



Corporate Governance 2011

1 March 2012

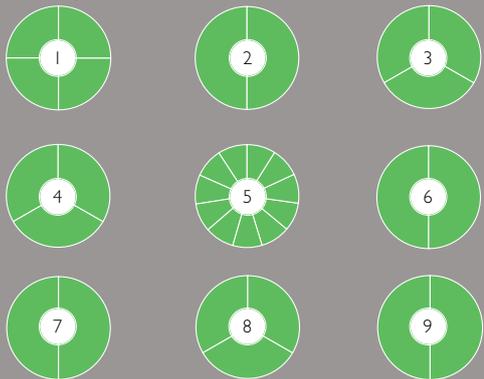


This is how NKT complies with the recommendations:

The Corporate Governance recommendations number 9 main headings (1-9):

- 1: The role of the shareholders and their interaction with the management of the company
- 2: The role of stakeholders and their importance to the company and the company's Corporate Social Responsibility
- 3: Openness and transparency
- 4: The tasks and responsibilities of the supreme and the central governing bodies
- 5: Composition and organisation of the supreme governing body
- 6: Remuneration of members of the governing bodies
- 7: Financial reporting
- 8: Risk management and internal control
- 9: Audit

Each of these headings contains a varying number of subheadings. The colour coding indicates the extent to which NKT is considered to be in compliance with the recommendation.



Complies fully Complies partly Does not comply

Corporate Governance 2011

It is the wish of the NKT Group management to be recognised for professionalism and responsible business conduct. Considerable attention is therefore given to the recommendations on Corporate Governance issues at NKT

Recommendation

I. The role of the shareholders and their interaction with the management of the company

I.1. Dialogue between the company and its shareholders

I.1.1. The Committee recommends that the central governing body, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website.

This is how NKT complies with the recommendations:

I. The role of the shareholders and their interaction with the management of the company



I.1. Dialogue between the company and its shareholders

I.1.1. The NKT Board of Management makes itself available for individual investor presentations organized by the financial sector - both inside and abroad. In 2011 some 300 investor relations meetings were held. NKT further hosted 2 shareholder meetings and staged a capital market day attended by some 90 financial analysts, investors and other stakeholders. Investor presentation material is also available on the NKT website.

NKT organises an annual Capital Market Day on which financial analysts are invited to visit one of NKT's production units. Local management provides a presentation of the company and the conditions under which it operates.

The NKT website, www.nkt.dk, contains an 'Investor' section where shareholders can regularly keep up to date and register for electronic bulletins containing the financial reports and other news published by the company. The 'Investor' section also lists NKT's investor relations contacts. Special facilities are offered for persons needing to use NKT's published information for work purposes.

In conjunction with the presentation of financial statements a meeting is held at which financial analysts, shareholders and the press have an opportunity for dialogue with NKT's Board of Management. A tele-conference with the option to ask questions, is also available if attendance to the meeting is impossible. The meeting is held in English and webcasted live on the company's website. The meeting can afterwards be viewed on the website on demand, and a full transcript of the meeting is also available together with the presentations.

The Annual General Meeting is the joint forum for the company's shareholders, the majority of whom are registered shareholders. The Annual General Meeting is webcasted live in both English and

Recommendation

1.2. Capital and share structure

1.2.1. *The Committee recommends that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.*

1.3. General Meeting

1.3.1. *The Committee recommends that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.*

This is how NKT complies with the recommendations:

Danish, and can subsequently be viewed on demand on the NKT website together with the written presentations. The Board of Management reports on its IR activities to the central governing body, the Board of Directors, once a year.

1.2. Capital and share structure

1.2.1. NKT's capital and share structures are evaluated on an ongoing basis and commented upon in the annual and interim reports. Strategic goals have been formulated for both structures, cf. the 'Investor' section of the company's website.

It is NKT's policy that its capital structure and financial gearing should at all times reflect the Group's activities and risk profile and provide adequate freedom of action. The purpose is to protect NKT's creditworthiness, grant flexibility, ensure room for investments or acquisitions and maintain a stable dividend policy.

4 mandates have been issued by the Annual General Meeting:

1. By resolution of the Board of Directors the contributed capital may be increased by issue of shares to a maximum nominal amount of 300 mDKK in the period until 25 March 2015.
2. NKT may purchase a maximum of 25% of NKT's shares for the purpose of adjusting the NKT Group's capital structure should this be appropriate. This mandate is considered each year at the Annual General Meeting.
3. In the period up to 1 April 2016 warrants may be issued in one or several transactions to a total nominal amount of 12 mDKK (600,000 shares) of 20 DKK each to the employees and Executive Management Board of the NKT Group. Warrants allocated in 2006 were not exercised in 2011.
4. In the period up to 11 April 2012 loans may be raised against bonds or debt instruments in one or several transactions with a right for the lender to convert his claim to a maximum nominal amount of 44 mDKK of 20 DKK each (2.2 million new shares, equal to just under 10% of the share capital). A new mandate and framework will be proposed at the 2012 Annual General Meeting.

1.3. Annual General Meeting

1.3.1. NKT's Articles of Association specify the period of notice that must be given when calling Annual General Meetings.

The date of the next Annual General Meeting, which must be held before the end of April, is published in the third interim report (in November the previous year) and in a special stock market announcement issued before the year end.

