



## **NKT A/S Remuneration Policy for the Board of Directors and the Executive Management**

### **Introduction**

According to section 139 and 139a of the Danish Companies Act, the Board of Directors of NKT A/S ("NKT" or the "Company") is required to create a remuneration policy (the "policy") applicable to the Board of Directors and the Executive Management and subject to approval by the shareholders at the Annual General Meeting. The Executive Management refers to the executives registered as managers of the Company with the Danish Business Authority as executive officers of NKT. The policy for NKT is prepared in accordance with the Danish Companies Act, and the amended EU Shareholders Rights Directive<sup>1</sup>.

The overall aim of the policy is to provide a framework for remuneration at NKT, as well as specific guidelines for incentive pay, based on a clear, understandable and comprehensive overview of the remuneration provided by NKT.

### *Objective*

The overall objectives of the remuneration policy are to:

- support the purpose and sustainability of the Company;
- align the remuneration components with the interests of shareholders and other stakeholders relevant to the above;
- support delivery of NKT's strategic priorities;
- attract, motivate and retain members of the Board of Directors and the Executive Management of the appropriate caliber given the size and complexity of the business; and
- reward members of the Executive Management team in line with corporate and individual performance.

### *Determination*

The Board of Directors is responsible for (i) designing the Executive Management remuneration policy and proposing the policy for adoption at the Annual General Meeting; and (ii) implementing and evaluating the adopted policy, including determining the remuneration and other terms and conditions of appointment of the Executive Management.

The Remuneration Committee is responsible for submitting a clear and understandable proposal to the Board of Directors on the remuneration policy for members of the Executive Management.

### *Conflicts of interest*

NKT has a two-tier board structure consisting of the Board of Directors and the Executive Management. The Board of Directors acts independently of the Executive Management and has a Remuneration Committee, which consists solely of shareholder elected members of the Board of Directors in order to avoid potential conflicts of interest. No members of the Executive Management are present at Remuneration Committee meetings when their own remuneration is discussed.

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<sup>1</sup> Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC on the encouragement of long-term shareholder engagement



### *Effective date, periodic review and implementation*

This policy will take effect from the date of approval on the 2021 Annual General Meeting.

The Remuneration Committee is responsible for annually reviewing the remuneration policy and making recommendations to the Board of Directors on any proposed changes. The remuneration policy set out in this document will be effective for a period of four years, subject to any proposed changes by the Board of Directors at a future General Meeting.

The Remuneration Committee is a preparatory body for the Board of Directors and its responsibilities include the preparation of proposals to the Board of Directors regarding individual Executive Management members' remuneration.

## **Remuneration of the Board of Directors**

### *Process*

The Board of Directors reviews board fees at frequent intervals. Fees are evaluated relative to Danish and other European companies of comparable size and complexity to NKT.

Proposals for the Board of Directors' remuneration for the current year will be notified at the General Meeting prior to adoption of the remuneration. The Board of Directors' remuneration is approved by the shareholders as a separate item on the agenda at the Annual General Meeting.

### *Fee levels*

Fees are established based on market levels for companies of comparable size and scope to NKT. Each member of the Board of Directors receives a fixed annual fee while the Chairman receives 3 times the base fee and the Deputy Chairman receives 2 times the base fee. In addition, a member of a board committee may receive a supplemental annual fee per committee.

Individual board members may be required to take on specific ad hoc tasks outside their normal duties assigned by the Board of Directors. In each such case, the Board of Directors shall determine a fixed fee (e.g. per diem) for the work carried out related to those tasks. The fixed fee will be disclosed in the annual remuneration report.

### *Benefits*

Additional fees or benefits may be provided to reflect, for example, accommodation, office, transport and other business-related expenses incurred in carrying out their role.

### *Incentive plans*

Board members are not eligible to participate in any of the Company's incentive programs (save for employee-elected members as reflected below).



