

As a company listed on NASDAQ OMX Copenhagen, NKT abides by the Stock Exchange requirement to annually report its compliance according to the 'comply or explain' principle with the corporate governance recommendations established by the Danish Corporate Governance Committee. The recommendations were last updated on 11 August 2011, and NKT meets 77 of 79 recommendations.

Recommendation**NKT complies/does not comply with the recommendations due to the following reasons**

1. THE ROLE OF THE SHAREHOLDERS AND THEIR INTERACTION WITH THE MANAGEMENT OF THE COMPANY

1.1. Dialogue between the company and its shareholders

1.1.1. The Committee recommends that the central governing body, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website.

In 2012 the Executive Management Board met with a total of 307 Danish and foreign investors. Investor presentation material is available on the NKT website.

NKT organises an annual Capital Market Day on which analysts are invited to visit one of NKT's production sites. Local management provides a presentation of the company and the conditions under which it operates. In 2012 NKT hosted a Capital Market Day attended by 34 analysts, investors and banks. www.nkt.dk/uk contains an investor section where shareholders can regularly keep up to date and register for electronic bulletins containing the financial reports and other news published by the company. The investor section also lists NKT's Investor Relations contacts. Special documents are offered for those who need to use NKT's published information for work purposes.

In conjunction with the presentation of financial statements an audio-cast and associated conference call is held at which analysts, investors and banks can ask questions to the Executive Management Board. The audiocast in English is transmitted live via the company's website. An on-demand version of the audiocast together with a full transcript and related presentations are subsequently available on the company's website.

The Annual General Meeting is the joint forum for the company's shareholders, the majority of whom are registered shareholders. The Annual General Meeting is webcast live in English and Danish, and can subsequently be viewed on demand or read in full transcript on the NKT website together with the presentation slides. The Executive Management Board reports on its IR activities to the central governing body, the Board of Directors, once a year.

1.2. Capital and share structure

1.2.1. The Committee recommends that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.

NKT's capital and share structures are evaluated on an ongoing basis and commented upon in the annual and interim reports. Strategic goals have been formulated for both structures, cf. the 'Investor' section at www.nkt.dk/uk.

It is NKT's policy that its capital structure and financial gearing should at all times reflect the Group's activities and risk profile and provide adequate freedom of action. The purpose is to protect NKT's creditworthiness, grant flexibility, ensure room for investments or acquisitions and maintain a stable dividend policy.

Four mandates have been issued by the Annual General Meeting:

1. By resolution of the Board of Directors the contributed capital may be increased by issue of shares to a maximum nominal amount of 300 mDKK in the period until 25 March 2015.
2. NKT may purchase a maximum of 25% of NKT's shares for the purpose of adjusting the NKT Group's capital structure should this prove appropriate. This mandate was granted in 2011 and will be re-viewed at the Annual General Meeting in 2016.
3. In the period up to 1 April 2016 warrants may be issued in one or several transactions to a total nominal amount of 12 mDKK (600,000 shares) of 20 DKK each to the employees and Executive Management Board of the NKT Group.
4. In the period until 29 March 2017 loans may be raised against bonds or debt instruments in one or several transactions with a right for the lender to convert his claim to shares of a maximum nominal amount of 44 mDKK of 20 DKK each (2.2 million new shares, equal to just under 10% of the share capital).

1.3. General Meeting

1.3.1. The Committee recommends that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.

NKT's Articles of Association specify the period of notice that must be given when convening Annual General Meetings.

The date of the next Annual General Meeting, which must be held before the end of April, is published in the interim report Q3 (in November the previous year) and in a special company announcement issued before the year end.

Annual General Meetings are convened by the Board of Directors not earlier than five weeks and not later than three weeks prior to the meeting by announcement in the Danish Business Authority's IT system, publication at www.nkt.dk/uk, and by written notification to all registered shareholders who have so requested.

The Articles of Association also establish the date by which shareholders may submit proposals for discussion at the Annual General Meeting. This date is explicitly mentioned in the company announcement which gives details of the financial calendar.

NKT published the deadline for receipt of resolutions for the 2013 Annual General Meeting in company announcement No. 21 of 26 November 2012.

Recommendations for proposals at the Annual General Meeting may be submitted in writing by any shareholder, but must be submitted to the NKT Board of Directors no later than four weeks prior to the Annual General Meeting. A proposal submitted to the Board of Directors later than four weeks prior to the Annual General Meeting may be included in the agenda if the Board considers that the request has been presented in sufficiently good time for such inclusion to take place.

Shareholders who were registered shareholders at least one month prior to the Annual General Meeting and who have so requested, receive a personal invitation to the meeting together with the full agenda and a proxy form that enables voting on each item. Shareholders may request receipt of the material by email or by letter.

Together with the material the shareholders receive details of the qualifications of members of the Board of Directors (the supreme governing body) standing for election to that body at the general meeting.

