

Statement of compliance with the recommendations on **corporate governance** concerning the financial year 2015

Recommendation

NKT
Compliance

NKT complies, complies partially, or does not comply with the recommendation due to the following reasons

1. Communication and interaction by the company with its investors and other stakeholders

1.1. Dialogue between company, shareholders and other stakeholders

1.1.1. The Committee **recommends** that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.



NKT aims to maintain a high and consistent level of information and to be proactive and open in its communication with shareholder related stakeholders within the boundaries of current stock exchange regulations. This is ensured by regular release of news, including company announcements and interim and annual reports via Nasdaq Copenhagen. A separate Investor Relations section is available on NKT's website where relevant investor information is uploaded. In addition, NKT provides an opportunity for interested parties to subscribe to NKT news.

NKT's Investor Relations schedules meetings and telephone conferences with investors during the year. Investor Relations is headed by the VP Group Development & External Relations.

In connection with release of each interim report and the Annual Report, an investor presentation containing key messages and financial highlights is conducted at a live webcast. Analysts, investors, media and other stakeholders are invited to listen in and to ask questions to the Group Executive Management. Members of the NKT's business units management also participate to answer questions specifically related to each business unit. Once concluded, a transcript is published at the company website setting out the entire course of events of the webcast.

In addition, NKT hosts a Capital Market Day at certain intervals where investors are invited to participate.

1.1.2. The Committee **recommends** that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.



NKT has adopted an Investor Relations Policy which is available in the 'Investors' section at the company's website. NKT strives - by use of its information and Investor Relation policies - to ensure the availability of relevant and updated information for valuation of the share price, and that the company is in compliance with prevailing stock exchange regulations.

The Investor Relations Policy is reviewed regularly by the Board of Directors to ensure that it meets and facilitates NKT's ambitious standards of communication with its stakeholders.

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



NKT publishes quarterly interim reports.

1.2. General meeting

1.2.1. The Committee **recommends** that when organizing the company's general meeting, the board of directors plans the meeting to support active ownership.



NKT promotes and supports active shareholder ownership by the information and communication procedures accounted for in 1.1.1 above which enable all shareholders to be up to date on matters related to NKT and to participate actively in the NKT Annual General Meeting.

NKT ensures that the date of the upcoming Annual General Meeting is published at the same time as the Q3 interim report the year before allowing shareholders to plan their participation well ahead. Additionally, all shareholders are invited to the Annual General Meeting either by letter, e-mail, via announcement on NKT's website, or via Nasdaq Copenhagen.

Electronic registration for the Annual General Meeting is possible, and the meeting is transmitted live and is also subsequently available to view at NKT's website. Shareholders are encouraged to use their right to ask questions and are informed of their right to submit proposals.

1.2.2. The Committee **recommends** that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.



Shareholder proxies granted for the general meeting enable shareholders to consider each individual item on the agenda.

1.3. Takeover bids

1.3.1. The Committee **recommends** that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should 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 themselves.



NKT has adopted a Takeover Manual setting out the procedures to be followed by the Board of Directors in the event of a takeover bid.

NKT's articles of association do not contain provisions that limit ownership or voting rights or that make it possible for the Board of Directors to generally prevent takeover bids.

NKT's Board of Directors will consider a potential takeover bid in accordance with applicable legislation and the company's Takeover Manual.

2. Tasks and responsibilities of the board of directors*2.1. Overall tasks and responsibilities*

2.1.1. The Committee **recommends** that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.



Each year the Board of Directors takes a stand on the most important items for the NKT Group in the coming year and plans how these items are to be handled efficiently.

Additionally, the details of the Board of Director's performance of its responsibilities are set out in its Rules of Procedure, ensuring thorough and consistent performance. These Rules of Procedure are reviewed and evaluated annually.

2.1.2. The Committee **recommends** that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.



It remains the objective of NKT to conduct active ownership of the Group's businesses based on a 'best owner philosophy'.

The Board of Directors has an annual strategy seminar where the NKT Group's strategy is discussed and evaluated both in the short and long term perspective, including reflections on the 'best owner philosophy'. This seminar takes place at one of the NKT Group's global locations.

