



Remuneration Report 2019

Contents

03 1. Introduction

05 2. Remuneration of the Board of Directors

- Remuneration to Board members – 2019
- Remuneration to Board members – last three years
- Board of Directors – Shares

07 3. Remuneration of Executive Management

- Composition of remuneration
- No annual adjustment in base salary of NKT executives
- Benefits according to local standards and no changes during 2019
- Short-term incentives: The 2019 NKT Global Bonus Programme structure and results
- 2019 NKT Performance Share Program awarded to ensure long-term retention
- Previous Long-term Incentive Programmes
- Total Remuneration of Executive Management

12 4. Remuneration of the CEO & President of NKT Photonics

1. Introduction



Dear Reader,

We are happy to share the 2019 NKT Remuneration Report. With this report, we aim to provide a greater insight into the remuneration practices of NKT and the status anno 2019. To provide a better understanding of and transparency into our Executive Remuneration practices, we have made a number of adaptations to this year's report, including additional contextual information and more details around our bonus and performance share programmes.

NKT has seen several changes to the executive team during 2019: First half of the year CFO Roland M. Andersen acted as interim CEO, followed by our new CEO Alexander Kara who started 1st August; and changes to the organisation structure and composition of the Group Leadership Team (GLT). Three members of the GLT has departed NKT during 2019 and three new executives have been appointed from within. In December Roland M. Andersen resigned and he will leave during first half of 2020.

Group Leadership Team Composition 1 January 2019

CEO (Interim): Roland M. Andersen
CFO: Roland M. Andersen
CTO: Anders Jensen
CHRO: Lika Thiesen
COO: Dietmar Müller
Head of HV Solutions: Andreas Berthou
Head of Applications: Frida Norrbom Sams
Head of Service & Accessories: Oliver Schlotter

Group Leadership Team Composition 31 December 2019

CEO: Alexander Kara
CFO: Roland M. Andersen
CTO: Anders Jensen
CHRO: Lika Thiesen
Head of HV Solutions, Karlskrona: Claes Westerlind
Head of HV Solutions, Cologne: Mika Makela
HV Solutions CCO: Michael C. Hjorth
Head of Applications, Service & Accessories: Oliver Schlotter

The focus for 2019 has been on both retention and offering a fair and attractive remuneration to new executives who will continue to transform the company while ensuring our variable remuneration reflect the business performance.

Additionally, we have parted ways with three executives in a manner which was in line with the NKT Policies including adhering to the provisions for good and bad leavers. In this connection, there has been no need for use of the claw back and malus clauses.

For this report, Executive Management refers to the executives registered as managers of the Company with the Danish Business Authority as executive officers of NKT (CEO Alexander Kara and CFO Roland M. Andersen). As always, the NKT Group Leadership Team (GLT) will be reported as a lump sum.

The 2019 Remuneration Report also contains a section about NKT Photonics which is an independently operated subsidiary of NKT. Data for the President and CEO of NKT Photonics, Basil Garabet is reported separately at the end of this report.

The Work of the Remuneration Committee

The work of the Remuneration Committee and our governance is set out in the Terms and Reference for the Committee and follows an annual plan. In 2019 the committee has held 5 meetings. The focus has been on drafting a revised Remuneration Policy and overall supervision of remuneration practices for Executive Management and GLT as well as ensuring good alignment between the principles of the Remuneration Policy with the company wide practices related to compensation of employees.

The work of the Remuneration Committee is based on a set of core principles as set out by the Remuneration Committee and approved by the Board of Directors. These include focussing on:

- Retaining executives who are key to value creation
- Aligning with best practices
- Creating close ties between remuneration and our strategy through long-term financial and non-financial performance to remuneration outcomes
- Remaining aware of the sensitivity surrounding executive pay issues in the Danish as well as international environment.

The NKT Remuneration Committee is also responsible for drafting the remuneration policy for the Board of Directors and the Executive Management for NKT Group; for making proposals on changes to the remuneration policy, and for obtaining the approval of the draft from Board of Directors prior to seeking shareholders' approval at the Annual General Assembly.