Non-registered shareholders are notified of the Annual General Meetings by its announcement in a national newspaper.

The following is announced at www.nkt.dk/uk three weeks before the holding of the Annual General Meeting:

- The notice convening the meeting
- The total share capital and voting rights at the date of the notice convening the meeting
- The documents to be presented at the Annual General Meeting. In the case of Annual General Meetings these documents include the audited Annual Report containing annual and consolidated financial statements, management's statement, auditor's report, and commentaries
- The agenda together with full proposals
- The necessary forms for voting by proxy and voting by letter, unless such forms are sent directly to the shareholders. If for technical reasons these forms cannot be made available on the internet, the company's website will advise how they may be obtained in paper form. In such cases the company will send the forms to any shareholder who requests them.

Prior to the Annual General Meeting, shareholders can register for the meeting electronically and issue proxies. This can be done via the NKT InvestorPortal, always available at www.nkt.dk/uk.

The Annual General Meeting is transmitted via www.nkt.dk/uk in Danish and translated into English. Films, presentations, etc. are also translated into English. Listening devices are also available for the hearing impaired, and NKT strives always to provide good facilities for the disabled.

1.3.2. The Committee recommends that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or partly or entirely as an electronic general meeting.

The central governing body, the Board of Directors, determines at an annual Board meeting how next year's Annual General Meeting will be held. The meeting has hitherto been conducted by physical attendance.

Recommendation

NKT complies/does not comply with the recommendations due to the following reasons

1.3.3 The Committee recommends that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.

The proxy form allows shareholders to consider each individual item on the agenda.

1.3.4. The Committee recommends that all members of the supreme governing body and the executive board be present at the general meeting.

It is intended that the general meeting should be attended by all members of the Group Management. The meeting in 2012 was attended by all.

1.4. Takeover bids

1.4.1. The Committee recommends that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do 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.

NKT has prepared a Takeover Procedure setting out the tasks of NKT management if a public takeover bid is received - or if continuous acquisition of shares is followed by such a bid.

In such cases the Board of Directors will establish a Takeover team to administer the issue in respect of the Danish FSA, shareholders, employees, the press and financial analysts. The team will also handle relations with the bidder(s) and the question of alternatives to the concrete bid.

The Takeover team will prepare a statement on the situation and keep the Board of Directors advised of all essentials relating to the bid process. The precise content of NKT's Takeover Procedure is available solely to the Group Management.

1.4.2. The Committee recommends that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.

On receiving a public takeover bid, NKT will comply with the provisions of the Danish Securities Trading Act and the Danish Takeover Directive by preparing a statement setting out its stance concerning the bid.

2. THE ROLE OF STAKEHOLDERS AND THEIR IMPORTANCE TO THE COMPANY AND THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY

2.1. The company's policy in relation to its stakeholders

2.1.1. The Committee recommends that the central governing body identify the company's key stakeholders and their main interests in relation to the company.

As an industrial conglomerate with a global presence NKT has stakeholders with diverse interests. These stakeholders include employees, shareholders, customers, suppliers, business partners and the communities where business is conducted. NKT wishes to be a credible, open, qualified and quality-minded business partner, and this is the point of departure for all NKT's policies, which define the company's most important stakeholders within each area.

2.1.2. The Committee recommends that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.

All policies applicable in relation to NKT's diverse stakeholders - including an Investor Relations policy and a communication policy - can be found at www.nkt.dk/uk. All the policies are regularly revised and updated.

The Board of Directors supervises the day-to-day administration of company operations by the Executive Management Board, and ensures that it is performed responsibly and in accordance with the Articles of Association and other agreed codes (Corporate Governance), the Danish Companies Act and other legislation whose provisions are relevant to NKT. Follow-up routines have been established for policies relating to financial issues.

2.2. Corporate Social Responsibility

2.2.1. The Committee recommends that the central governing body adopt a policy on corporate social responsibility.

NKT's activities in the area of Corporate Social Responsibility are based on a set of ethical guidelines drawn up in 2009. These guidelines express the company's commitment to promoting ethical standards, compliance and accountability within the NKT Group. NKT demands and expects all persons acting on behalf of the company to conform to these guidelines. In 2011 the ethical guidelines were updated. They are published at www.nkt.dk/uk.

NKT is convinced that focus on human and labour rights, anti-corruption and environmental protection will contribute to a more sustainable business environment to the benefit of both the company and its stakeholders.

As a global corporate citizen NKT is therefore signatory to the UN Global Compact and reports once a year on the progress. The reports submitted can be viewed at the company website and at www.unglobalcompact.org.

3. 3. OPENNESS AND TRANSPARENCY

3.1. 3.1. Disclosure of information to the market

3.1.1. The Committee recommends that the central governing body adopt a communication strategy.

NKT has a communication policy which determines the communication process between NKT and the community and between NKT Holding and NKT's business units.