### *Employees-elected Directors*

Employee-elected members of the Board of Directors will continue to receive their normal remuneration in relation to their employment with the Company. This includes eligibility, if relevant, to participate in the general incentive program for employees at NKT, all related to their day to day work for the Company.

### **Remuneration of the Executive Management**

The Remuneration Committee of the Company reviews the approach to remuneration to ensure that it:

- Is based on the overall objectives as mentioned on page 1;
- Retains executives key to value creation;
- Is aligned with best practices;
- Closely ties the Company strategy through long-term financial and non-financial performance to remuneration outcomes;
- Remains aware of sensitivity on executive pay issues; and
- Consists of a relevant combination of fixed remuneration, short term incentives and long term incentives as laid out in the overview on page 6 and 7.

### *Process*

Remuneration for members of the Executive Management is proposed by the Remuneration Committee and subsequently approved by the Board of Directors annually in line with the policy.

### *Principles governing remuneration*

The general principles impacting remuneration design and levels are:

(i) Alignment with the purpose and sustainability of the Company, our strategy, link to long-term interests and performance: NKT has been delivering cable solutions for more than 100 years and is a key player in the transition to green energy in areas such as off-shore wind and expansion of the electrical grid enabling the next generation of technology. The NKT Reward Strategy seeks to balance the need for stability and maintenance of classical electrical know-how with the need to attract new talent and capabilities to develop for the future. This is reflected in the following way in our remuneration:

- To support stability in a cyclical business especially as relates to our projects business, a conservative mix between fixed and variable pay is utilized
- To ensure that we take the right decisions for the long-term, but do not lose track of delivering results short-term, we employ both short-term and long-term incentive programs
- In order to be able to attract new competencies and expand our technological knowledge base, we aim to remunerate in line with market practices related to the total reward level of the specific position in question

Our strategy focus on profitability and targeted growth.



Short and long-term incentive pay awards reflect our commercial targets through the performance metrics used to determine awards. Details on the key performance metrics used for these awards each year will be disclosed in the annual remuneration report as appropriate. Performance metrics used can include, but are not limited to: Sales Revenue, New project orders, EBITDA, Return on Capital Employed (ROCE), Group Working Capital, Customer/Employee satisfaction, measures of energy efficiency, and Absolute Total Shareholder Return (TSR).

(ii) Alignment with shareholders and other stakeholders: NKT's remuneration, in particular incentive-based remuneration, will align the interests of management with those of shareholders and other stakeholders.

(iii) Alignment with cultural values: Well defined commercial targets and a strong purpose will not do the job single-handed, nor will the organizational structure. NKT values serve as the foundation for everything guiding Company approach and behavior, making us who we are, making us NKT. The reward framework has been consciously developed around NKT's core values.

(iv) Remuneration aligned with market levels: NKT operates in a global market, which necessitate remuneration competitiveness in a global environment. Therefore, when appropriate, NKT offers market aligned remuneration to attract, retain, and motivate the talent needed to achieve NKT's vision, business strategy and other company objectives.

(v) Pay for performance: Proportions of the remuneration package, the short-term and long-term incentive programs, are performance-based to link remuneration outcomes to the achievement of key financial and or non-financial targets that are aligned with NKT's strategy. Each element of remuneration is weighted in order to ensure a continuous positive development of the Company both in the short and long term.

(vi) Transparency: Remuneration in NKT is structured to be transparent to shareholders, to participants in incentive plans, and to enable a clear comparison of remuneration outcomes to management performance both at the time of grant, at the time of vesting and at the time of exercise.