Throughout the year, the Board of Directors also follows and discusses the strategy of the NKT Group and each business unit in close cooperation with the Group Executive Management and the management team of each business unit.

Recommendation	NKT Compliance	NKT complies, complies partially, or does not comply with the recommendation due to the following reasons
2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.	✓	The Board of Directors closely monitors NKT's capital structure to ensure it supports the Group's strategy and that it always is appropriate for the Group's activities. This also includes assessing the NKT share structure and monitoring the NKT share movements on a regular basis.
2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.	✓	<p>The Board of Directors has issued a Management Instruction setting out the details of the Group Executive Management's functions and responsibilities, including reporting and communication procedures. At least once a year this Management Instruction is reviewed and amended as appropriate.</p> <p>NKT has a close line of reporting between the Board of Directors and the Group Executive Management ensuring a consistent and relevant information flow. In addition, working committees with members of the Board of Directors work closely with the Group Executive Management and the management team of each business unit in all matters specifically related to the relevant business unit. The entire Board of Directors is kept informed hereof by the working committee members.</p>
2.1.5. The Committee recommends that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	✓	In connection with the annual self-evaluation process, the Board of Directors also evaluates the composition and performance of the Group Executive Management and the management team of each business unit. At least once a year, the Board of Directors has a structured discussion of development, risk and succession plans for the Group Executive Management and the management team of each business unit.
2.1.6. The Committee recommends that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the website of the company.	✓	<p>As a global company NKT believes in diversity and equal opportunities at all levels. NKT has adopted a Diversity Policy which is available at the company's website.</p> <p>At NKT, selecting members for the Board of Directors and recruiting executives for senior management positions is about ensuring that the Group possesses the best professional competences, social skills and cultural qualities to successfully reach its objective. NKT has adopted a diversity policy and maintains that both genders have equal job opportunities in the Group. However, women are under-represented in management and in staff functions generally. The reason is partly historical as there is a marked preponderance of men in the sectors in which NKT operates. NKT reports on diversity in its annual UN Global Compact Communication on Progress (COP) report, in the Annual Report, and on the NKT website.</p> <p>In connection with the annual evaluation of the Group Executive Management and the management team of each business unit, the Board of Directors includes reflections on diversity at senior management level to ensure continued value creation for the NKT Group.</p>

2.2. Corporate social responsibility

2.2.1. The Committee **recommends** that the board of directors adopt policies on corporate social responsibility.



NKT is committed to Corporate Social Responsibility and has adopted policies to this effect. NKT has adopted a Code of Conduct including policies related to Employees, External relationships, and Environment and society. The Code of Conduct is available on the company website.

NKT's work in the area of social responsibility has been formalised by the framework provided by the UN Global Compact, and supports NKT's mission of long-term value creation both in the NKT businesses and in the international community.

NKT became signatory to the UN Global Compact in 2009 and provides a yearly Communication on Progress (COP) report on human and labour rights, environment and anti-corruption. NKT also reports on Corporate Social Responsibility in its annual report as required by the Danish Financial Statements Act. The statutory report is available on the company website.

2.3. Chairman and vice-chairman of the board of directors

2.3.1. The Committee **recommends** appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.



NKT has appointed a Deputy Chairman to assume the Chairman's responsibilities in the event of absence. The Rules of Procedure of the Board of Directors include a general description of the responsibilities and tasks of the Chairman and the Deputy Chairman.

2.3.2. The Committee **recommends** ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration hereof should be published in a company announcement.



The Chairman of the Board of Directors does not participate in the day-to-day management of NKT or its business units.

3. Composition and organization of the board of directors*3.1. Composition*

3.1.1. The Committee **recommends** that the board of directors annually accounts for

- the skills it must have to best perform its tasks,
- the composition of the board of directors, and
- the special skills of each member.




As a global company NKT is aware of the importance of the Board members possessing diverse, international and relevant skills and experience to ensure an optimal performance by the Board of Directors. As part of the annual self-evaluation exercise by the Board of Directors, specific time is allocated for discussion of issues such as the composition of the Board of Directors (age, gender, nationality, number of members and qualifications), special skills of the Board members, the need for supplementary training, and the interaction between Board members.