This policy is regularly updated and can be viewed at www.nkt.dk/uk together with other policies governing NKT's external communication. As a listed company, NKT is subject to and regulated by the disclosure obligations applying to issuers of shares.

3.1.2. The Committee recommends that information from the company to the market be published in both Danish and English.

As a general principle, all information relating to the company is published in English and Danish. www.nkt.dk is therefore a dual-language website, and company, press and investor announcements are similarly formulated in both languages.

3.1.3. The Committee recommends that the company publish quarterly reports.

NKT publishes interim reports which are available at www.nkt.dk/uk in English and Danish.

4. THE TASKS AND RESPONSIBILITIES OF THE SUPREME AND THE CENTRAL GOVERNING BODIES

4.1. Overall tasks and responsibilities

4.1.1. The Committee recommends that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.

In accordance with the rules of procedure for the NKT Board of Directors the company's strategy is discussed on an ongoing basis and at least once a year.

4.1.2. The Committee recommends that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.

In accordance with the rules of procedure for the NKT Board of Directors, the company's situation is continuously assessed in order to ensure that the necessary qualifications and financial resources are in place to enable strategic goals to be achieved.

4.1.3. The Committee recommends that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.

In accordance with the rules of procedure for the NKT Board of Directors, and the terms of reference for the NKT Audit Committee, the company's situation is assessed on a continuous basis to ensure that essential tasks relating to the financial and managerial control of the company are carried out, including how to supervise the work of the Executive Management Board.

4.1.4. It is recommended that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.

4.1.4. Competences - including diversity - at the management levels in the NKT Group are discussed on an ongoing basis and at least once a year.

It is the aim of the Board of Directors to ensure a diverse composition of management, and as an element in this also to ensure a composition which represents a broad global cultural background and a balanced, broad age profile.

In search and nomination of candidates for a leading position the job description and field of candidates must satisfy any need for diversity as a part of the overall competence needs.

As a consequence of the Group's ambition of increased geographical presence in the individual business units, in the years ahead focus will be directed towards ensuring a broad global cultural background in the upper levels of management.

An action plan for achieving the objective and a description of the progress made can be found at www.nkt.dk/uk.

4.2. Procedures

4.2.1. The Committee recommends that the supreme governing body review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.

The rules of procedure for the NKT Board of Directors are reviewed annually to ensure they meet the company's needs. The rules of procedure contain guidelines relating to a number of the issues contained in the corporate governance recommendations. A list has been prepared of the subjects to be discussed regularly by the Board of Directors.

The rules of procedure set out the responsibility, authority, obligations and limitations relating to membership of NKT's Board of Directors. The rules of procedure also describe the special obligations residing in the chairmanship, and define the division of roles between the Board of Directors and the Executive Management Board.

The rules of procedure are accessible solely to the NKT Group Management. The practical performance of the work of both Boards takes place in a dialogue that extends beyond the ordinary Board of Directors' meetings.

4.2.2. The Committee recommends that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies.

The rules of procedure for the Executive Management Board are reviewed once a year.

The practical performance of the work of both Boards takes place in a dialogue that extends beyond the ordinary Board of Directors' meetings.

The rules of procedure for the Executive Management Board determine its reporting procedures in respect of the Board of Directors and for communication generally. Most information is normally reported to the Board of Directors prior to ordinary Board meetings to enable its discussion at these meetings. There is also regular written communication from the Executive Management Board to the Board of Directors. This ensures that the Board of Directors is constantly up to date on matters relating to financial developments and prospects for the NKT companies. There is a tradition at NKT whereby members of the Board of Directors regularly pay a visit to one of the Group companies. During this visit the Board is introduced to the company and its management and provided with a guided tour of the company's facilities. The Board of Directors gains by this means a substantial insight into the conditions under which NKT companies operate.

4.3. The chairman and deputy chairman of the supreme governing body

4.3.1. The Committee recommends that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective sounding board for the chairman.

The NKT Board of Directors has a Deputy Chairman who is able to act in the Chairman's absence and who serves as a sounding board for the Chairman.

Recommendation

NKT complies/does not comply with the recommendations due to the following reasons

4.3.2. The Committee recommends the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.

The rules of procedure for the Board of Directors describe the specific tasks incumbent on the Chairman of the Board in chairing Board meetings and co-ordinating the Board's work. The rules of procedure also describe the powers of the Chairman and the tasks of the Deputy Chairman.

The Chairman identifies the contexts in which the particular knowledge and qualifications of the individual Board members may be used to the company's benefit by means of ongoing dialogue and the Board's assessment process.

4.3.3. The Committee recommends that the chairman of the supreme governing body organise, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.

Prior to each calendar year the Chairman of the Board convenes and chairs a series of meetings scheduled in such a way as to enable as many Board members as possible to be present.

4.3.4. The Committee recommends that, if the board of directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the board of directors and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.