Annual General Meetings must be called by the Board of Directors not earlier than five weeks and not later than three weeks prior to the meeting via announcement in the Danish Commerce and Companies Agency's IT system, via ordinary letter to all registered shareholders, and via publication on the company's website (www.nkt.dk). NKT

Recommendation

This is how NKT complies with the recommendations:

announced the Annual General Meeting in Stock Market Announcement No. 4 of 1 March 2011.

The Articles of Association also establish the date by which shareholders may submit proposals for discussion at the Annual General Meeting. This date is explicitly mentioned in the stock market announcement which gives details of the stock market calendar.

NKT announced the deadline for receipt of resolutions for the Annual General Meeting in Stock Market Announcement no. 16 of 15 November 2011.

Recommendations for proposals at the Annual General Meeting may be submitted in writing by any shareholders, but must be submitted to the NKT Board of Directors not later than four weeks prior to the Annual General Meeting. A proposal submitted to the Board of Directors later than four weeks prior to the annual general meeting may be included in the agenda if the Board considers that the request has been presented in sufficiently good time for such inclusion to take place.

Shareholders who were registered shareholders at least one month prior to the Annual General Meeting receive a personal postal invitation to the meeting together with the full meeting agenda and a proxy form offering various voting options, including voting on each item.

In the same letter the shareholders receive details of the qualifications of members of the Board of Directors (the supreme governing body) who are standing for election to that body at the general meeting.

Non-registered shareholders are notified of the Annual General Meetings by its announcement in a national newspaper:

The following is announced on the company's website 3 weeks before the holding of the Annual General Meeting:

1. The notice convening the meeting.
2. The total share capital and voting rights at the date of the notice convening the meeting.
3. The documents to be presented at the Annual General Meeting. In the case of annual general meetings these documents include the audited Annual Report containing annual and consolidated financial statements, management's statement, auditor's report, and commentaries.
4. The meeting agenda together with full proposals.
5. The necessary forms for voting by proxy and voting by letter; unless such forms are sent direct to the shareholders. If for technical reasons these forms cannot be made available on the internet, the company's website will advise how they may be obtained in paper form. In such cases the company will send the forms to any shareholders who request them.

Recommendation

1.3.2. *The Committee recommends that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or partly or entirely as an electronic general meeting.*

1.3.3 *The Committee recommends that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.*

1.3.4. *The Committee recommends that all members of the supreme governing body and the executive board be present at the general meeting.*

1.4. Takeover bids

1.4.1. *The Committee recommends that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.*

1.4.2. *The Committee recommends that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.*

This is how NKT complies with the recommendations:

Prior to the meeting a link to VP Investor Services, the agency which maintains NKT's register of shareholders, is added to the NKT website. This link enables shareholders to register for the Annual General Meeting electronically and issue proxies.

The Annual General Meeting is transmitted via www.nkt.dk in Danish and translated into English. Films, presentations, etc. are also translated into English.

1.3.2. The central governing body, the Board of Directors, determines at an annual Board meeting how next year's annual general meeting will be held. The meeting has hitherto been conducted by physical attendance.

1.3.3. The proxy form allows shareholders to consider each individual item on the agenda.

1.3.4. It is intended that the general meeting should be attended by all members. 8 of 9 members of the Board of Directors attended the Annual General Meeting 2011. One member was absent with apology.

1.4. Takeover bids

1.4.1. NKT has prepared a 'Takeover Procedure' setting out the tasks of NKT management if a public takeover bid is received - or if continuous acquisition of shares is followed by such a bid.

In such cases the Board of Directors will establish a Takeover Team to administer the issue in respect of the Danish Financial Supervisory Authority, shareholders, employees, the press and financial analysts. The team will also handle relations with the bidder(s) and the question of alternatives to the concrete bid.

The Takeover Team will prepare a statement on the situation and keep the Board of Directors advised of all essentials relating to the bid process. The precise content of NKT's Takeover Procedure is available solely to the NKT Group Management.

1.4.2. On receiving a public takeover bid, NKT will comply with the provisions of the Danish Securities Trading Act and the Danish 'Takeover Directive' by preparing a statement setting out its stance concerning the bid.

Recommendation

2. The role of stakeholders and their importance to the company and the company's Corporate Social Responsibility

2.1. The company's policy in relation to its stakeholders

2.1.1. *The Committee recommends that the central governing body identify the company's key stakeholders and their main interests in relation to the company.*

2.1.2. *The Committee recommends that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.*

2.2. Corporate Social Responsibility

2.2.1. *The Committee recommends that the central governing body adopt a policy on corporate social responsibility.*

This is how NKT complies with the recommendations:

2. The role of stakeholders and their importance to the company and the company's Corporate Social Responsibility



2.1. The company's policy in relation to its stakeholders

2.1.1. As an industrial conglomerate with a global presence NKT has stakeholders with diverse interests. These stakeholders include employees, shareholders, customers, suppliers, business partners and the communities in which we do business.

NKT aims to be a credible, open, qualified and quality-minded business partner; and this ambition forms the basis for NKT's policies which within each area define the company's most important stakeholders. The policies are published on the company's website, www.nkt.dk.

2.1.2. All policies applicable in relation to NKT's diverse stakeholders - and which include an investor relations policy and a communication policy - are to be found at www.nkt.dk. All the policies are regularly - at least once a year - reviewed and updated.

The Board of Directors supervises the day to day administration of company operations by the Board of Management, and ensures that it is performed responsibly and in accordance with the Articles of Association and other agreed codes (Corporate Governance), the Danish Companies Act and other legislation whose provisions are relevant to NKT. Follow-up routines have been established for policies relating to financial issues.

