



**Statement of compliance  
with the recommendations  
on corporate governance  
concerning the financial  
year 2018**

## 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 A/S 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 news, including company announcements and quarterly and annual reports released through Nasdaq Copenhagen during the financial year. The company's website also contains an Investors section where relevant information is published. In addition, NKT A/S provides an opportunity for interested parties to subscribe for company news.

The company's Investor Relations function, under a Head of Investor Relations, schedules meetings and telephone conferences with investors during the year.

In connection with release of each quarterly report and the Annual Report, an investor presentation containing key messages and financial highlights is conducted at a live audiocast. Financial analysts, investors, media and other stakeholders are invited to listen in and put questions to the Executive Management. Members of the NKT A/S business unit managements also participate to answer questions specifically related to each unit.

In addition, NKT A/S hosts a Capital Market Day at certain intervals in which 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 stakeholders are respected in accordance with company policies.



NKT A/S has adopted an Investor Relations Policy which is available in the "Investors" section at the company's website. By means of its information and Investor Relation policies, NKT A/S strives to ensure that relevant and updated information is available for valuation of the company's share price, and that the company complies with prevailing stock exchange regulations.

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

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



NKT A/S publishes quarterly reports.

Recommendation	NKT A/S complies	NKT complies, complies partially, or does not comply with the recommendation due to the following reasons
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## 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 A/S promotes and supports active ownership by its shareholders through the information and communication procedures stated in 1.1.1 above, thereby enabling all shareholders to be up to date on company-related matters and to participate actively in the company's Annual General Meeting.

NKT A/S ensures that the date of the next Annual General Meeting is published in due time before year-end, allowing shareholders to plan their participation well in advance. Additionally, shareholders who have so requested are invited to the Annual General Meeting by e-mail or through an announcement via the company website or Nasdaq Copenhagen.

Electronic registration for the Annual General Meeting is possible, and the Chairman's report is transmitted live and is also available afterwards at the company 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 A/S has adopted a Takeover Manual setting out the procedures to be followed by the Board of Directors in the event of a takeover bid.

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

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

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## 2. Tasks and responsibilities of the board of directors

### 2.1. Overall tasks and responsibilities

<p>2.1.1. The Committee <b>recommends</b> that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.</p>		<p>Each year, the Board of Directors considers the most important items for NKT A/S for the coming year and plans how they should be dealt with effectively.</p> <p>The way in which the Board of Directors should exercise its responsibilities is also detailed in its Rules of Procedure, thereby ensuring thorough and consistent performance. These Rules of Procedure are reviewed and evaluated annually.</p>
<p>2.1.2. The Committee <b>recommends</b> that at least once annually, the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.</p>		<p>It remains the company's objective to conduct active ownership of its businesses.</p> <p>The Board of Directors holds an annual strategy seminar where the company's strategy is discussed and evaluated both for the short and long term, which includes deliberations on the "best owner philosophy". This seminar takes place at one of the company's global locations.</p> <p>The Board of Directors also monitors and discusses the strategies of the company's businesses throughout the year.</p>
<p>2.1.3. The Committee <b>recommends</b> 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.</p>		<p>The Board of Directors closely monitors the company's capital structure to ensure it supports the current strategy and is always appropriate for the company's activities. This also includes assessing the company's share structure and monitoring the movements in the company's share on a regular basis.</p>
<p>2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.</p>		<p>The Board of Directors has issued a Management Instruction detailing the functions and responsibilities of the Executive Management, including reporting and communication procedures. The Management Instruction is reviewed and amended at least once a year as appropriate.</p> <p>The company's reporting is closely aligned between the Board of Directors and Executive Management, ensuring a consistent and relevant information flow. In addition, working committees consisting of members of the Board of Directors work closely with the Executive Management and the management team of the individual business units on all specifically related matters. The entire Board of Directors is kept advised thereof by the working committee members.</p>

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2.1.5. The Committee <b>recommends</b> that at least once annually the board of directors discuss the composition, developments, risks and succession plan of the executive board.	√	In connection with its annual self-evaluation process, the Board of Directors also evaluates the composition and performance of the 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 Executive Management and the individual business unit management teams.