The terms and framework of any involvement by the Chairman will be embodied in the Board of Director's concrete resolution.

5. COMPOSITION AND ORGANISATION OF THE SUPREME GOVERNING BODY

5.1. Composition

5.1.1. The Committee recommends that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.

NKT is a company with wide-ranging ownership and stakeholder interests. In determining the composition of the Board of Directors importance is therefore placed on ensuring that the Board represents a variety of professional qualifications and also includes a solid basis of experience, thereby ensuring that the many needs relating to NKT's operation can be met as effectively as possible.

The qualifications which the Board of Directors considers necessary to perform its functions are listed at www.nkt.dk/uk. The overview was last up-dated in December 2012.

Recommendation

NKT complies/does not comply with the recommendations due to the following reasons

5.1.2. The Committee recommends that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.

It is important that candidates for election to the NKT Board of Directors possess qualifications relevant to NKT as a global industrial player.

The present (2012) Board of Directors therefore comprises people with backgrounds in general management, international business, finance, economics, law, technology, energy industry, social conditions and political administration. The Board members also vary in terms of age, gender, and length of service on the NKT Board. The rules of procedure for the Board of Directors describe a process for the selection and nomination of candidates to the Board. This process is administered by the chairmanship, via the presence in the Nomination Committee, and is based on a qualification and profile description approved by the Board. As part of this process, consideration is given to the extent to which it is relevant to involve other stakeholders in establishing this description.

The final nomination of candidates is approved by the entire Board of Directors and then submitted to the Annual General Meeting for approval.

5.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.

A description of the qualifications and other executive functions of the nominated candidates is received by shareholders together with the notice convening the Annual General Meeting.

5.1.4. The Committee recommends that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members.

Details of the age, occupation and educational background of the members of the Board of Directors, as well as the length of their NKT Board membership, other directorships, special skills and NKT share ownership, are published on the website and included as integral part of the company's Annual Report.

5.2. Training of members of the supreme governing body

5.2.1. The Committee recommends that new members joining the supreme governing body be given an introduction to the company.

Newly elected members of the Board of Directors are invited to an introductory meeting at which the Executive Management Board provides a presentation of the NKT Group and relevant topics.

5.2.2. The Committee recommends that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.

The annual self-assessment of the Board of Directors explicitly includes consideration of whether areas exist where the skills and expertise of Board members should be updated.

5.3. Number of members of the supreme governing body

5.3.1. The Committee recommends that the supreme governing body have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.

NKT's Articles of Association provide for a Board of Directors consisting of 5-8 members elected by the general meeting as well as three employee-elected members.

The Board considers that this number allows a constructive debate and an effective decision-making process.

5.3.2. The Committee recommends that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.

As part of the assessment of the Board of Directors, consideration is given to whether the number of Board members should be adjusted to meet new needs.

5.4. The independence of the supreme governing body

5.4.1. In order for the members of the supreme governing body to act independently of special interests, the Committee recommends that at least half of the members elected by the general meeting be independent persons.

More than half the members of the NKT Board of Directors are considered to be independent persons as:

None of the members elected by the general meeting are or have been employed in the NKT Group within the last five years.

None of the Board members are - or have been - members of the NKT Executive Management Board.

None of the Board members are professional consultants for NKT Group companies or are employed or have financial interests in a company that is a professional consultant to the NKT Group.

None of the Board members have material strategic interest in any of the NKT Group's companies, other than in their role as shareholders.

One of the members elected by the general meeting has been a member of the NKT Board for more than 12 years.

Particulars of the occupation, professional background and other directorships of NKT Board members are included in the company's Annual Report along with details of - and changes in their holdings of NKT shares. This information is updated on the NKT website on a continuous basis.

Through NASDAQ OMX Copenhagen NKT discloses details of NKT share transactions reported by NKT Board members. The details are published at www.nkt.dk/uk, and the latest reported shareholdings of Board members are stated in the company's Annual Report along with the comparative shareholdings the previous year.

The independent supreme governing body member may not:

- be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company,
- have received significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the supreme governing body,
- represent the interests of a controlling shareholder,
- within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company,
- be, or have been within the last three years, an employee or partner of the external audit firm,
- hold cross-memberships of governing bodies,
- have been a member of the supreme governing body for more than 12 years, or
- have close family ties with persons that are not regarded as independent persons.

5.4.2. The Committee recommends that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether new candidates for the supreme governing body are considered independent persons.

The independence of the Board of Directors is described in the presentations given in the Annual Report for the individual Board members. This also applies to the description of new candidates to the Board of Directors published by NKT prior to the Annual General Meeting.

5.5. Members of the supreme governing body elected by the employees

5.5.1. The Committee recommends that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.

The NKT Board of Directors includes three employee-elected members. These members are elected as Group representatives as NKT does not meet the criteria for company-elected representatives. The Group representatives are elected to the Board of Directors based on the number of votes which - relative to the size of the individual company - are available to the union representatives or appointed electors in the Danish Group companies.