2.2. Corporate Social Responsibility

2.2.1. NKT's activities in the area of Corporate Social Responsibility are based on a set of ethical business guidelines drawn up in 2009. These guidelines express the company's commitment to promoting ethical standards, compliance and accountability within the NKT Group. NKT demands and expects all persons acting on behalf of the company to conform to these guidelines. In 2011 the ethical guidelines were updated and can be viewed at www.nkt.dk.

NKT is convinced that focus on human rights, labour rights, anti-corruption and environmental protection will contribute to a more sustainable business environment to the benefit of both the company and its stakeholders.

As a global, corporate citizen, NKT has therefore signed the United Nations Global Compact (www.unglobalcompact.org) and reports once a year on the progress being achieved. The reports submitted can be viewed at www.nkt.dk and the UN website.

Recommendation

3. Openness and transparency

3.1. Disclosure of information to the market

3.1.1. *The Committee recommends that the central governing body adopt a communication strategy.*

3.1.2. *The Committee recommends that information from the company to the market be published in both Danish and English.*

3.1.3. *The Committee recommends that the company publish quarterly reports.*

4. The tasks and responsibilities of the supreme and the central governing bodies

4.1. Overall tasks and responsibilities

4.1.1. *The Committee recommends that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.*

4.1.2. *The Committee recommends that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.*

4.1.3. *The Committee recommends that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.*

4.1.4. *It is recommended that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes,*

This is how NKT complies with the recommendations:

3. Openness and transparency



3.1. Disclosure of information to the market

3.1.1. NKT has a communication policy which determines the communication process between NKT and the community and between NKT Holding and NKT's business units. This policy is regularly updated and can be viewed at www.nkt.dk together with other policies governing NKT's external communication. As a listed company, NKT is subject to and regulated by the disclosure obligations applying to issuers of shares.

3.1.2. As a general principle, all information relating to the company is published in both English and Danish. www.nkt.dk is therefore a dual-language website and all announcements to the stock exchange, press and investors are similarly formulated in both languages.

3.1.3. NKT publishes interim reports which are published on the NKT website in both English and Danish.

4. The tasks and responsibilities of the supreme and the central governing bodies



4.1. Overall tasks and responsibilities

4.1.1. In accordance with the rules of procedure for the NKT Board of Directors company strategy etc. is discussed and determined once a year on the basis of ongoing assessment of the company's situation.

4.1.2. In accordance with the rules of procedure for the NKT Board of Directors, the company's situation is continuously assessed to order to ensure that the necessary qualifications and financial resources are in place to enable strategic goals to be achieved.

4.1.3. In accordance with the rules of procedure for the NKT Board of Directors, and the terms of reference for the NKT Audit Committee, the company's situation is assessed on a continuous basis to ensure that essential tasks relating to the financial and managerial control of the company are carried out, including how to supervise the work of the Board of Management.

4.1.4. It is seen in the rules of procedure for NKT's Board of Directors that competences - including diversity - at the

Recommendation

and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.

4.2. Procedures

4.2.1. *The Committee recommends that the supreme governing body review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.*

4.2.2. *The Committee recommends that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies.*

This is how NKT complies with the recommendations:

Group's management levels are discussed on an ongoing basis and at least once a year.

It is the aim of the Board of Directors to ensure a diverse composition of management, and as an element in this also to ensure a composition which represents a broad global cultural background and a balanced, broad age profile.

In search and nomination of candidates for a leading position the job description and field of candidates must satisfy any need for diversity as a part of the overall competence needs.

As a consequence of the Group's ambition of increased geographical presence in the individual business units, focus in the years ahead will be directed towards ensuring a broad global cultural background in the upper levels of management.

An action plan for achieving this goal can be found on NKT's website.

4.2. Procedures

4.2.1. The rules of procedure for the NKT Board of Directors are reviewed annually to ensure they meet the company's needs. The rules of procedure contain guidelines relating to a number of the issues contained in the corporate governance recommendations. A list has been prepared of the subjects to be discussed regularly by the Board of Directors.

The rules of procedure set out the responsibility, authority, obligations and limitations relating to membership of NKT's Board of Directors. The rules of procedure also describe the special obligations residing in the chairmanship, and define the division of roles between the Board of Directors and the Board of Management.

The rules of procedure are accessible solely to the NKT Group Management.

The practical performance of the work of both Boards takes place in a dialogue that extends beyond the ordinary Board of Directors' meetings.

4.2.2. The rules of procedure for the Board of Management are reviewed once a year.

The practical performance of the work of the Board of Directors and the Board of Management takes place in a dialogue that extends beyond the ordinary Board of Directors' meetings.

The rules of procedure for the Board of Management determine its reporting procedures in respect of the Board of Directors and for communication generally. Most information is normally reported to the Board of Directors prior to ordinary Board meetings to enable

Recommendation

4.3. The chairman and deputy chairman of the supreme governing body

4.3.1. *The Committee recommends that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.*

4.3.2. *The Committee recommends the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.*

4.3.3. *The Committee recommends that the chairman of the supreme governing body organise, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.*

4.3.4. *The Committee recommends that, if the board of directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the board of directors and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.*

This is how NKT complies with the recommendations:

its discussion at these meetings. There is also regular written communication from the Board of Management to the Board of Directors. This ensures that the Board of Directors is constantly up to date on matters relating to financial developments and prospects for NKT companies.