During 2019 NKT has reviewed and revised its Remuneration Policy which will be presented for approval at the Annual General Assembly in March 2020. NKT's approach to remuneration has not changed significantly, however, the revised policy ensures that we will be compliant with the amended EU Shareholder Rights Directive and the Danish Companies Act. The overall principles outlined in the policy will also be reflected in the remuneration of the members of the Group Leadership Team (in as so far, they are not in violation of local legal employment law and practices).

Yours sincerely,

Jutta af Rosenborg
Chairwomen of the Remuneration Committee

2. Remuneration of the Board of Directors

Similar to our approach to Executive Remuneration, our approach to Board of Director remuneration aims to fairly award the work and responsibilities of the Board members. Fees are set relative to competitive benchmarks with companies of comparable size and scope.

Members of the Board of Directors are not eligible to participate in short- or long-term incentive plans. Expenses such as travel and accommodations for board meetings as well as other relevant expenses are reimbursed.

The fees approved at the Annual General Meeting in 2019 with effect from that point are shown in the tables below.

Remuneration to Board members – 2019

Amounts in EURt	Base remuneration	Audit Committee	Nomination Committee	Remuneration Committee	NKT Photonics	Total remuneration
Jens Due Olsen, Chairman	120					120
René Svendsen-Tune, Deputy Chairman	80					80
Jens Maaløe	40	13		7	20	80
Jutta af Rosenborg	40	27		13		80
Lars Sandahl Sørensen	40		13			53
Andreas Nauen*	40		5			45
Peter Wennevold**/**	40					40
Stig Nissen Knudsen**	40					40
Jack Ejlersen**	40					40
Total remuneration 2019	480	40	18	20	20	578

* Andreas Nauen joined the Nomination Committee in March 2019 and has received pro-rated committee fee.

** Elected by employees.

*** Peter Wennevold has left the Board on 31 December 2019 and has been replaced by Thomas Torp Hansen

Remuneration to Board members – last three years

Amounts in EUR ^t	2019	2018 ¹	2017 ¹
Jens Due Olsen, Chairman	120	120	178
René Svendsen-Tune, Deputy Chairman	80	80	90
Jens Maaløe	80	80	80
Andreas Nauen	45	40	9
Jutta af Rosenborg	80	80	80
Lars Sandahl Sørensen	53	53	64
Anders Runevad	0	0	31
Jack Ejlersen*	40	40	0
Stig Nissen Knudsen*	40	40	0
Peter Wennevold	40	40	0
Rene Engel Kristiansen*	0	0	32
Niels-Henrik Dreesen*	0	10	40
Gitte Toft Nielsen*	0	0	30
Total remuneration	578	583	634

* Employee elected board members.

Board of Directors – Shares

At year-end 2019 the number of shares held by the Board of Directors was 43.716 amounting to a total market value of EUR 0.9m based on a year-end share price of DKK 160.8.

Number of shares held by Board of Directors*

Name	Number of shares ultimo 2019	Number of shares ultimo 2018
Jens Due Olsen	36,706	2,500
René Svendsen-Tune	4,000	4,000
Jens Maaløe	515	515
Andreas Nauen	0	0
Jutta af Rosenborg	0	0
Lars Sandahl Sørensen	2,495	1,495
Jack Ejlersen*	0	0
Stig Nissen Knudsen*	0	0
Peter Wennevold*	0	0
Total	43,716	4,514

* Employee elected board members

3. Remuneration of Executive Management and Group Leadership Team

The remuneration of Executive Management and the Group Leadership team is reviewed yearly. The components which form part of the remuneration packages, and all material adjustments thereof, are approved by the Board of Directors based on discussions and recommendations by the Remuneration Committee. Based on the parameters set in the remuneration policy, the Board of Directors also approves the basis for calculating and granting any share-based incentive plans.

Composition of remuneration

Executive Management's remuneration for 2019 consists of a fixed base salary and other customary benefits such as pension and a company car. The remuneration further includes variable remuneration elements such as short-term incentives in the form of a bonus program and long-term incentives in the form of a Performance Share Program (PSP).