The rules relating to employee elections are given at www.nkt.dk/uk under 'About NKT', 'Employee-elected Board members', and the persons elected are presented as part of the entire Board of Directors on the company's website.

5.6. Meeting frequency

5.6.1. The Committee recommends that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.

A minimum of five ordinary meetings of the Board of Directors are held yearly – in connection with financial statements and the Annual General Meeting. In 2012 six meetings were held.

Publication dates for Annual and Interim Reports are notified at www.nkt.dk/uk when the reports have been discussed and approved by the Board of Directors.

5.7. Expected time commitment and the number of other executive functions

5.7.1. The Committee recommends that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way for the company.

The scope of the functions undertaken by the present members of the Board of Directors in other companies is not considered to conflict with good corporate governance or NKT's interests.

The directorships and other functions of the individual members vary, and none are considered to be so demanding as to adversely affect the work of the NKT Board of Directors. The same applies to the work performed by members of the Board of Directors and Executive Management Board on behalf of organisations.

5.7.2. The Committee recommends that the annual report contain the following information about the members of the supreme governing body:

- the member's occupation,
- the member's other executive functions, e.g. memberships of executive Boards, Boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and
- the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year.

The occupations of the individual members of the Board of Directors and Executive Management Board are stated in the company's Annual Report and on the website along with a description of other directorships/executive functions.

If work performed on behalf of organisations becomes particularly time-consuming, the functions will be listed in the data for the relevant Board member.

The NKT shareholdings of all members of the Board of Directors are also stated. Changes during the course of the year appear in the company's insider trading disclosures to the Stock Exchange. These changes are published on the NKT website and stated in the interim and annual reports. The holding of shares stated in the previous Annual Report is listed next to the present holdings. NKT policies preclude the granting of either share options or share warrants to NKT Board members.

5.8. Retirement age

5.8.1. The Committee recommends that the company's articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.

NKT does not follow this recommendation.

The retirement age for members of the Board of Directors is 67, but members who were elected prior to 26 August 2003 and are re-elected may retire at 70.

On their acceptance of NKT's rules of procedure all Board members undertake to retire from the Board at the first Annual General Meeting after reaching 67 and 70, respectively.

In NKT the retirement age is specified in the rules of procedure. The Board of Directors will propose an amendment to the Articles of Association at the Annual General Meeting 21 March 2013, so that the retirement age is adopted in the Articles. Hereafter the retirement age for members of the Board of Directors is 67 years.

Particulars of members of the NKT Board of Directors are published at www.nkt.dk/uk and in the company's Annual Report.

5.9. Election period

5.9.1. The Committee recommends that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.

The members of the Board of Directors elected by the general meeting are up for re-election every year. There are no limitations on the number of times a Board member may be nominated for re-election.

The employee-elected Board members are elected for a four-year period. The next election is due in spring 2014.

5.9.2. The Committee recommends that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.

The year in which the individual member joined the Board of Directors is stated in the NKT Annual Report and at www.nkt.dk/uk, along with details of whether the member was re-elected and when the current election period expires.

5.10. Board committees

5.10.1. The Committee recommends that the company publish the following information in the management commentary in its annual report or on the company's website:

- the terms of reference for the board committees,
- 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.

Ongoing assessment is made of the need to set up committees. In 2011 three administrative committees worked under the Board of Directors - the Audit Committee, the Nomination Committee and the Remuneration Committee.

The terms of reference for the work of the committees and details of the committee members are stated at www.nkt.dk/uk.

The number of committee meetings held is stated on the website. The committee activities during the year are stated in the company's Annual Report.

The names of committee members, including the chairman, are stated in the Annual Report and on the website, along with the qualifications held by the committee members and details of which members are independent members.

5.10.2. The Committee recommends that a majority of the members of a board committee be independent members.

The members of the NKT Audit Committee are independent members. The Nomination Committee and the Remuneration Committee each consist of two members, one of whom is an independent member, while the Committee Chairman has been a member of the Board of Directors for more than 12 years and therefore cannot be designated an independent member.

5.10.3. The Committee recommends that the supreme governing body establish an actual audit committee.

An Audit Committee was appointed in 2008 and became operative at the Board of Directors' meeting which followed the Annual General Meeting in 2009.

5.10.4. The Committee recommends that the following be taken into account in composing the audit committee:

- the chairman of the supreme governing body should not be chairman of the audit committee, and
- between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit condition of companies whose shares are admitted to trading on a regulated market

The Chairman of the Audit Committee is not identical with the chairman of the supreme governing body. The composition of the Audit Committee is designed to reflect extensive expertise and experience with financial, accounting, audit and other matters relating to listed companies, as well as insight into NKT's business conditions.

5.10.5. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the supreme governing body about:

- significant accounting policies
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook.

