	42%
B. Non-eligible activities						
Non-eligible activities (B)	1,173.6	62%	92.3	38%	-299.1	58%
Total (A+B)	1,906.7	100%	239.9	100%	-511.3	100%

EU Taxonomy method statement

NKT Group consists of two standalone companies: NKT, a leading provider of power cable solutions, and NKT Photonics, a leading supplier of fiber lasers and photonic crystal fibers. NKT Group has evaluated the business activities against the EU Taxonomy eligibility criteria for climate mitigation and climate adaptation under the Regulation (EU) 2020/852 of the European Parliament.

NKT has subdivided eligible activities into three activity types:

'3.1. Manufacture of renewable energy technologies',

'4.9. Transmission and distribution of electricity', and

'7.6. Installation, maintenance and repair of renewable energy technologies'.

1. For all the projects and products that relate to manufactured cable systems for the renewable energy sector as per NACE code C27.3 'Manufacture of wiring and wiring devices' - those projects has been deemed eligible for both activity 3.1 and 4.9.

2. Repair activities conducted for the renewable energy sector were also deemed eligible as per activity '7.6. Installation, maintenance and repair of renewable energy technologies'

3. For projects and products related to construction and installation of interconnectors or enforcement of the grid under the '4.9. Transmission and distribution of electricity', the following conditions were applied:

a. Where the main purpose of the interconnector/power cable system was to enable transmission of renewable power between or within countries (based on the specific project data), those projects were considered eligible. If one of the countries' carbon intensity of the grid was less than 100g CO₂e per kWh, the project was considered eligible.

b. If projects and products for installation within the same country or between two countries where the grid carbon intensity was above 100g CO₂e per kWh, the projects and products were deemed not eligible, unless project specific information is available to ensure that installed cable system carbon intensity is below 100g CO₂e per kWh.

When reporting on CAPEX and OPEX, a share of the site and business line CAPEX and OPEX was allocated based on revenues generated from eligible activities within the HV Business Lines. The majority of NKT's investments have been within the HV Solutions business line, where a relatively larger part of activities are eligible under the taxonomy. As investments can be used to produce both eligible and non-eligible projects, NKT has reviewed the activities within the specific Business line and decided to use the split within the Business Line as a proxy for eligible CAPEX share.

NKT Photonics has evaluated the business activities and assessed that none are covered by the current eligibility criteria defined in the Regulation (EU) 2020/852 of the European Parliament. Consequently, reporting on Revenue, CAPEX and OPEX has been included under "non-eligible activities". NKT Photonics continue to monitor the development of eligibility criteria including interpretations hereof.

NKT A/S

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NKT is signatory of the Europacable
Industry Charter: A commitment
towards superior quality.