Overview of 2019 Executive Remuneration

Amounts in EURt	Base Salary	Bonus	Pension	Value of benefits	Value of PSPs at award	Total
Alexander Kara, CEO*	332.8	99.8	0	71.0	116.5	620.1
Roland M. Andersen, CFO**	796.3	142.9	71.4	25.6	119.1	1,155.3
Group Leadership Team***	1,613.2	314.7	246.2	154.4	262.8	2,591.3
Total Executive Remuneration	2,742.2	557.4	317.7	251.0	498.3	4,366.6

* Alexander Kara: Remuneration represents prorated amount for Aug–Dec. Benefits include housing and insurance allowance, but no company car at current point.

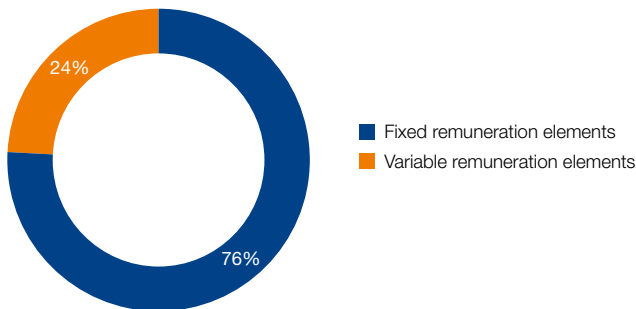
** Roland M. Andersen: Base salary includes special allowance for CEO interim responsibility from Jan to August

*** GLT: Includes remuneration for GLT members pro-rated for months in office as well as remuneration for exiting GLT members who are within notice period and on garden leave.

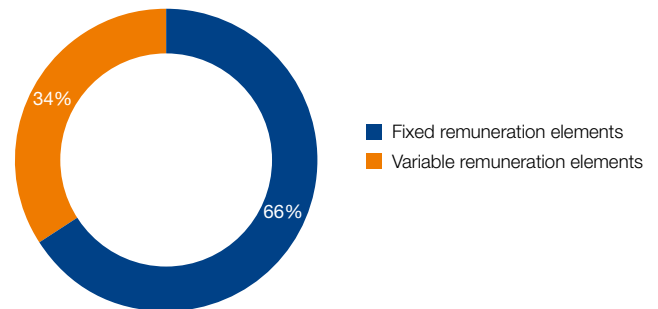
Below the distribution of variable and fixed remuneration elements (i.e. the pay-mix) is illustrated as a result of actual 2019 pay-outs as well as the pay-mix at the theoretical target level of compensation.

NKT aims to have a market conform practice with a noticeable amount of variable compensation for its executives. As below figures illustrate, the actual 2019 pay-mix has less weight on the variable components than the theoretical target since bonus pay-outs overall have been below target.

**Share of fixed and variable remuneration elements
– 2019 Actual Pay-Out**



**Share of fixed and variable remuneration elements
– Theoretical target level**



* Distribution of total remuneration sum of Executive Management and GLT. Fixed remuneration components: base salary, pension and benefits. Variable remuneration components: bonus and value of PSP awards.

No annual adjustment in base salary of NKT executives

To ensure retention and relevant long-term stability, NKT wishes to compensate its executives in a competitive manner compared to relevant external benchmarks. The companies in the benchmark group represent both competitors, the energy industry overall as well as other similar European manufacturing companies. The individual base salaries consider market remuneration levels as well as the executives’ skills and experience. In addition, base salary is always considered in the context of the executive’s total remuneration.

Based on NKT’s 2018 results and the outlook for the 2019 results combined with a significant focus in 2019 on cost restraint, it was decided to award the incumbent GLT members a zero percent base salary adjustment as part of the 2019 annual salary review. (Find detailed information in the table Executive Management – Overview of three-year Remuneration on page 11).