## 2.2. Corporate social responsibility

2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	√	<p>NKT A/S is committed to Corporate Social Responsibility and has adopted related policies that have been implemented in a Business Code of Conduct. The Business Code of Conduct is available at the company's website.</p> <p>The company's activities in the area of social responsibility have been formalized by the framework provided by the UN Global Compact and support the company's mission of long-term value creation both in the NKT A/S businesses and in the international community.</p> <p>NKT A/S 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. The COP report is integrated in the annual Sustainability Report as required by the Danish Financial Statements Act and is available at the company's website.</p>
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## 2.3. Chairman and vice-chairman of the board of directors

2.3.1. The Committee <b>recommends</b> 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 A/S has appointed a Deputy Chairman to assume the Chairman's responsibilities in case 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 <b>recommends</b> 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, general 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 A/S or any of 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 evaluate and in the management commentary, account for

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



As a global company, NKT A/S is aware of the importance of the members of the Board of Directors possessing diverse, international and relevant skills and experience to ensure 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 Board composition (age, gender, nationality, number of members and qualifications), special skills, the need for supplementary training, and the interaction between Board members.

3.1.2 The Committee **recommends** that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website



As a global company NKT A/S believes in diversity and equal opportunity at all levels.

At NKT A/S, selecting members for the Board of Directors and recruiting executives for senior management positions is about ensuring the best professional competencies, social skills and cultural qualities to successfully reach the company's objective. NKT A/S has adopted a diversity policy and believes that both sexes must have equal job opportunities. The diversity policy is published on the company's website. NKT A/S reports on diversity in its annual UN Global Compact Communication on Progress (COP) report and in the Annual Report.

The annual evaluation performed by the Board of Directors in respect of the Executive Management and the management team of each business unit includes deliberations on diversity at senior management level to ensure continued value creation for the company.

3.1.3. The Committee **recommends** that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should in addition to the need for competencies and qualifications take into consideration the need for integration of new talent and diversity.



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 take place in an open discussion between the Board of Directors and the Nomination Committee and in full consideration of the outcome of the Board of Directors' self-evaluation.

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<p>3.1.4. The Committee <b>recommends</b> that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of the nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> <li>▪ other executive functions, including positions on executive boards, boards of directors, and supervisory boards, including board committees, in Danish and foreign enterprises, and</li> <li>▪ demanding organizational tasks</li> </ul> <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p>	✓	<p>A detailed description of nominated Board candidates' special qualifications, other executive functions and organizational tasks, and independence is included in the company's invitation to its Annual General Meeting. A similar description for all elected Board members is available in the NKT A/S Annual Report and at the company's website.</p>
<p>3.1.5. The Committee <b>recommends</b> that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p>	✓	<p>No members of the company's Executive Management are members of the Board of Directors, and neither the Chairman nor Vice Chairman are former chief executive officers of the company.</p>
<p>3.1.6. The Committee <b>recommends</b> 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 the company's Annual General Meeting, except for members elected by the employees according to the Danish Companies Act. Employee-elected Board members sit for a period of four years.</p>

**3.2. Independence of the board of directors**

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:

- 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 associated company,
- within the past five years, have received significant remuneration from the company/group, a subsidiary or an associated company in different capacity than as member of the board of directors,
- represent or be associated with a controlling shareholder,
- within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member management in companies with corresponding connection) with the company, a subsidiary or an associated company.
- be or within the past three years have been employed or been a partner at the same company as the auditor elected by the general meeting,
- be part of the executive management in a company with cross-management representation in the company,
- have been member of the board of directors for more than 12 years, or
- be a close relative of persons who are not considered independent.

Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more member cannot be regarded as independent.



At least half of the members of the Board are considered independent under this definition.

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### 3.3. Members of the board of directors and the number of other management functions

3.3.1. The Committee **recommends** that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can manage at a satisfactory level for the company.

✓

Each Board member individually assesses the expected time commitment for each of their functions to ensure they can perform these functions satisfactorily. Allocation and use of time are openly discussed within the Board of Directors based on a description thereof prepared by the Nomination Committee to ensure that tasks and functions are always carried out efficiently and satisfactorily.

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:

- the position of the relevant person,
- the age and gender of the person in question,
- the person's competencies and qualifications that are relevant to the company,
- whether the member is considered independent,
- the member's date of appointment to the board of directors,
- expiry of the current election term,
- the member's participation in the meetings of the board of directors and committee meetings,
- other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organizational tasks, and
- the number of shares, options, warrants and similar owned by the member in the company, and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.

✓

The information set out in this recommendation is included in the company's Annual Report.