There is a tradition at NKT whereby members of the Board of Directors regularly pay a visit to one of the Group companies. During this visit the Board is introduced to the company and its management and provided with a guided tour of the company's facilities. The Board of Directors gains by this means a substantial insight into the conditions under which NKT companies operate.

4.3. The chairman and deputy chairman of the supreme governing body

4.3.1. The NKT Board of Directors has a Deputy Chairman who is able to act in the Chairman's absence and who serves as a sounding board for the Chairman. 

4.3.2. The rules of procedure for the Board of Directors describe the specific tasks incumbent on the Chairman of the Board in chairing Board meetings and co-ordinating the Board's work. The rules of procedure also describe the powers of the Chairman and the tasks of the Deputy Chairman. 

The Chairman identifies the contexts in which the particular knowledge and qualifications of the individual Board members may be used to the company's benefit by means of ongoing dialogue and the Board's assessment process.

4.3.3. Prior to each calendar year the Chairman of the Board convenes and chairs a series of meetings scheduled in such a way as to enable as many Board members as possible to be present. 

4.3.4. The terms and framework of any involvement by the Chairman will be embodied in the Board of Director's concrete resolution. 

Recommendation

5. Composition and organisation of the supreme governing body

5.1. Composition

5.1.1. *The Committee recommends that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.*

5.1.2. *The Committee recommends that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.*

5.1.3. *The Committee recommends that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.*

5.1.4. *The Committee recommends that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members.*

This is how NKT complies with the recommendations:

5. Composition and organisation of the supreme governing body



5.1. Composition

5.1.1. NKT is a company with wide-ranging ownership and stakeholder interests. In determining the composition of the Board of Directors importance is therefore placed on ensuring that the Board represents a variety of professional qualifications and also includes a solid basis of experience, thereby ensuring that the many needs relating to NKT's operation can be met as effectively as possible. The qualifications which the Board considers necessary to perform its functions are listed at www.nkt.dk. The overview was last updated in January 2012.

5.1.2. It is important that candidates for election to the NKT Board of Directors possess qualifications relevant to NKT as a global industrial player:

The present (2011) Board of Directors therefore comprises people with backgrounds in general management, international business, finance, economics, energy industry, law, technology, political administration and politics. The Board members also vary considerably in terms of age, gender and the length of their NKT Board membership. The rules of procedure for the Board of Directors describe a process for the selection and nomination of candidates to the Board. This process is administered by the chairmanship, via the presence in Nomination Committee, and is based on a qualification and profile description approved by the Board. As part of this process, consideration is given to the extent to which it is relevant to involve other stakeholders in establishing this description.

The final nomination of candidates is approved by the entire Board of Directors and then submitted to the general meeting for approval.

5.1.3. A statement of the qualifications and other executive functions of the nominated candidates is received by shareholders together with the notice convening the general meeting.

5.1.4. Details of the age, occupation and educational background of the members of the Board of Directors, as well as the length of their NKT Board membership, other directorships, special skills and NKT share ownership, are published on the NKT website and included as integral part of the company's Annual Report.

Recommendation

5.2. Training of members of the supreme governing body

5.2.1. *The Committee recommends that new members joining the supreme governing body be given an introduction to the company.*

5.2.2. *The Committee recommends that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.*

5.3. Number of members of the supreme governing body

5.3.1. *The Committee recommends that the supreme governing body have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.*

5.3.2. *The Committee recommends that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.*

5.4. The independence of the supreme governing body

5.4.1. *In order for the members of the supreme governing body to act independently of special interests, the Committee recommends that at least half of the members elected by the general meeting be independent persons.*

The independent supreme governing body member may not:

- *be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company,*
- *have received significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the supreme governing body,*
- *represent the interests of a controlling shareholder,*
- *within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company,*

This is how NKT complies with the recommendations:

5.2. Training of members of the supreme governing body

5.2.1. Newly elected members of the Board of Directors are invited to an introductory meeting at which the Board of Management presents the Group and relevant topics. Most recently it took place in spring 2011 for the new member of the Board of Directors elected at the Annual General Meeting 23 March 2011. New members of the Board of Directors are also issued with material relating to NKT Group strategy and operations. Members of the Board of Directors attend Board seminars and conferences on an ad hoc basis at their own option.

5.2.2. The annual self-assessment of the Board of Directors explicitly includes consideration of whether areas exist where the skills and expertise of Board members should be updated.

5.3. Number of members of the supreme governing body

5.3.1. The Board of Directors comprises six members elected by the general meeting and three employee-elected members. The number of Board members is considered appropriate relative to the size of the Group as a whole.

5.3.2. As part of the assessment of the Board of Directors, consideration is given to whether the number of Board members should be adjusted to meet new needs.

5.4. The independence of the supreme governing body

- 5.4.1.** More than half the members of the NKT Board of Directors are considered to be independent persons as:
- None of the members elected by the general meeting are or have been employed in the NKT Group within the last five years.
 - None of the Board members are - or have been - members of the NKT Board of Management.
 - None of the Board members are professional consultants for NKT Group companies or are employed or have financial interests in a company that is a professional consultant to the NKT Group.
 - None of the Board members have material strategic interest in any of the NKT Group's companies, other than in their role as shareholders.
 - One of the members elected by the general meeting have been member of the NKT Board for more than 12 years.