Benefits according to local standards and no changes during 2019

NKT executives come from and operate out of different European locations and therefore benefits are not aligned across Executive Management and the GLT, instead they follow a country-specific norm where individuals are covered by pension schemes and car policies which conform with local country practices. NKT regularly reviews its benefit levels to ensure that these are market conforming and competitive in the local setting.

There have been no changes to pension scheme or car policies during 2019 impacting the remuneration level of NKT executives. Specific values for pension and benefits are listed in the table Executive Management – Overview of three-year Remuneration on page 11

Short-term incentives: The 2019 NKT Global Bonus Programme structure and results

Pay for performance is a key element of the overall remuneration strategy for NKT and therefore our executives are also rewarded

based on short-term performance. This bonus scheme, called the NKT Global Bonus Programme, is aligned in structure with the bonus schemes for our mid-level manager and specialists through-out NKT.

The Global Bonus Programme includes a balanced approach to incentives and rewards. It includes KPIs related to NKT’s overall financial results, the results of individual business lines as well as individual goals. For NKT executives the primary KPIs are related to overall financial indicators as well as business performance KPIs with only limited inclusion of individual KPIs and goals requiring discretionary judgement.

Each year the structure, weighting and KPIs of the bonus scheme are adjusted towards the intended focus areas for NKT executives for the specific year.

Given the current focus of the NKT business, for the 2019 bonus scheme it was decided to increase the focus on the overall short-term financial strength of the company and to focus specifically on two Group Financial KPIs

- Group Earnings before interest, tax, depreciation and amortisation (EBITDA) (before restructuring/one-offs)
- Group Working Capital (LTM average)

Moreover, it was decided for relevant GLT members to increase the percentage weighting on business line KPIs to drive increased individual accountability for business lines.

Finally, to ensure a balanced focus, the bonus scheme includes an element of individual KPIs for each executive. Typical KPIs are related to specific sales targets, productivity KPIs or concrete business achievements. However, a few individual KPIs relate to more long-term business development, specific organisational topics or key focus areas around people, talents and competencies.

The table below summarizes maximum bonus opportunity and the weighing of the different bonus elements.

Max Bonus and Weight of Bonus Elements

	Alexander Kara, CEO	Roland M. Andersen, CFO	Group Leadership Team
Max. Bonus*	60%	50%	50%
Group EBITDA	40%	40%	15%
Group Working Capital	30%	30%	5%
Business Line/Function- specific KPIs	20%	20%	70%
Individual KPIs	10%	10%	10%
Total	100%	100%	100%

* Maximum bonus opportunity in percent of base salary

Based on the 2019 financial results, the bonus scheme has achieved a modest pay-out on average. EBITDA was below the minimum threshold; Group Working Capital was in the upper range of the scale while business line specific and individual KPIs varied between 0-70% achievement.

In the table below, the achievement on bonus KPIs are summarised.

2019 Bonus KPI Achievement

Achievement, 0-100% scale	Alexander Kara, CEO	Roland M. Andersen, CFO	Group Leadership Team
Group EBITDA	0%	0%	0%
Group Working Capital	95%	95%	95%
Business Line specific KPIs	60%	60%	0-70%
Individual KPIs	100%	100%	25-60%
Total Achievements	50%	50%	20-60%

Long-term incentives: 2019 NKT Performance Share Program awarded to ensure long-term retention

During 2019, NKT continued the Performance Share Plan, which was first introduced during 2018.

The Performance Share Plan is structured as a conditional right for participants to receive shares after a three-year performance period at nil payment.

The value at vesting in respect of each individual in respect of each award, cannot exceed three times the participant's fixed annual salary as of the time of award.

For 2019, the performance share awards were made to select individuals in line with the award level permitted under the policy. The performance shares will vest subject to continuous service and the achievement of performance KPIs as described below.

2019 Performance Share Plan – Performance KPIs

Measure	Weight	Target
EBITDA	50%	Annual EBITDA reported at the end of the three-year performance period, 31 December 2021
Absolute Total Shareholder Return (TSR)	50%	TSR performance in the three years to 31 December 2021

It has been decided to focus on two key elements of business performance in the 2019 program. 2021 year-end EBITDA to ensure a continuous focus on securing the projected earnings of the underlying business and TSR to ensure that executive management focuses on providing adequate value to shareholders, thereby securing the long-term viability of NKT.