*Policy for Executive Management*

<b>Element</b>	<b>Purpose and link to strategy</b>	<b>Operation</b>	<b>Opportunity</b>	<b>Performance measures</b>
Base salary	Set at a level which allows NKT to attract, engage and retain talent needed to drive long-term value creation	Set annually, taking into account a range of factors including: (i) the individual's skills, performance and experience; (ii) increases for the broader workforce; (iii) external market data amongst Danish and European peers; and (iv) the size and responsibilities of the role.	No maximum salary levels.  Salary increases are set taking into account the factors set out on the left.	N/A
Pension	Encourages planning for retirement and long-term saving	Contributions are made to the Group's defined contribution pension arrangements or equivalent cash allowances are paid	Company paid pension contributions are set taking into account the wider workforce rate and market practice in the country in which the executive resides.	N/A
Benefits	Provide market competitive and cost-effective benefits	Benefits may include, but are not limited to: company car; phone; private health care.  Specific benefit provision may be subject to minor change from time to time.  Additional benefits may be provided on recruitment or to support relocation.	Company paid benefits are set taking into account the wider workforce rate and market practice in the country in which the executive resides.	N/A

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures
<p>Short-term incentive plan – annual bonus</p>	<p>To incentivise delivery of NKT's short-term objectives and ensure a clear link with value creation</p>	<p>Performance measures and targets are normally set annually by the Board of Directors.</p> <p>The Board of Directors determines pay-outs based on performance against the targets and to ensure that the outcome is fair in the context of overall performance of the Group and the individual.</p> <p>Awards are normally paid out in cash.</p> <p>The Board of Directors may allow for a proportion of the bonus to be deferred into shares in the future. At such time the Board of Directors will determine the terms for such awards, including the term of any deferral period.</p>	<p>The maximum award in respect of a financial year is 100% of base salary</p> <p>Up to 25% of the bonus is normally payable for threshold performance and 50% payable for target performance.</p>	<p>At least 50% of the bonus will be based on financial performance metrics. The specific measures, targets and weightings may vary from year to year in order to align with NKT's strategy over each year. Details of measures in any given year will be outlined in the appropriate annual remuneration report.</p>

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures
<p>Long-term incentives</p>	<p>To incentivise and reward performance that serves:</p> <ul style="list-style-type: none"> <li>• the purpose and sustainability of the Company;</li> <li>• the alignment with the interests of shareholders and other stakeholders;</li> <li>• delivery on NKT's strategic priorities; and</li> <li>• the attraction, motivation and retention of the Executive Management.</li> </ul>	<p>Award of performance shares (PSUs) subject to the achievement of long-term performance targets measured over the performance period.</p> <p>Awards are normally subject to performance conditions measured over three years reflecting the balance between long term performance and ability to impact results.</p> <p>Performance targets are normally set annually for each three-year cycle by the Board of Directors.</p> <p>Awards are normally made in the form of a conditional right to receive shares. The Board of Directors has the discretion to cash settle awards.</p> <p>The Board of Directors may at their discretion make a cash award rather than a performance share award.</p> <p>The Board of Directors determines pay-outs based on performance against the targets and to ensure that the outcome is fair in the context of overall performance of the Group.</p> <p>Awards are subject to the terms of the plan rules.</p>	<p>The maximum award in respect of a financial year is 100% of base salary</p> <p>Up to 25% of the award is normally payable for threshold performance, 50% is normally payable for target performance, and 100% payable for maximum performance.</p> <p>The level of pay-out for pre-defined levels of performance between these points are set each year by the Remuneration Committee and will be disclosed with the respective awards as appropriate.</p> <p>The value at vesting is dependent on share price performance. The maximum value at vesting cannot exceed three times the individual's base salary at the time of award. In such cases, awards would be scaled back accordingly.</p>	<p>Performance is measured against a range of profitability, capital efficiency and shareholder return metrics.</p> <p>Details of measures in any given year will be outlined in the appropriate annual remuneration report.</p> <p>The reported numbers for share-based awards will be measured in accordance with IFRS 2 at grant for new awards in the respective year and with additional disclosure of the total for all awards from the consolidated financial statements and with additional disclosures will be considered to align with market practice for listed companies in Denmark.</p>



### **Existing agreements**

This remuneration policy applies to all agreements and subject matters occurring after the date of the approval of the policy at the Annual General Meeting. For the avoidance of doubt, the terms set out in this remuneration policy does not apply to any terms of any executive service agreements or any effective short-term or long-term incentive programs entered into prior to the approval of this policy nor to any payments for work made under any employment agreement being applicable prior to an individual being promoted to become member of the Executive Management. Thus, the Board of Directors remains entitled to honor any historic commitments, obviously with due consideration to any applicable former remuneration policies approved by the General Meeting.

