

Tax Policy



1. Introduction

In NKT, we are dedicated to power cable technology and our purpose is to connect you, us and society to a greener world by enabling sustainable energy transmission.

Since 2009, NKT has been a signatory to the UN Global Compact and we are committed to run our business in accordance with the UN Sustainable Development Goals. We recognize that tax contributes to the development of the countries where we operate, and that a responsible approach to tax is essential to the sustainability of the societies where we operate.

We apply a sustainable tax approach globally with the aim of ensuring tax compliance and value creation for all stakeholders. Complying with tax rules across many tax jurisdictions can be complex as the legislation and interpretation hereof may change over time. We strive to manage this risk by having strong compliance processes and transparent communication with tax authorities. The NKT Tax Policy outlines the principles for the governance of tax matters in NKT.

The NKT Tax Policy is reviewed and approved by the Board of Directors annually and applies to all NKT companies.



2. Governance

The Board of Directors is accountable for the tax policy and the responsibility for tax risk management lies with the CFO and is monitored by the Audit Committee.

The day-to-day management of tax matters is handled by a centralized global tax team, who are involved in all significant business decisions. We employ appropriately qualified and trained tax professionals internally and externally who constantly monitor updates and changes to tax legislation.

Tax compliance status is reported on a regular basis to the Audit Committee, and through our Whistle Blower Hotline we provide opportunities for employees and external parties to anonymously or in person to raise any issues of concern directly to the Group's Audit Committee.



3. Tax Approach

NKT is a responsible taxpayer, and we base our tax reporting to the authorities on openness and transparency in all aspects of tax related reporting and compliance in the countries where we operate.

NKT structures its business in accordance with commercial and economic activities. We pay taxes in the countries we operate and where value is created.

We believe that the development of green technologies and business development in general will benefit all stakeholders and we might therefore be benefiting from related tax incentives in the countries where we have substance. We are committed to responsible tax by adhering to international double taxation treaties, EU regulation and relevant domestic, OECD and UN guidelines, and thereby supporting the United Nations Sustainable Development Goals.



4. Compliance

We strive to be complaint and do our outmost to ensure that we live up to local and international standards relevant to our business. We continuously evaluate our processes and controls and adjust and improve as appropriate. Complying with legislation can sometimes be complex where legislation allows for different interpretations or choices, and legislation and interpretations tend to change over time. If a common practice or interpretation has not yet formed, we will form our opinion on the more-likely-than-not principle, and where appropriate seek advice from tax advisors and tax authorities to

establish a reasonable interpretation. Where legislation and practice allow for different interpretations or choices, NKT will adopt a tax position which must be justifiable, defensible and in accordance with the NKT Code of Conduct. The more-likely-than-not principle means that we will only adopt a position that we expect a court to uphold if challenged by the tax authorities.



5. Tax planning

We pay tax on profits according to where value is created within the normal course of commercial activity; we do not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we do business.

We only use business structures that are driven by commercial considerations, aligned with business activity and which have genuine substance. We do not undertake transactions whose sole purpose is to create a tax benefit which is in excess of what is intended by relevant tax rules.

We apply the arm's length principle to all intercompany transactions, in line with applicable best practice guidelines.



6. Use of tax incentives

Governments often implement tax rules to incentivize certain activities such as encouraging companies to increase investments, to stimulate growth or to create jobs.

NKT is a growth company supporting the green transformation by enabling transmission of power from where it is produced to the end-users. Developing the required technologies to expanding wind and solar farms as well as increasing requires continuous investments for which governments sometimes provide tax incentives such as customs relief, R&D credits or accelerated depreciation on machinery and equipment.

We welcome such incentives, as they enable us and our customers to further develop cheap and efficient green energy. We therefore make use of incentives and tax reliefs where they apply in areas where we have commercial substance.



7. Relationship with tax authorities

We are open and transparent with tax authorities, responding to relevant tax authority enquiries in a straightforward and timely manner. We follow established procedures and channels for all dealings with tax authorities, government officials, ministers and other third parties in a professional and timely manner.

Where there is significant uncertainty about how the tax rules apply to our business, we will seek an early dialogue with tax authorities, where appropriate and possible. Where there are misunderstandings of fact or law, we will seek to work with the tax authorities, identify the issues and explore options to resolve any misunderstandings or disagreements. In situations where we cannot resolve disagreements through dialogue, we will resolve our disagreements in the tax tribunals or courts to ensure the correct tax treatment.

Last approved by the Board of Directors in NKT A/S on 23 February 2021.