3.1.2. The Committee **recommends** that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the overall board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.



The Nomination Committee heads the process for selecting and nominating candidates for the Board of Directors under Rules of Procedure approved by the Board of Directors. The selection and nomination process takes place open-mindedly between the Board of Directors and the Nomination Committee, and in full consideration of the result of the Board of Directors' self-evaluation.

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<p>3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda. • demanding organizational tasks, and information • about whether candidates to the board of directors are considered independent. 	✓	<p>A detailed description of nominated Board candidates' special qualifications, other executive functions, organisational tasks and independence, is included in NKT's invitation to its Annual General Meeting. A similar description for all elected Board members is available in the NKT Annual Report and on the company website.</p>
<p>3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.</p>	÷	<p>At the Annual General Meeting on 21 March 2013, the Board of Directors proposed to include in the company's articles of association a retirement age of 67 for Board members. The proposal was not adopted by the general meeting and thus this recommendation is not complied with.</p>
<p>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>	✓	<p>All Board members are up for election at NKT's Annual General Meeting, except for members elected by the employees according to the Danish Companies Act. Employee-elected Board members are elected for a period of four years.</p>
<p><i>3.2. Independence of the board of directors</i></p>		
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate, • within the past five years, have received larger emoluments from the company/group, • a subsidiary undertaking or an associate in another capacity than as member of the • board of directors, • represent the interests of a controlling shareholder, • within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate. • be or within the past three years have been employed or partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or • have been close relatives with persons who are not considered independent. 	✓	<p>All current Board members are considered independent under this definition.</p>
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>		
<p>3.3.1. The Committee recommends that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	✓	<p>Each Board member individually assesses the expected time commitment for each of his/her functions to ensure that he/she can manage these functions satisfactorily. Allocation and use of time is openly discussed within the Board based on a description hereof prepared by the Nomination Committee to ensure that tasks and functions are always carried out efficiently and satisfactory.</p>

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<p>3.3.2. The Committee recommends that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> • the position of the relevant person, • the age and gender of the relevant person, • whether the member is considered independent, • the date of appointment to the board of directors of the member, • expiry of the current election period, • other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and • demanding organizational tasks, and • the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year. 		<p>The information set out in this recommendation is included in the NKT Annual Report.</p>
<p>3.4. Board committees</p>		
<p>3.4.1. The Committee recommends that the company publish the following on the company's website: The terms of reference of the board committees,</p> <ul style="list-style-type: none"> • the most 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. 		<p>The Board of Directors has established an Audit Committee, a Nomination Committee, and a Remuneration Committee. A description of each of these three committees can be found at the company website including details on who sits on each committee, each committee's tasks, and the number of meetings planned/held in each committee.</p> <p>In addition to these three standard committees, the Board of Directors has established three other permanently working committees: one committee related to each of the NKT Group's businesses Nilfisk, NKT Cables, and NKT Photonics. The three working committees are intended to optimise the basis for NKT's active ownership. The Board of Directors possesses specialised competences that can be used to strengthen the value generation in the business areas, and each working committee consists of two Board members who, together with Group Function representatives, hold monthly meetings with the business unit managements teams.</p>
<p>3.4.2. <i>The Committee recommends that a majority of the members of a board committee be independent.</i></p>		<p><i>All Board committee members are considered independent.</i></p>
<p>3.4.3. The Committee recommends that the board of directors set up a formal audit committee composed such that</p> <ul style="list-style-type: none"> • the chairman of the board of directors is not chairman of the audit committee, and • between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market. 		<p>The Board of Directors has set up an Audit Committee consisting of two members who possess significant experience in the financial, accounting and audit aspects of companies similar to NKT. The work of the Audit Committee is defined in an annual plan approved by the Board of Directors. A description of the Audit Committee can be found on the company website.</p> <p>The Chairman of the Board of Directors is not chairman or member of the Audit Committee.</p>
<p>3.4.4. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 		<p>The Audit Committee monitors NKT's accounting and internal controls and risk management systems, and establishes conditions and a framework for the work of the external auditors. The Audit Committee reports to the Board of Directors on a regular basis throughout the year, most intensively in connection with preparation and approval of the annual report.</p>