The Audit Committee monitors the financial reporting process, including compliance with current legislation, standards and other accounting and disclosure provisions etc. relating to listed companies. The Committee reports to the supreme governing body, the Board of Directors, concerning:

- Significant accounting policies
- Significant accounting estimates
- Related party transactions
- Uncertainties and risk management relating to financial reporting.

5.10.6. The Committee recommends that the audit committee:

- annually consider whether there is a need for an internal audit function, and if so,
- formulate 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.

It is part of the task of the Audit Committee to monitor whether the company's internal control system, internal audit function if any, and risk management systems function effectively. The Audit Committee assesses once a year whether there is a need for internal audit and reports its findings to the Board of Directors.

5.10.7. The Committee recommends that the supreme governing body establish a nomination committee with at least the following preparatory tasks:

- describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies.
- annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes,
- annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body,
- consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and
- identify and recommend to the supreme governing body candidates for the governing bodies.

The Board of Directors established a Nomination Committee in 2010 which began work in 2011.

The Nomination Committee has the following tasks:

- Describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies
- Annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes
- Annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body
- Consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions
- Identify and recommend to the supreme governing body candidates for the governing bodies

The Committee consists of the Chairman and the Deputy Chairman of the Board of Directors. The terms of reference are available on NKT's website.

5.10.8. The Committee recommends that the supreme governing body establish a remuneration committee with at least the following preparatory tasks:

- make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board,
- make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and
- oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is correct, true and sufficient.

The Board of Directors established a Remuneration Committee in 2010 which began work in 2011.

The Remuneration Committee has the following tasks:

- Make proposals for the approval of the supreme governing body prior to approval at the general meeting on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board.
- Make proposals to the supreme governing body on remuneration for members of the supreme governing body and the Executive Management Board, and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The Committee should have information about the total amount of remuneration that members of the supreme governing body and the Executive Management Board receive from other companies in the Group.
- Oversee that the information in the Annual Report on the remuneration of the supreme governing body and the Executive Management Board is correct, true and sufficient.

The Committee consists of the Chairman and the Deputy Chairman of the Board of Directors. The terms of reference are available on NKT's website.

5.10.9. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.

The external advisors to the Executive Management Board are not also external advisers to the Remuneration Committee.

5.11. Evaluation of the performance of the supreme governing body and the executive board

5.11.1. The Committee recommends that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.

There is an annual evaluation, and the Board of Directors regularly assesses whether to use external assistance.

As an appendix to the Board's rules of procedure, a policy has been formulated which describes the process whereby each Board member assesses a questionnaire containing a number of specific questions concerning the:

- Scope and course of the meeting
- Relevance of the items on the agenda
- Quality of the Board's materials and the presentations at the meeting.

The Board meeting allows time for a verbal discussion of the Board's composition (age, gender, nationality, number of members, qualifications), the Board's need for supplementary training, and the interaction between Board members.

The Audit Committee performs an annual self-assessment and the Committee Chairman reports the findings to the Chairman of the Board of Directors.

An assessment of the interaction with the auditor is performed by means of questionnaire completed by the auditor.

5.11.2. The Committee recommends that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.

The Chairman of the Board of Directors is in charge of the assessments and the conclusions are presented and discussed at a Board meeting. The assessment procedure and findings are subsequently described in the Annual Report.

5.11.3. The Committee recommends that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with predefined criteria.

As an extension of the Board of Directors' own assessment, the performance of the Executive Management Board is also assessed. This assessment considers both the interaction between the Board of Directors and the Executive Management Board and the qualifications of the individual members of the Executive Management Board. As an appendix to the rules of procedure for the Board of Directors a policy has been formulated specifying the process by which each member of the Board of Directors assesses a number of specific questions relating to the Executive Management Board.

- Their professional input
- Their personal development
- Their interpersonal skills
- Their results

In addition, the Board of Directors verbally discusses matters relating to the scope, qualifications, interaction and qualifications of the Executive Management Board. The conclusions are subsequently submitted by the Chairman of the Board to the CEO.

5.11.4. The Committee recommends that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the supreme governing body and the chief executive officer and that the outcome of the evaluation be presented to the supreme governing body.

The Board of Directors, in the person of the Chairman, and the Executive Management Board, in the person of the CEO, assess the interaction between both Boards once a year. As an appendix to the rules of procedure of both parties, a policy has been formulated specifying the minimum topics to be covered by the assessment (reporting procedures, structure and quality of materials submitted to the Board of Directors, and possible collaborative initiatives).

6. REMUNERATION OF MEMBERS OF THE GOVERNING BODIES

6.1. Content and form of the remuneration policy

6.1.1. The Committee recommends that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.

A remuneration policy has been formulated specifying the guidelines for determining and approving remuneration for the Chairman, Deputy Chairman and other members of the Board of Directors and for the members of the Executive Management Board.