### **Reclaiming variable pay**

In the event of misconduct, or if an annual bonus or long-term incentive award is made on the basis of accounts that prove to be materially misstated, the Company may reclaim, in full or in part, any annual bonus pending or already paid, or cancel or withdraw unvested and/or vested long-term incentive awards made to Executive Management.

### **Recruitment approach**

In determining the remuneration arrangements for new appointments, the Board of Directors will:

- Take into account all relevant factors including the caliber of the individual and market practice.
- Ensure, where possible, remuneration arrangements for new recruits are aligned with the remuneration policy table set out above.
- Continue to honor pre-existing arrangements for internal promotes.

The Board of Directors is authorized, in individual cases, to operate extraordinary bonus or other extraordinary incentive remuneration in respect of recruitment to the Executive Management Board. The value of such extraordinary incentive remuneration may not exceed an amount equal to 100% of the individual's base salary for the full calendar year. This amount is exclusive of any remuneration the Board deems appropriate in order to compensate an individual for loss of incentive remuneration from a former employer.

To facilitate recruitment the Board of Directors may make an award to buy out remuneration terms forfeited on leaving a previous employer.





## **Service contracts and loss of office payments**

### *Notice periods*

NKT does not have a standard notice policy, however, the notice period normally is:

- 6-9 months by the executive;
- 12-18 months by the Company.

In exceptional circumstances, the Board of Directors may appoint an executive with a regular notice period (upon the Company) of up to 24 months. Where such deviation has been agreed to, the Board of Directors will endeavor to provide appropriate supporting rationale within the following annual remuneration report. The Board of Directors may enter into an agreement with an executive on an extended termination notice period in case of a change of control of the Company. Change of Control will be defined as a situation where either i) one or more shareholders obtains a controlling influence over the company as defined in section 44 of the Danish Capital Markets Act, or ii) a transfer of all or the majority of the business activities carried out by the Company to a third party. The agreed total termination notice period in case of a Change of Control cannot exceed 24 months.

### *Termination payments for executives*

Termination payments for executives will normally be made up of salary, benefits, pension contributions, bonus and long-term incentives (subject to the leaver provisions below) and would reflect the notice period of the contract.

The Board of Directors reserves the right to make any other payments in connection with a member of the Executive Management stepping down / ceasing employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the individual stepping down / ceasing employment. Any termination payments, including payment during the notice period, may not exceed a total value of the equivalent to 24 months' remuneration. This maximum severance amount may include all components of remuneration, both fixed and variable elements.



*Treatment of outstanding incentive awards*

Plan	Treatment of leavers
Annual bonus	<p>Treatment of leavers will depend on applicable local law restrictions, if any, and agreed provisions under individual agreements. As a starting point, bonus will only be awarded on a prorated basis for the duration of a financial year in which the Executive Management member is active in office, contributing to the value creating of the Company. Further, if the Executive Management member's employment with the Company is terminated by the Company due to the Executive Management member's material breach of duties, the annual bonus shall be deemed null and void.</p>
Long-term incentive	<p><i>Performance Share Program</i></p> <p>If the Executive Management Member is considered a good leaver, the Executive Management Member will normally be entitled to a proportionate part of the awarded PSUs based on the Executive Management Member's employment in the performance period until the date of termination, (1/36 for each month of employment in the performance period). The proportionate part of the award will normally vest and be delivered to the Executive Management Member at the normal time (i.e. at the end of the performance period). The Remuneration Committee retains the discretion to disapply pro-rating / accelerate the vesting of awards in certain circumstances.</p> <p>"Good leavers" for this purpose include: (i) death; (ii) dismissal by the employment entity / company without the Executive Management Member's breach; (iii) resignation due to the employment entity's / company's material breach; (iv) retirement with the agreement of the Remuneration Committee; (v) if the Executive Management Member is entitled to (would have been entitled to by virtue of age) the Danish old age pension / a retirement pension from the company / early retirement benefit; or (vi) any other reason at the discretion of the Remuneration Committee.</p> <p>If the Executive Management Member is considered a bad leaver, he/she will lose the right to awarded PSUs that have not vested on the date of termination of the employment relationship and will not be entitled to any future PSUs, neither in whole nor in part. The right will be lost automatically without prior notice on the date of termination of the Executive Management Member's employment.</p>