3.3.3. The committee **recommends** that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.

✓

As part of the Board of Directors' annual evaluation procedure, assessment and discussion take place of whether any Board member has too high a workload to adequately fulfil their Board responsibilities. This process includes the level and complexity of other individual management functions.

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### 3.4. Board committees

<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company's website:</p> <ul style="list-style-type: none"> <li>▪ the terms of reference of the board committees</li> <li>▪ the most important activities of the committees during the year and the number of meetings held by each committee, and</li> <li>▪ the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.</li> </ul>	✓	<p>The Board of Directors has established an Audit Committee, a Nomination Committee and a Remuneration Committee. A description of each of these committees can be found at the company's website, including details of the committee members, the tasks of each body, 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 a working committee for NKT Photonics. The Board of Directors possesses specialized competencies that can be used to strengthen value generation in this business, and the working committee consists of two Board members who hold monthly meetings with the management team.</p>
<p>3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>	✓	<p>A majority of the Board committee members are considered independent.</p>
<p>3.4.3. The committee <b>recommends</b> that the members of the board of directors set up among its members an audit committee and that a chairman is appointed who is not the chairman of the board of directors.</p>	✓	<p>The Board of Directors has set up an Audit Committee consisting of two members who between them possess significant experience in the financial, accounting and audit aspects of companies similar to NKT A/S. The work of the Audit Committee is defined in an annual plan approved by the Board of Directors, and a description of the Audit Committee can be found at the company's website.</p> <p>The Chairman of the Board of Directors is not chairman or a member of the Audit Committee.</p>
<p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:</p> <ul style="list-style-type: none"> <li>▪ significant accounting policies,</li> <li>▪ significant accounting estimates,</li> <li>▪ related party transactions, and</li> <li>▪ uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	✓	<p>The Audit Committee monitors the company'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>
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>▪ annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function,</li> <li>▪ ensure that if an internal audit has been established, a description of its functions is approved by the board of directors,</li> <li>▪ ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and</li> <li>▪ monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	✓	<p>NKT A/S 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>

Recommendation	NKT A/S complies	NKT complies, complies partially, or does not comply with the recommendation due to the following reasons
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a <i>nomination committee</i> which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>▪ describing the qualifications required by the board of directors and the executive board, and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,</li> <li>▪ annually assessing the structure, size, composition and results of the board of directors and the executive board, and recommend any changes to the board of directors,</li> <li>▪ annually assessing the competencies, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect,</li> <li>▪ recommending candidates for the board of directors and the executive board, and</li> <li>▪ proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>		<p>The Board of Directors has set up a Nomination Committee consisting of two Board members, including the Chairman, carrying out the tasks identified in this recommendation. A description of the Nomination Committee can be found at the company's website.</p>
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a <i>remuneration committee</i> which is at least, responsible for the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>▪ recommending 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,</li> <li>▪ making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring 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 on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</li> <li>▪ recommending a remuneration policy applicable for the company in general and</li> <li>▪ assisting with the preparation of the annual remuneration report.</li> </ul>		<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 at the company's website.</p> <p>NKT A/S has adopted a Remuneration Policy which is available at the company's website. The Board of Directors reviews the remuneration of Board members 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 <b>recommends</b> 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 of the independence of its external advisors.</p>

Recommendation	NKT A/S complies	NKT complies, complies partially, or does not comply with the recommendation due to the following reasons
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### 3.5. Evaluation of the performance of the board of directors and the executive board

3.5.1. The Committee **recommends** that the board of directors establishes an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:

- contribution and results,
- cooperation with the execution board,
- the chairman's leadership of the board of directors,
- the composition of the board of directors (including competencies, diversity and the number of members),
- the work in the committees and the committee structure, and
- the organisation and quality of the material that is submitted to the board of directors.

The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions, on the general meeting prior to the election of the board of directors.



The board of directors conduct an annual evaluation of the Board of Directors and cooperation within the Board, as well as the different committees within the Board. The evaluation will be conducted with the assistance of an external consultant with relevant expertise in the area at least every three years.

3.5.2. The Committee **recommends** that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.



The Board of Directors annually assesses the entire executive management team on a number of criteria to ensure that the structure and composition of the management team are adequate.

3.5.3. 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 formalised 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.



The Chairman of the Board of Directors meets once a year with the Executive Management to evaluate the cooperation between the Board and the 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.

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## 4. Remuneration of management

### 4.1. Form and content of the remuneration policy

4.1.1. The Committee **recommends** that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes

- 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,
- a description of the criteria that form the basis for the balance between the individual components of the remuneration, and
- an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals.