Particulars of the occupation, professional background, age and other directorships of NKT Board members are included in the company's annual report along with details of - and changes in their

Recommendation

- be, or have been within the last three years, an employee or partner of the external audit firm,
- hold cross-memberships of governing bodies,
- have been a member of the supreme governing body for more than 12 years, or
- have close family ties with persons that are not regarded as independent persons.

5.4.2. The Committee recommends that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether new candidates for the supreme governing body are considered independent persons.

5.5. Members of the supreme governing body elected by the employees

5.5.1. The Committee recommends that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.

5.6. Meeting frequency

15.6.1. The Committee recommends that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.

5.7. Expected time commitment and the number of other executive functions

5.7.1. The Committee recommends that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way for the company.

This is how NKT complies with the recommendations:

holdings of NKT shares and share options. This information is updated on the NKT website on a continuous basis.

NKT discloses details of NKT share transactions reported by NKT Board members through NASDAQ OMX Copenhagen. The details are published at www.nkt.dk, and the latest reported shareholdings of Board members are stated in the company's annual report along with the comparative shareholdings the previous year.

5.4.2. The independence of the Board of Directors is described in the annual report in the section dealing with corporate government and in the presentations of the individual Board members. 

5.5. Members of the supreme governing body elected by the employees

5.5.1. The NKT Board of Directors includes three employee-elected members. These members are elected as Group representatives as NKT Holding does not meet the criteria for company-elected representatives. 

The Group representatives are elected to the Board of Directors based on the number of votes which - relative to the size of the individual company - are available to the union representatives or appointed electors in the Danish Group companies.

The current employee-elected Board members are from Nilfisk-Advance A/S (2) and NKT Flexibles A/S (1). The rules relating to employee elections are published at www.nkt.dk under 'About NKT', 'Employee-elected Board members'.

5.6. Meeting frequency

5.6.1. A minimum of 6 ordinary meetings of the Board of Directors are held yearly - in March (annual accounts), April (prior to and after the Annual General Meeting), and in May, August and November (interim reports 1, 2 and 3). Extraordinary meetings are held if circumstances warrant. In 2011 7 meetings were held. 

Publication dates for annual and interim reports are notified at www.nkt.dk when the reports have been discussed and approved by the Board of Directors.

5.7. Expected time commitment and the number of other executive functions

5.7.1. The scope of the functions undertaken by the present members of the Board of Directors in other companies is not considered to conflict with good corporate governance or NKT's interests. 

Recommendation

5.7.2. The Committee recommends that the annual report contain the following information about the members of the supreme governing body:

- the member's occupation,
- the member's other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and
- the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.

5.8. Retirement age

5.8.1. The Committee recommends that the company's articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.

5.9. Election period

5.9.1. The Committee recommends that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.

5.9.2. The Committee recommends that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.

This is how NKT complies with the recommendations:

The directorships and other functions of the individual members vary, and none are considered to be so demanding as to adversely affect the work of the NKT Board of Directors. The same applies to the work performed by members of the Board of Directors and Board of Management on behalf of organisations.

The frequency of Board of Directors' meetings is stated in the Annual Report.

5.7.2. The occupations of the individual members of the Board of Directors and Board of Management are stated in the company's annual report and website along with a description of other directorships/executive functions. 

If work performed on behalf of organizations becomes particularly time-consuming, the functions will be listed in the data for the relevant Board member.

The NKT shareholdings of all members of the Board of Directors are also stated. Changes during the course of the year appear in the company's insider trading disclosures to the stock exchange. These changes are published on the NKT website and stated in the interim and annual reports. NKT policies preclude the granting of either share options or share warrants to NKT Board members.

5.8. Retirement age

5.8.1. The retirement age for members of the Board of Directors is 67, but members who were elected prior to 26 August 2003 and are re-elected may retire at 70. 

On their acceptance of NKT's rules of procedure all Board members undertake to retire from the Board at the first annual general meeting after reaching 67 and 70, respectively.

Particulars of members of the NKT Board of Directors are published at www.nkt.dk and in the company's Annual Report.

5.9. Election period

5.9.1. The members of the Board of Directors elected by the general meeting are up for re-election every year. There are no limitations on the number of times a Board member may be nominated for re-election. 

The employee-elected Board members are elected for a four-year period. The next election is due in spring 2014.

5.9.2. The year in which the individual member joined the Board of Directors is stated in the NKT Annual Report and at www.nkt.dk, along with details of whether the member was re-elected and when the current election period expires. 

Recommendation

5.10. Board committees

5.10.1. *The Committee recommends that the company publish the following information in the management commentary in its annual report or on the company's website:*

- *the terms of reference for the board committees,*
- *important activities of the committees during the year and the number of meetings held by each committee, and*
- *the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.*

5.10.2. *The Committee recommends that a majority of the members of a board committee be independent members.*

5.10.3. *The Committee recommends that the supreme governing body establish an actual audit committee.*

5.10.4. *The Committee recommends that the following be taken into account in composing the audit committee:*

- *the chairman of the supreme governing body should not be chairman of the audit committee, and*
- *between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit condition of companies whose shares are admitted to trading on a regulated market*

5.10.5. *The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the supreme governing body about:*

- *significant accounting policies*
- *significant accounting estimates,*
- *related party transactions, and*
- *uncertainties and risks, including in relation to the outlook.*

This is how NKT complies with the recommendations:

5.10. Board committees

5.10.1. Ongoing assessment is made of the need to set up committees. In 2011 3 administrative committees worked under the Board of Directors - the Audit Committee, the Nomination Committee and the Remuneration Committee.