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<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually assesses the need for an internal audit, and in such case, makes 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. 		<p>NKT has not established a permanent internal audit function. The Audit Committee annually assesses whether an internal audit is required, and in the affirmative drives this process, and reports to the Board of Directors.</p>
<p>3.4.6. The Committee recommends that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined, • annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors, • annually assess the competences, knowledge and experience of the individual members of management, and report to the board of directors in this respect, • consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and • propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 		<p>The Board of Directors has set up a Nomination Committee consisting of two members carrying out the tasks identified in this recommendation. A description of the Nomination Committee can be found on the company website.</p> <p>The reason why NKT only partly complies with this recommendation is the fact that the Chairman of the Board of Directors is not chairman (or member) of the Nomination Committee. The Chairman of the Board of Directors participates in all of the three Business Units' Working Committees and is thereby actively engaged with the relevant management teams.</p> <p>Therefore, NKT finds that given its current governance model it is more suitable that another board member chairs the Nomination Committee.</p>
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, • make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and • recommend a remuneration policy applicable for the company in general. 		<p>The Board of Directors has set up a Remuneration Committee consisting of two members carrying out the tasks identified in this recommendation. A description of the Remuneration Committee can be found on the company website.</p> <p>NKT has adopted a Remuneration Policy which is available on the company website. The Board of Directors considers its members' remuneration at frequent intervals based on recommendations from the Chairman of the Board of Directors. During the formulation of these recommendations, the Chairman is guided by relevant comparisons with other large Danish companies. Proposals for the Board members' remuneration for the current year will be notified at the Annual General Meeting prior to adoption of the remuneration. The Board members' remuneration is approved as a separate item on the agenda at the Annual General Meeting.</p>
<p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>		<p>The Remuneration Committee is confident in the independence of its external advisors. These advisors are not used by the Group Executive Management.</p>
<p>3.5. Evaluation of the performance of the board of directors and the executive board</p>		
<p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company's website.</p>		<p>Once every year, the Board of Directors performs a structured self-evaluation of its performance and composition headed by the Chairman.</p> <p>The Chairman of the Board of Directors conducts evaluation meetings with each Board member based on a questionnaire. The Chairman prepares a report on the outcome of the evaluation process which is discussed in a Board meeting with all Board members present. The Chairman's performance is evaluated in a meeting without his/her presence headed by the Deputy Chairman.</p> <p>Any significant changes deriving from the evaluation process are published in the NKT Annual Report.</p>

Recommendation	NKT Compliance	NKT complies, complies partially, or does not comply with the recommendation due to the following reasons
<p>3.5.2. The Committee recommends that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p>	✓	<p>The Board of Directors currently consists of six members elected by the Annual General Meeting, and three members elected by the employees in the Danish subsidiaries. This is currently considered an appropriate number of members to ensure efficient and constructive leadership of the NKT Group.</p> <p>Prior to sending out invitations to the Annual General Meeting, the Board of Directors considers whether the number of Board members is still appropriate.</p>
<p>3.5.3. The Committee recommends that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.</p>	✓	<p>The Board of Directors annually evaluates the performance and composition of the Group Executive Management in connection with but independent of the Board of Directors' self-evaluation. The evaluation of the Group Executive Management is pursuant to predefined criteria annexed to the Rules of Procedure of the Board of Directors.</p>
<p>3.5.4. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalized dialogue between the chairman of the board of directors and the chief executive officer and that the outcome of the evaluation be presented to the board of directors.</p>	✓	<p>Once every year the Chairman of the Board of Directors meets with the Group Executive Management to evaluate the cooperation between the Board of Directors and the Group Executive Management. The agenda for this meeting is based on an annex to the Rules of Procedure of the Board of Directors to ensure a consistent approach and evaluation. The Chairman presents the outcome of this meeting to the Board of Directors.</p>