The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and published on the company's website.



NKT has adopted a Remuneration Policy containing the items listed in this recommendation. The current Remuneration Policy/Terms of Reference is available at the company's website.

4.1.2. 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 composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term,
- clarity be established about performance criteria and measurability for award of variable components,
- it is ensured that variable remuneration not only consists of short term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and
- it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect.



NKT A/S has utilized incentive pay for its Executive Management for a number of years, but the Board of Directors does not receive incentive pay. The Executive Management's variable remuneration components consist partly of an annually based cash bonus for short-term results achieved during the calendar year based on clear, pre-defined criteria, and partly of long-term incentive plans consisting of performance share awards.

The Board of Directors reserves the right to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information that was subsequently found to be incorrect.

4.1.3. The Committee **recommends** that remuneration of members of the board of directors does not include share options or warrants.



No members of the Board of Directors receive share options or any other incentive pay.

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<p>4.1.4. The Committee <b>recommends</b> that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years from after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p>	✓	<p>In accordance with the Remuneration Policy adopted at the Annual General Meeting NKT has implemented a Long-Term Incentive program based on Performance Shares. The program is structured as a share award, which will be delivered to the relevant participants following a three year vesting period, subject to achievement of certain long term targets. For the 2018 awards the three performance conditions are:</p> <ul style="list-style-type: none"> <li>▪ Earnings before interest, tax, depreciation and amortization (Operational EBITDA);</li> <li>▪ Return on Capital Employed (ROCE); and</li> <li>▪ Absolute Total Shareholder Return (TSR)</li> </ul>
<p>4.1.5. The Committee <b>recommends</b> that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.</p>	✓	<p>The maximum notice period for 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.</p>
<p><b>4.2. Disclosure of the remuneration</b></p>		
<p>4.2.1. The Committee <b>recommends</b> 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.</p>	✓	<p>It is important to NKT A/S that shareholders understand and support the company's ambition to attract and retain the best people as this is crucial to implementation of the company's strategy and continued value creation. NKT A/S believes that its Remuneration Policy fulfils this requirement while still being fair and balanced.</p> <p>In order to be transparent and to obtain support from shareholders, the Chairman's statement at the Annual General Meeting includes an explanation and a justification of the Remuneration Policy.</p>
<p>4.2.2. The Committee <b>recommends</b> that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p>	✓	<p>The remuneration of the Board of Directors is submitted to the Annual General Meeting for approval by the company's shareholders.</p>
<p>4.2.3. The Committee <b>recommends</b> that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.</p> <p>The remuneration report should be published on the company's website.</p>	✓	<p>The NKT A/S Annual Report includes information on the total remuneration granted to each member of the Board of Directors, the Executive Management, and the business unit management teams, together with details of the Remuneration Policy.</p> <p>A separate remuneration report is published on the company's website <a href="http://investors.nkt.com">investors.nkt.com</a></p>

Recommendation	NKT A/S complies	NKT complies, complies partially, or does not comply with the recommendation due to the following reasons
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## 5. Financial reporting, risk management and audits

### 5.1. Identification of risks and transparency about other relevant information

<p>5.1.1. The Committee <b>recommends</b> that the board of directors consider and in the management commentary 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.</p>		<p>The Board of Directors monitors and reviews the overall risk exposure to the company's business units as well as the individual risk factors. The NKT A/S Annual Report includes detailed information on the Board of Directors' view on strategic and financial risks related to the business units and how the company manages these risks.</p>
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### 5.2. Whistleblower scheme

<p>5.2.1. The Committee <b>recommends</b> that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicious thereof.</p>		<p>The Board of Directors has established a whistleblower system to which all employees have been introduced. Employees and members of the boards, customers, suppliers, collaborators, business partners and others related to NKT A/S are encouraged to come forward with any concerns. The whistleblower system is maintained externally and allows for anonymous reporting.</p>
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### 5.3. Contact to auditor

<p>5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.</p>		<p>NKT A/S maintains regular dialogue and exchange of information with its auditor who is also present at all meetings of the Audit Committee.</p> <p>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.</p>
<p>5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.</p>		<p>The audit agreement is negotiated annually by the Audit Committee and is approved by the Board of Directors based on the committee's recommendation.</p> <p>Appointment of the auditor is proposed at the Annual General Meeting based on a recommendation from the Audit Committee.</p>

**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**