- The terms of reference for the work of the committees and details of the committee members are stated on the company's website.
- The number of committee meetings held is stated on the website. The committee activities during the year are stated in the company's Annual Report.
- The names of committee members, including the chairman, are stated in both media, along with the qualifications held by the committee members and details of which members are independent members.

5.10.2. The members of the NKT Audit Committee are independent members. The Nomination Committee and the Remuneration Committee each consist of two members, one of whom is an independent member; while the Committee Chairman has been a member of the Board of Directors for more than 12 years and therefore cannot be designated an independent member:

5.10.3. An Audit Committee was appointed in 2008 and became operative at the Board of Directors' meeting which followed the Annual General Meeting in 2009.

5.10.4. The Chairman of the Audit Committee is not identical with the chairman of the supreme governing body. The composition of the Audit Committee is designed to reflect extensive expertise and experience with financial, accounting, audit and other matters relating to listed companies, as well as insight into NKT's business conditions.

5.10.5. The Audit Committee monitors the financial reporting process, including compliance with current legislation, standards and other accounting and disclosure provisions etc. relating to listed companies. The Committee reports to the supreme governing body, the Board of Directors, concerning:

- Significant accounting policies
- Significant accounting estimates
- Related party transactions
- Uncertainties and risk management relating to financial reporting.

Recommendation

5.10.6. The Committee recommends that the audit committee:

- annually consider whether there is a need for an internal audit function, and if so,
- formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

5.10.7. The Committee recommends that the supreme governing body establish a nomination committee with at least the following preparatory tasks:

- describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.
- annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes,
- annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body,
- consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and
- identify and recommend to the supreme governing body candidates for the governing bodies.

5.10.8. The Committee recommends that the supreme governing body establish a remuneration committee with at least the following preparatory tasks:

- make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board,
- make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and
- oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.

This is how NKT complies with the recommendations:

5.10.6. It is part of the task of the Audit Committee to monitor whether the company's internal control system, internal audit function if any, and risk management systems function effectively. The Audit Committee assesses once a year whether there is a need for internal audit and reports its findings to the Board of Directors. No internal audit function is currently established, cf. section 9.2.1 for more details.

5.10.7. In 2010 the Board of Directors established a Nomination Committee.

The Nomination Committee has the following tasks:

- Describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies
- Annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes
- Annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body
- Consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions
- Identify and recommend to the supreme governing body candidates for the governing bodies

The committee comprise Christian Kjær, Chairman of the Board of Directors and Jens Due Olsen, Deputy chairman of the Board of Directors. The terms of reference are available on NKT's website.

5.10.8. In 2010 the Board of Directors established a Remuneration Committee.

The Remuneration Committee has the following tasks:

- Make proposals for the approval of the supreme governing body prior to approval at the general meeting on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board.
- Make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board, and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The Committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group.
- Oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.

Recommendation

5.10.9. *The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.*

5.11. Evaluation of the performance of the supreme governing body and the executive board

5.11.1. *The Committee recommends that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.*

5.11.2. *The Committee recommends that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.*

5.11.3. *The Committee recommends that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with predefined criteria.*

This is how NKT complies with the recommendations:

The committee comprise Christian Kjær, Chairman of the Board of Directors and Jens Due Olsen, Deputy chairman of the Board of Directors. The terms of reference are available on NKT's website.

5.10.9. NKT complies with the stated recommendation. 

5.11. Evaluation of the performance of the supreme governing body and the executive board

5.11.1. There is an annual evaluation, and the Board regularly assesses whether to use external assistance. 

As an appendix to the Board's rules of procedure, a policy has been formulated which describes the process whereby each Board member assesses a questionnaire containing a number of specific questions concerning the:

- Scope and course of the meeting
- Relevance of the items on the agenda
- Quality of the Board's materials and the presentations at the meeting.

The Board meeting allows time for a verbal discussion of the Board's composition (age, gender, nationality, number of members, qualifications), the Board's need for supplementary training, and the interaction between Board members.

The Audit Committee performs an annual self-assessment and the Committee Chairman reports the findings to the Chairman of the Board of Directors.

An assessment of the interaction with the auditor is performed by means of questionnaire completed by the auditor.

5.11.2. The Chairman of the Board of Directors is in charge of the assessments and the conclusions are presented and discussed at a Board meeting. The assessment procedure and findings are subsequently described in the Annual Report. 

5.11.3. As an extension of the Board of Directors' own assessment, the performance of the Board of Management is also assessed. This assessment considers both the interaction between the Board of Directors and the Board of Management and the qualifications of the individual members of the Board of Management. As an appendix to the rules of procedure for the Board of Directors a policy has been formulated specifying the 

Recommendation

5.11.4. *The Committee recommends that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the supreme governing body and the chief executive officer and that the outcome of the evaluation be presented to the supreme governing body.*

6. Remuneration of members of the governing bodies

6.1. Content and form of the remuneration policy

6.1.1. *The Committee recommends that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.*

6.1.2. *The Committee recommends that the remuneration policy and any changes to the policy be approved by the general meeting of the company.*

6.1.3. *Committee recommends that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.*

This is how NKT complies with the recommendations:

process by which each member of the Board of Directors assesses a number of specific questions relating to the Board of Management.

- Their professional input
- Their personal development
- Their interpersonal skills
- Their results

In addition, the Board of Directors verbally discusses matters relating to the scope, qualifications, interaction and qualifications of the Board of Management. The conclusions are subsequently submitted by the Chairman of the Board to the CEO.