The tables below summarise the number and grant value awards as well as the Expensed Accounting Value of the 2019 Performance Share Plan.

2019 Performance Share Plan Awards – Number and grant value of award

	Number of PSUs	Expected value of PSUs at target performance level* (EURt)	Maximum value if all PSUs vest (share price equal to award date)** (EURt)
Alexander Kara, CEO	13.7	117.3	233.3
Roland M. Andersen, CFO	19.6	119.7	333.4
Group Leadership Team	36.1	222.8	614.7

* Expected value of PSUs at target performance level is calculated as grant value at the point of award based on an award percentage of the base salary.

** Maximum value if all PSUs vest is calculated as the maximum possible value if all performance criteria are achieved in full using the share price equal to the share price at the award date.

Performance Share Plan – Expensed Accounting Value

Amounts in EURt	2019	2018
Alexander Kara, CEO	29.2	0
Roland M. Andersen, CFO*	0	0
Group Leadership Team	76.9	222.5

* All awards are forfeited as per the Bad Leaver provision in the NKT Remuneration Policy following Roland M. Andersen's resignation.

As 2019 was the second year that performance shares were awarded, no previously awarded performance shares vested during the year.

No cases of malus or claw back has occurred during 2019 and all resignations and terminations of executive members of GLT were handled according to the good and bad leaver provisions of the NKT Remuneration Policy.

Previous Long-term Incentives: NKT Warrant Programme

Up until 2015, a warrant plan was in place for senior NKT employees granting an entitlement to subscribe for NKT A/S shares at a price based on the market price at the grant date, plus interest calculated from grant date to exercise date.

In all cases the condition of exercise is three years' employment. During 2019, three former employees of NKT exercised their remaining warrants. No warrants were awarded or forfeited. Two former employees hold warrants which may be exercised during 2020.

Overview of Warrant Programme

	Number of Warrants
Warrants outstanding per 01.01.2019	154,552
Warrants exercised during 2019	133,746
Warrants forfeited during 2019	0
Warrants outstanding per 31.12.2019	20,806

Exercise price is DKK 91.25

The exercise periods are determined as two weeks after the publication of the company's annual financial report and two weeks after publication of the interim reports.

Each warrant grants entitlement to subscribe for one share of a nominal value of DKK 20 at the exercise price. Dividend payments after 1 January 2019 and until the date when the shares are received are deducted from the exercise price.

The remaining value of the warrant programme was EUR 0.2m at year-end 2019.

Total Remuneration of Executive Management

Total remuneration for the Executive Management is shown below. Three years' data is provided, as recommended by the Danish Recommendations on Corporate Governance.

The notice period of Executive Management and GLT are set to ensure that NKT will be able to follow the recommendation on good corporate governance. Currently notice periods vary between 12 to 18 months.

Executive Management – Overview of three-year Remuneration

Amounts in EURt	Alexander Kara*			Roland M. Andersen**			Group Leadership Team***		
	2019	2018	2017	2019	2018*	2017*	2019	2018	2017
Salary (a)	332.8	–	–	796.3	540.5	–	1,613.2	1,648.0	2,198.0
Bonus (b)	99.8	–	–	142.9	240.0	–	314.7	723.0	947.0
Pension (a)	–	–	–	71.4	71.5	–	246.2		
Value of Benefits	71.0	–	–	26.4	25.6	–	154.4	143.0	171.0
Total exc. LTI	503.6	–	–	1,037.0	877.6	–	2,328.5	2,514.0	3,316.0
Long Term Incentives (c)	116.5	–	–	119.1	120.0	–	262.8	362.0	404.0
Total Remuneration	620.1	–	–	1,156.1	997.6	–	2,591.3	2,876.0	3,720.0

* Only appointed CEO during 2019, hence no historical date included. Remuneration represents prorated amount for Aug-Dec

** Only appointed to Executive Management during 2018, hence no individual data for 2017. Value of remuneration included in GLT lump sum for 2017. Base salary includes special allowance for CEO interim responsibility from Jan to August.