The Executive Management Board's remuneration is subject to annual review at the Chairman's initiative.

6.1.2. The Committee recommends that the remuneration policy and any changes to the policy be approved by the general meeting of the company.

Resolutions relating to remuneration policy are submitted to the company's general meeting for approval. Changes to this policy will also be submitted to the general meeting.

6.1.3. The Committee recommends that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.

NKT's remuneration policy contains a detailed and exhaustive description of the components of the remuneration for the Board of Directors and the Executive Management Board. The following principles apply regarding the Board of Directors' remuneration:

- The Chairman receives 3x the basic fee
- The Deputy Chairman receives 1.5x the basic fee
- No regulating mechanisms are linked to the basic fee
- The Board of Directors' fees are presented as a separate item on the agenda for the general meeting
- The fees are approved prospectively for a year at a time
- The Board of Directors is not granted share options

As a basic principle the basic fee shall be on a par with the remuneration paid by listed industrial companies in the Copenhagen area to Boards of Directors with a similar profile.

6.1.4. The Committee recommends that the remuneration policy include:

- 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.

NKT uses remuneration of the Board of Directors and remuneration and incentive payment of the Executive Management Board with the purpose of ensuring commonality of interest between Board of Directors, Executive Management Board and shareholders, and with a view to keeping both boards continuously motivated towards achieving the objectives set by the company.

6.1.5. 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 linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,
- there be clarity about performance criteria and measurability for award of variable components, and
- there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.

The NKT remuneration policy contains variable remuneration components in respect of the Executive Management Board's remuneration. Incentive plans for the Executive Management Board may consist of remuneration by way of share options and share warrants, phantom shares and bonus agreements. Hitherto the remuneration has consisted of fixed basic pay, a short-term cash bonus, a long-term share-based incentive scheme, a pension, and other customary non-monetary benefits such as a company car, telephone, etc.

The bonus portion of the incentive pay is an annual payment conditional upon achievement of specified targets.

Bonus may not constitute more than 15% of fixed basic pay.

In addition, the Board of Directors may grant a further extraordinary bonus of up to 100% of fixed pay.

The share-based portion of the incentive pay is comprised of annually granted share warrants initiated by the Board of Directors.

Share warrants are calculated using the Black-Scholes formula. The value may constitute up to 50% of the fixed annual pay, including pension, of the individual Executive Management Board member. The warrants may be exercised not earlier than three years and not later than six years after they have been granted.

6.1.6. The Committee recommends that remuneration of members of the supreme governing body do not include share or warrant programmes.

Members of the supreme governing body are not granted share options.

6.1.7. The Committee recommends that if members of the executive board receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.

There is a share-based incentive programme for the Executive Management Board. The programme is established as a roll-over programme and the criteria relating to allocation, prices, etc. are reported at the time of the annual grant in a special company announcement.

6.1.8. The Committee recommends that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.

NKT does not follow the recommendation. The remuneration policy for the Executive Management Board does not include an entitlement for the company, in exceptional cases, to reclaim in full or in part variable components of remuneration that were paid on the basis of erroneous data.

NKT does not currently have such a clause as the Board of Directors has not found it relevant in relation to the Executive Management Board's remuneration package. Renewed discussion of this issue is expected in i 2013.

6.1.9. The Committee recommends that termination payments should not amount to more than two years' annual remuneration.

NKT has contracted no severance agreements of an unusual nature. The period of notice for the company's CEO is 24 months. Other members of the Executive Management Board are subject to 12 months' notice. Significant changes in the company's ownership structure result in extension of the above notice periods by a further 12 months for a transitional period. No other severance plans exist for the Executive Management Board.

6.2. Disclosure of the remuneration policy

6.2.1. The Committee recommends that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.

NKT's remuneration policy is discussed in Management's review in the Annual Report, published on the company's website, and submitted for approval at the Annual General Meeting.

6.2.2. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.

The remuneration policy relating to both the Board of Directors and the Executive Management Board is covered in the Chairman's statement at the Annual General Meeting.

6.2.3. The Committee recommends that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.

The remuneration granted to each member of the supreme governing body and the Executive Management Board is disclosed in the Annual Report, and the linkage with the remuneration policy is explained.

6.2.4. The Committee recommends that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.

The NKT Annual Report explains how the individual members of the Executive Management Board were remunerated in the relevant calendar year. The salaries disclosed include pension contributions. Remunerations granted to the individual members of the Board of Directors are stated on the NKT website. The company's Board of Directors and Executive Management Board are not offered defined benefit plans.

6.2.5. The Committee recommends that the most important aspects of retention and severance programmes be disclosed in the company's annual report.

There are no severance arrangements other than the periods of notice stated earlier in section 6.1.9. Any special and significant long-term incentive arrangements are disclosed in the Annual Report.

6.2.6. The Committee recommends that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.

Under the company's Articles of Association, the proposed remuneration of the Board of Directors for the current financial year is subject to approval by the general meeting.