**Variations to the policy**

The Board of Directors may make minor amendments to the remuneration policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation without obtaining shareholder approval for that amendment.

The Board of Directors may decide that specific terms shall apply for accelerated vesting or exercise as well as for adjustment of the incentive programs in the case of corporate activity (e.g. a take-over in whole or in part, significant divestiture of activities, demerger, merger or other amalgamation of the Company). The Board of Directors may also adjust the long-term incentive program(s) to allow for any changes to the Company's capital structure or in the event of other material events.

The Board of Directors also retains the discretion within the policy to adjust targets and/or set different measures and weightings if events happen that cause it to determine that the original targets or conditions are no longer appropriate and that amendment is required so that the targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Board of Directors, no less difficult to satisfy than the original conditions.



The Board of Directors may, in exceptional circumstances, and within the statutory limits, decide to temporarily derogate from the remuneration policy, and ultimately until a new remuneration policy is approved by the General Meeting. Exceptional circumstances shall cover only situations in which the derogation from the remuneration policy is deemed critical to serve the long-term interests and sustainability of NKT as a whole or to assure its viability. In the event of a derogation, the Board of Directors will present the derogation and proposed new policy to the General Meeting as soon as reasonably possible where it will be subject to a binding approval vote.

In situations where a derogation took place in accordance with the guidelines provided in this remuneration policy, the remuneration offered will be disclosed to the shareholders no later than at the next Annual General Meeting.

### **How employee pay and conditions are considered when setting the policy**

When making decisions about executive remuneration and setting the contents of the remuneration policy, the Board of Directors and the Remuneration Committee take into account the remuneration arrangements in place for NKT's wider workforce. The Remuneration Committee undertakes a review of the global workforce remuneration and takes data on pay trends into consideration at least every two years to ensure a consistent remuneration approach across the different organization layers of the group.

The approach to determine the compensation of employees follows the same principles and performance measures as for our executives. NKT offers local market-aligned compensation and career opportunities, which attract the best talent; NKT believes in recognizing strong individual performance and the Company will differentiate reward accordingly. When determining compensation, managers consider how the employee's pay compares to the local market alongside other factors such as the individual's experience and sustained performance.

Further, the Executive Management annually reviews compensation for NKT's wider workforce, and every second year undertakes benchmarking exercises for relevant populations.

NKT currently operates cash bonus programs to all senior managers in its Extended Leadership Team comprising approximately the top 80 leaders of the Company. Based on historical legacy currently not all employees have the opportunity for bonus programs. It is, however, part of the NKT Reward strategy over time to increase the use of variable pay to relevant employees to provide incentive for performance.

Share-based incentive plans may be offered to a group of senior managers depending on scope of role and long-term strategic impact on the company. Similar governance and performance principles apply in these programs as for the Executive Management incentive plans.

### **Approval and publication**

This remuneration policy has been approved by the Board of Directors on January 12, 2021 and approved at the Annual General Meeting of the Company on March 25, 2021.

This remuneration policy is posted on NKT's website at: *[insert specific link to the updated policy]*.