5.11.4. The Board of Directors, in the person of the Chairman, and the Board of Management, in the person of the CEO, assess the interaction between both Boards once a year. As an appendix to the rules of procedure of both parties, a policy has been formulated specifying the minimum topics to be covered by the assessment (reporting procedures, structure and quality of materials submitted to the Board of Directors, and possible collaborative initiatives).

6. Remuneration of members of the governing bodies



6.1. Content and form of the remuneration policy

6.1.1. A remuneration policy has been formulated specifying the guidelines for determining and approving remuneration for the Chairman, Deputy Chairman and other members of the Board of Directors and for the members of the Board of Management.

The Board of Management's pay is subject to annual review at the Chairman's initiative.

6.1.2. Resolutions relating to remuneration policy are submitted to the company's general meeting for approval. Changes to this policy will also be submitted to the general meeting.

6.1.3. The following principles apply regarding the Board of Directors' remuneration:

- The Chairman receives 3x the basic fee
- The Deputy Chairman receives 1.5x the basic fee
- No regulating mechanisms are linked to the basic fee
- The Board of Directors' fees are presented as a separate item on the agenda for the general meeting
- The fees are approved prospectively for a year at a time
- The Board of Directors is not granted share options

Recommendation

6.1.4. *The Committee recommends that the remuneration policy include:*

- *the reasons for choosing the individual components of the remuneration, and*
- *a description of the criteria on which the balance between the individual components of the remuneration is based.*

6.1.5. *The Committee recommends that, if the remuneration policy includes variable components,*

- *limits be set on the variable components of the total remuneration package,*
- *a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,*
- *there be clarity about performance criteria and measurability for award of variable components, and*
- *there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.*

6.1.6. *The Committee recommends that remuneration of members of the supreme governing body do not include share or warrant programmes.*

6.1.7. *The Committee recommends that if members of the executive board receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.*

This is how NKT complies with the recommendations:

As a basic principle the basic fee shall be on a par with the remuneration paid by listed industrial companies in the Copenhagen area to Boards of Directors with a similar profile.

The Board of Management must receive a competitive salary commensurate with the duties it is assigned and which represents an attractive long-term incentive.

6.1.4. The NKT remuneration policy includes reasons for choosing the individual components of the remuneration as well as a description of the underlying criteria.

6.1.5. The NKT remuneration policy contains variable remuneration components in respect of the Board of Management's remuneration. Incentive plans for the Board of Management may consist of remuneration by way of share options and share warrants, phantom shares and bonus agreements. Hitherto the remuneration has consisted of fixed basic pay, a short-term cash bonus, a long-term share-based incentive scheme, a pension, and other customary non-monetary benefits such as a company car, telephone etc.

The bonus portion of the incentive pay is an annual payment conditional upon achievement of specified targets.

- Bonus may not constitute more than 15% of fixed basic pay.
- In addition, the Board of Directors may grant a further extraordinary bonus of up to 100% of fixed pay.

The share-based portion of the incentive pay is comprised of annually granted share warrants initiated by the Board of Directors.

- Share warrants are calculated using the Black-Scholes formula. The value may constitute up to 50% of the fixed annual pay, including pension, of the individual Board of Management member. The warrants may be exercised not earlier than three years and not later than six years after they have been granted.

6.1.6. Members of the supreme governing body are not granted share options.

6.1.7. There is a share-based incentive programme for the Board of Management. The programme is established as a roll-over programme and the criteria relating to allocation, prices, etc. are reported at the time of the annual grant in a special stock market announcement.

Recommendation

6.1.8. *The Committee recommends that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.*

6.1.9. *The Committee recommends that termination payments should not amount to more than two years' annual remuneration.*

6.2. Disclosure of the remuneration policy

6.2.1. *The Committee recommends that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.*

6.2.2. *The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.*

6.2.3. *The Committee recommends that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.*

6.2.4. *The Committee recommends that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.*

6.2.5. *The Committee recommends that the most important aspects of retention and severance programmes be disclosed in the company's annual report.*

6.2.6. *The Committee recommends that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.*

This is how NKT complies with the recommendations:

6.1.8. See section 6.1.5. 

6.1.9. NKT has contracted no severance agreements of an unusual nature. The period of notice for the company's CEO is 24 months. Other members of the Board of Management are subject to 12 months' notice. Significant changes in the company's ownership structure result in extension of the above notice periods by a further 12 months for a transitional period. No other severance plans exist for the NKT Board of Management. 

6.2. Disclosure of the remuneration policy

6.2.1. NKT's remuneration policy is discussed in 'Management's review' in the annual report, published on the company's website, and submitted for approval at the Annual General Meeting. 

6.2.2. The remuneration policy relating to both the Board of Directors and the Board of Management are covered in the Chairman's statement at the Annual General Meeting. 

6.2.3. The remuneration granted to each member of the supreme governing body and the Board of Management is disclosed in the Annual Report, and the linkage with the remuneration policy is explained. 

6.2.4. The NKT Annual Report explains how the individual members of the Board of Management were remunerated in the relevant calendar year. The salaries disclosed include pension contributions. Remunerations granted to the individual members of the Board of Directors are stated on the NKT website. The company's Board of Directors and Board of Management are not offered defined benefit plans. 

6.2.5. There are no severance arrangements other than the periods of notice stated earlier in section 6.1.9. Any special and significant long-term incentive arrangements are disclosed in the Annual Report. 