7. FINANCIAL REPORTING**7.1. Other relevant information**

7.1.1. The Committee recommends that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.

The company's Annual Report is supplemented by the issue of a profile booklet containing both financial and non-financial information. In 2012, special pages were also established at www.nkt.dk/uk showing extracts of the Annual Report in English and Danish. A number of news stories (so called 'Highlights') are also published each year. These are distributed via NASDAQ OMX as investor news to stakeholders subscribing to this service. In addition there are investor presentations as well as spreadsheets containing financial ratios which are available at www.nkt.dk/uk. NKT also uses videos on topics such as strategy and core values.

7.2. Going concern assumption

7.2.1. The Committee recommends that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.

In accordance with established accounting standards the Board of Directors must decide whether the financial statements can be prepared on a going concern basis. As a foundation for this decision the Audit Committee discusses the position and reports to the Board of Directors. The supreme governing body, the Board of Directors, then assesses whether the financial statements should be prepared on a going concern basis and whether the description of the supporting assumptions in the Annual Report is adequate.

8. RISK MANAGEMENT AND INTERNAL CONTROL

8.1. Identification of risks

8.1.1. The Committee recommends that the central governing body at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.

A description of both the commercial and the financial risks relating to NKT operations is prepared and reviewed on a continuous basis. A summary is published in the company's Annual Report, interim reports, and on the website.

Commercial and financial risks are managed according to the policies formulated by NKT and distributed to all Group companies. The responsibility for overall risk management thus resides with NKT, while the practical administration takes place in a dialogue with the Group's business units. NKT's general policy is to hedge current or potential risks by means of insurance, and to hedge currency and interest changes by means of financial instruments.

8.1.2. The Committee recommends that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions.

The Executive Management Board reports regularly to the Board of Directors on developments in the most important areas of risk and compliance with adopted policies, frameworks, etc., in order to enable the Board of Directors to track the developments and make the necessary decisions.

8.2. Whistleblowing

8.2.1. The Committee recommends that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.

NKT has established a whistleblowing system that covers all business units. Responsibility for the system resides with the Audit Committee. The system enables employees to confidentially report serious or suspected wrongdoing in specifically defined areas.

8.3. Openness about risk management

8.3.1. The Committee recommends that the management commentary in the annual report include information about the company's management of business risks.

The elements of risk that relate to NKT activities are described in both the company's Annual Report and on the website. The description is based on the Group's internal risk management processes. Attention will be drawn to any significant changes occurring during the year.

9. AUDIT

9.1. Contact to auditor

9.1.1. The Committee recommends that the supreme governing body maintain a regular dialogue and exchange of information with the auditor.

The appointed auditor reports to the Board of Directors on a continuous basis concerning the audit performed and the auditor's opinions. The report is in the form of auditors' records relating to audit work during the year, primarily covering business procedures and internal controls, etc. Auditors' records are also prepared for the audit performed on the Annual Report. The auditor's records are presented for inspection at each meeting of the Board of Directors, which discusses any new entries made. The Board members sign the report, thereby signifying that they have read it.

In addition, the auditor attends the meeting of the Board of Directors at which the annual report is approved. If requested by the Board of Directors or the auditor, the auditor also attends other Board meetings.

The auditor attends all meetings of the Audit Committee, and minutes of discussions and opinions arising from the issues considered are sent to the entire Board of Directors with a view to providing the Board with a suitable and fair basis for decision-making.

The auditor talks to the chairmanship on an ad hoc basis.

9.1.2. The Committee recommends that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.

The Audit Committee and the Executive Management Board negotiate an agreement (letter of engagement) for one year at a time with the auditor recommended to the Board of Directors by the Audit Committee and appointed by the general meeting. The basis for the agreement is an assessment of materiality and risk performed by the auditor, and a decision on the part of the Audit Committee and the Executive Management Board on whether additional audit actions (full audit/review/no audit) should be performed for the individual Group companies. In principle, the Group auditors' network firms are used as Group auditors, any exceptions being specified in the Annual Report. The Auditors' fees are disclosed in the Annual Report.

9.1.3. The Committee recommends that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.

The auditor always attends the meeting at which the Board of Directors discusses and approves the Annual Report. At the request of Board or the auditor, the auditor also attends other Board meetings. Moreover the auditor attends the annual general meeting as well as all meetings of the Audit Committee, and meets with the Audit Committee at least once a year without the Executive Management Board.

9.2. Internal audit

9.2.1. The Committee recommends that the supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.

Based on a recommendation from the Audit Committee, the Board of Directors has decided not to establish an internal audit function. The monitoring of the control environment in the NKT Group is chiefly performed by the Finance and IT functions in the respective businesses in the form of controlling. The control environment in the broad sense, including the controller activities, is considered to minimise the value of establishing an internal audit function.