*** Please note that shifting composition of GLT makes historical comparison difficult. 2017: 6 members; 2018: 6 members, 2019: 5-7 members

a) In 2018 Rem Report salary and pension was reported as lump sum

b) For 2017-18 bonus is reported as maximum possible bonus pay-out. For 2019 actual bonus pay-out reported

c) For 2017-18 long term incentive is reported as grant value at the point of award based on an award percentage of the base salary

4. Remuneration of the President & CEO of NKT Photonics

NKT Photonics is a separately operated subsidiary of NKT A/S which specialises in high-performance fiber lasers, fiber optic sensing systems, and photonic crystal fibers.

The remuneration for the CEO & President of NKT Photonics is reviewed every 12 months. The components which form part of the remuneration package, and all material adjustments thereof, are approved by the Board of Directors based on discussions and recommendations of the Remuneration Committee.

The ability to attract and retain an industry expert in this position is key to the success of NKT Photonics.

Composition of remuneration

The CEO's remuneration for 2019 consists of a fixed base salary, short-term incentive program, company car and a long-term incentive program. The CEO of NKT Photonics does not participate in the NKT Performance Share Program.

NKT Photonics CEO 2019 Remuneration

Amounts in EURt	Base Salary	Bonus	Pension	Value of benefits	Value of long-term incentive program
Basil Garabet, CEO	387.8*	13.9	0	22.1	0

* Includes pension contribution

Base salary adjustment in line with market benchmarks

NKT Photonics compensates its CEO according to relevant market benchmarks and the skills, experience and performance of the Executive. Comparing to market benchmarks NKT Photonics aims to be competitive with high technology organizations of a similar size in the relevant geographical region.

Based on the results of 2018, the outlook for 2019, and the existing total remuneration package, it was decided to award the CEO with a 2.0% base salary adjustment as part of the annual salary review.

Bonus adjustment to drive pay for short-term performance

Pay for performance is a key element of CEO remuneration and aims to incentivize and reward the CEO for realized gains in company performance. The NKT Photonics Pay for Performance

Model is reviewed annually and, for 2019, was constructed using three Financial KPIs: Revenue, EBITDA (before restructuring and one-offs) and Net Working Capital.

The KPI targets for 2019 were set according to the expected growth for NKT Photonics, with a greater focus, and therefore weighting, on revenue than EBITDA and Net Working Capital (NWC).

In support of the Pay for Performance model, the maximum annual bonus opportunity was increased in 2019 from 30% to 40% of base salary.

The 2019 business results meant that for Revenue and NWC, the bonus did not reach the minimum threshold. The EBITDA threshold was surpassed but did not reach the target value. The overall weighting and achievement against KPIs is shown in the table below.

NKT Photonics Pay for Performance Model 2019 – Weights and KPIs

	Turnover (Weight %)	Turnover (Achieved %)	EBITDA (Weight %)	EBITDA (Achieved %)	NWC (Weight %)	NWC (Achieved %)	Max. percentage bonus achievable	Percent achieved of max.
Basil Garabet, CEO	50%	0%	25%	9%	25%	0%	40%	3.58%

Long-term incentive program

The NKT Photonics long-term incentive program is a 4-year cash incentive program and calculated as per year-end 2019. Under the plan, should the equity value of the business increase by at least 100% during the Plan Period, a cash incentive of EUR 1.3m would be paid to the CEO of NKT Photonics. If the equity value is increased to 200% a maximum cash incentive of EUR 2.0m would be paid.

The equity value of NKT Photonics did not reach 100% during the Plan period thus no payment will be made under this scheme.

Benefits remain unchanged during 2019

NKT Photonics applies the NKT car policy for the CEO that is applicable to local country practice.

NKT A/S

Vibeholms Allé 20
DK-2605 Brøndby
Denmark

Company Reg: 6272 5214
T: +45 43 48 20 00
info@nkt.com
nkt.com