6.2.6. Under the company's Articles of Association, the proposed remuneration of the Board of Directors for the current financial year is subject to approval by the general meeting. 

Recommendation

7. Financial reporting

7.1. Other relevant information

7.1.1. *The Committee recommends that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.*

7.2. Going concern assumption

7.2.1. *The Committee recommends that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.*

8. Risk management and internal control

8.1. Identification of risks

8.1.1. *The Committee recommends that the central governing body at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.*

8.1.2. *The Committee recommends that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions.*

8.2. Whistleblowing

8.2.1. *The Committee recommends that the supreme governing body decide whether to establish a whistleblowing scheme for*

This is how NKT complies with the recommendations:

7. Financial reporting



7.1. Other relevant information

7.1.1. The company's Annual Report is supplemented by the issue of a profile booklet containing both financial and non-financial information. In 2011 a separate area at www.nktdk has been created for Annual Report 2011 extracts. The content is available in Danish and English. A number of news stories ('Highlights') are also published each year. These are distributed via NASDAQ/OMX as 'investor news' to stakeholders subscribing to this service. In addition there are investor presentations as well as spreadsheets containing financial ratios which are available at www.nkt.dk. NKT also uses videos on topics such as strategy and core values.

7.2. Going concern assumption

7.2.1. In accordance with established accounting standards the management must decide whether the financial statements can be prepared on a going concern basis. As a foundation for this decision the Audit Committee discusses the position and reports to the Board of Directors. The supreme governing body, the Board of Directors, then assesses whether the financial statements should be prepared on a going concern basis and whether the description of the supporting assumptions in the annual report is adequate.

8. Risk management and internal control



8.1. Identification of risks

8.1.1. A description of both the commercial and the financial risks relating to NKT operations is prepared and reviewed on a continuous basis. A summary is published in the company's NKT Annual Report, interim reports, and on the NKT website.

Commercial and financial risks are managed according to the policies formulated by NKT Holding and distributed to all Group companies. The responsibility for overall risk management thus resides with NKT Holding, while the practical administration takes place in a dialogue with the Group's business units. NKT's general policy is to hedge current or potential risks by means of insurance, and to hedge currency and interest changes by means of financial instruments.

8.1.2. The Board of Management reports regularly to the Board of Directors on developments in the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the Board of Directors to track the developments and make the necessary decisions.

8.2. Whistleblowing

8.2.1. NKT has established a whistleblowing scheme that covers all business units. Responsibility for the scheme resides with the

Recommendation

expedient and confidential notification of possible or suspected wrongdoing.

8.3. Openness about risk management

8.3.1. *The Committee recommends that the management commentary in the annual report include information about the company's management of business risks.*

9. Audit

9.1. Contact to auditor

9.1.1. *The Committee recommends that the supreme governing body maintain a regular dialogue and exchange of information with the auditor.*

9.1.2. *The Committee recommends that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.*

This is how NKT complies with the recommendations:

Audit Committee. The scheme enables employees to confidentially report serious or suspected wrongdoing in specifically defined areas.

8.3. Openness about risk management

8.3.1. The elements of risk that relate to NKT activities are described in both the company's annual report and on the NKT website. The description is based on the Group's internal risk management processes. Attention will be drawn to any significant changes occurring during the year.

9. Audit

9.1. Contact to auditor

9.1.1. The appointed auditor reports to the Board of Directors on a continuous basis concerning the audit performed and the auditor's opinions. The report is in the form of auditors' records relating to audit work during the year, primarily covering business procedures and internal controls, etc. Auditors' records are also prepared for the audit performed on the Annual Report. The auditor's records are presented for inspection at each meeting of the Board of Directors, which discusses any new entries made. The Board members sign the report, thereby signifying that they have read it.

In addition, the auditor attends the meeting of the Board of Directors at which the annual report is approved. If requested by the Board of Directors or the auditor, the auditor also attends other Board meetings.

The auditor attends all meetings of the Audit Committee, and minutes of discussions and opinions arising from the issues considered are sent to the entire Board of Directors with a view to providing the Board with a suitable and fair basis for decision-making.

The auditor talks to the chairmanship on an ad hoc basis.

9.1.2. The Audit Committee and the Board of Management negotiate an agreement (letter of engagement) for a year at a time with the auditor recommended to the Board of Directors by the Audit Committee and appointed by the general meeting. The basis for the agreement is an assessment of materiality and risk performed by the auditor, and a decision on the part of the Audit Committee and the Board of Management on whether additional audit actions (full audit / review / no audit) should be performed for the individual Group companies. In principle, the Group auditors' network firms are used as Group company auditors, any exceptions being specified in the Annual Report. The Auditors' fees are disclosed in the Annual Report.



Recommendation

9.1.3. *The Committee recommends that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.*

9.2. Internal audit

9.2.1. *The Committee recommends that the supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.*

This is how NKT complies with the recommendations:

9.1.3. The auditor always attends the meeting at which the Board of Directors discusses and approves the Annual Report. At the request of Board or the auditor, the auditor also attends other Board meetings. Moreover the auditor attends the annual general meeting as well as all meetings of the Audit Committee, and meets with the Audit Committee at least once a year without the Board of Directors present.

9.2. Internal audit

9.2.1. Based on a recommendation from the Audit Committee the Board of Directors has decided not to establish an internal audit function. The basis for this decision is explained in the company's Annual Report for 2010.