4. Remuneration of management

4.1. Form and content of the remuneration policy

<p>4.1.1. The Committee recommends that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • 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. <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	✓	<p>NKT has adopted a Remuneration Policy containing the items listed in this recommendation. The current Remuneration Policy is available at the company website.</p>
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • 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 terms, • there be clarity about performance criteria and measurability for award of variable components, • <i>there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</i> • <i>an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</i> 	(✓)	<p>NKT has utilised incentive pay for the Group Executive Management for a number of years, but the Board of Directors does not receive incentive pay. The Group Executive Management's variable components of remuneration consist partly of an annually based cash bonus for short-term results achieved during the calendar year based on clear, pre-defined criteria as well as a share-based incentive scheme for long-term results achieved beyond the calendar year by grant of share warrants.</p> <p>NKT does not comply with the '<i>italic underline</i>' items of this recommendation due to the following reasons:</p> <p>In respect of the 4th bullet, NKT finds that the composition of the remuneration package, including the annual cash bonus for results achieved during the year, ensures an optimal balance between value creation for the company and its shareholders in the short and long terms.</p> <p>In respect of the 5th bullet, NKT finds that it is only reasonable to require repayment of variable components of remuneration in instances where such repayment obligation would follow from generally applicable principles of Danish law. NKT therefore does not find it necessary or appropriate to include a specific clause in its remuneration policy on repayment of variable components of remuneration in exceptional cases.</p>

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4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.	✓	No member of the Board of Directors receives share options or incentive pay.
4.1.4. The Committee recommends that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	✓	Warrants are granted on an annual basis and may generally be exercised for subscription of shares not earlier than three years and not later than six years after the date granted. The exercise price shall at least be equivalent to the average market price for the NKT share in the month prior to date granted, unless the Board of Directors determines another exercise price which is responsible considering market terms. It may be decided to add a hurdle rate to the exercise price for each year until exercise takes place. The subscription price shall be exclusive of any dividend being paid. The Board of Directors may decide to compensate the warrant holders for disadvantage arising through changes in NKT's capital structure or resulting from submission of a purchase offer for NKT's shares.
4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.	✓	The maximum termination payment applicable to any executive in the NKT Group is 18 months. In connection with significant changes in ownership structure, the notice period may be extended for a transitional period of six months.

4.2. Disclosure of the remuneration policy

4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	✓	It is important for NKT that its shareholders understand and support NKT's endeavour to attract and retain the best people, as this is crucial support NKT's strategy and continued value-creation. NKT believes that its Remuneration Policy fulfils this requirement while still being fair and balanced. In order to be transparent and to obtain support from its shareholders, the Chairman's statement at the Annual General Meeting includes an explanation and a justification of the Remuneration Policy.
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.	✓	The remuneration of the Board of Directors is submitted to the Annual General Meeting for approval by the NKT shareholders.
4.2.3. The Committee recommends that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	✓	The NKT Annual Report includes information on the total remuneration granted to each member of the Board of Directors, to the Group Executive Management, and to the management team of the NKT business units, together with details of the Remuneration Policy.

5. Financial reporting, risk management and audits

5.1. Identification of risks and transparency about other relevant information

5.1.1. The Committee recommends that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	✓	The Board of Directors monitors and reviews the overall risk exposure and the individual risk factors associated with NKT's business units. The NKT Annual Report includes detailed information on the Board of Directors' view on strategic and financial risks related to NKT's business units, and how NKT manages these risks.
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5.2. Whistleblower scheme

5.2.1. The Committee recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	✓	The Board of Directors has established a Whistleblower Scheme to which all employees have been introduced. The Whistleblower Scheme is monitored and maintained by an external provider.
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5.3. Contact to auditor

5.3.1. The Committee **recommends** that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.



NKT has a regular dialogue and exchange of information with its auditor. The company's auditor is present at all Audit Committee meetings. Once a year, an Audit Committee meeting is held without the participation of the Group Executive Management.

The auditor's records are presented at each Board meeting, and the auditor is present at the Board meeting at which the annual report is approved.

5.3.2. The Committee **recommends** that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.



The audit agreement is negotiated annually by the Audit Committee and is approved by the Board of Directors based on a recommendation from the Audit Committee.

Appointment of the auditor is proposed at the Annual General Meeting based on a recommendation from the Audit Committee.