

UN Global Compact

NKT wishes to protect the environment, safeguard human and labour rights, and work against corruption

NKT

NKT Holding A/S, Company Reg. No. 62 72 52 14

Corporate Social Responsibility Report

2016

NKT at a glance

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NKT Group

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BUSINESSES

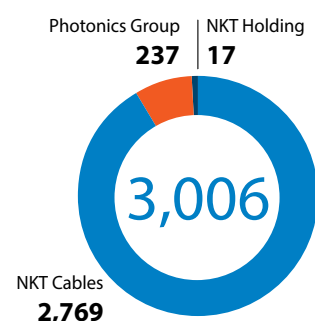


Cable solutions



Hightech products based on optical fibers

NO. OF EMPLOYEES



SUSTAINABLE MEGATRENDS

supporting business strategies



Urbanisation



Sustainable energy supply



Healthcare demand

INTERNATIONAL PRESENCE



Due to the intended split of NKT Holding, Nilfisk is issuing an independent CSR report available at www.nilfisk.com

NKT is signatory to the UN Global Compact and this report provides Communication on Progress (COP) for the period 1 July 2016 to 31 December 2016. The business unit NKT Cables has also been autonomous signatories to the UN Global Compact since 2011.

FINANCIALS

| Amounts in DKK m | NKT Cables | | Photonics Group | |
|--------------------|------------|-------|-----------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | 1,004 | 1,212 | 43.1 | 40.6 |
| Operational EBITDA | 72.2 | 77.0 | 6.3 | 3.7 |



Visit www.nkt.dk to learn more about NKT



Letter from the Group Executive Director

NKT is undergoing a major transformation with the aim of creating a more focused company able to play a leading role in the market for tomorrow's sustainable energy systems. On the journey ahead our commitment to the principles of the UN Global Compact will remain a key pillar. Since adopting this mechanism in 2009, the ten principles have provided a stable framework for the evolution of our business ethics and sustainable business activities. There is a natural link between our responsibility approach and our core business areas, which are all based on offering improved solutions to such key development issues for society as sustainable energy supply, better healthcare and increasing urbanisation.

Much of our CSR activities takes place at business unit level, but the overriding framework based on the policies in our Business Code of Conduct is developed centrally and adjusted to the needs of our individual business units. One of our major achievements of 2016 has been to fundamentally rework our ethics policy to establish a solid foundation for the different businesses. We see this as a natural part of our business heritage as well as a key prerequisite for creating and preserving long-term value for employees, customers, investors and other stakeholders.

In 2016, we registered progress within a range of areas which we address as part of our CSR focus. We intend to continue this drive as an important element in our business strategy. We will do our part to spread these practices to our business partners to advance the competitiveness of the entire value chain and make sure that we jointly become the preferred choice to meet the challenges of tomorrow.

Michael Hedegaard Lyng,
Group Executive Director, NKT Holding

NKT Group review

This report comprises the annual description of NKT's progress in the sphere of corporate social responsibility. It constitutes the company's Communication on Progress under the UN Global Compact as well as the statutory report arising from Article 99a (CSR) and Article 99b (Diversity) of the Danish Financial Statements Act.

The NKT Group has established policies and rules which guide the activities of both the holding company and the business units in pursuit of their respective ambitions and for purposes of legal compliance. This first section outlines activities at Group level, while the activities of the business units are described under the separate sections covering NKT Cables and NKT Photonics later in the report.

Compliance framework

A key initiative in 2016 was the strengthening of the NKT Group's overall compliance framework through the launch of a new Business Code of Conduct based on and replacing the former business ethics policy. The Code describes the fundamental principles and rules governing how we conduct our business and how we conduct ourselves in relation to our vendors, business partners and the general public. The Code was communicated as part of an intensive information campaign that included e-training, videos and brochures.

As one of the pillars of the enforcement system for proper business conduct a whistleblower system has previously been established. In 2016 this system was extended to also include external stakeholders. During 2016 no reports were filed which necessitated significant modifications to existing business procedures.

Diversity

NKT is firmly committed to equality of treatment for all employees regardless of gender, age or nationality. As part of this commitment the constitution of and developments in the workforce are continuously monitored. Particularly where gender is concerned the industry has a track record of low female representation at the highest levels. The company has put into place mechanisms to ensure that, whenever possible, more equal gender representation is promoted without compromising on basic qualifications in terms of professional skills and personal competencies. One of the actions taken during 2016 was to educate - via the Code of Conduct training - the organization of the proper behavior to comply with these principles.

At Board level a target of 17% has been set for the proportion of the under-represented gender among AGM-elected members. This target was achieved for 2016.

CSR governance

In the NKT Group, the overall responsibility for Corporate Social Responsibility (CSR) lies with the Board of Directors, while the targets are set by the individual businesses. To ensure commitment, all targets must be as specific as possible and concrete actions to achieve them must be clearly defined.

Diversity in senior management 2016

| | Senior Man. | Age profile | | | Gender | | No. of nationalities | |
|-------------------------|-------------|-------------|-------|-----|--------|-----|------------------------------------|---------------|
| | Total | <40 | 40-54 | >54 | Women | Men | (The predominant nationality in %) | |
| NKT Board of Directors* | 6 | 0 | 2 | 4 | 1 | 5 | 2 | (Danish 83%) |
| NKT Management** | 1 | 0 | 1 | 0 | 0 | 1 | 1 | (Danish 100%) |
| NKT Cables | 42 | 7 | 34 | 1 | 3 | 39 | 8 | (German 38%) |
| Nilfisk | 45 | 8 | 33 | 4 | 3 | 42 | 20 | (Danish 49%) |
| Photonics Group | 10 | 1 | 7 | 2 | 1 | 9 | 3 | (Danish 60%) |
| Total | 58 | 8 | 43 | 7 | 5 | 53 | 8 | (Danish 41%) |

* Elected at the Annual General Meeting

** Also part of NKT Cables Management

NKT Cables



nkt cables



“NKT Cables is a natural part of tomorrow’s sustainable power supply”

Letter from the CEO

In an increasingly globalised and interconnected world, much depends on electrical power. In 2016 we celebrated the 125th anniversary of the NKT brand and our enduring passion for developing state-of-the-art power cable solutions. This heritage - with all that it embraces in terms of experience, knowhow and innovation - constitutes a solid foundation on which to strengthen our position as a natural part of tomorrow’s sustainable power supply.

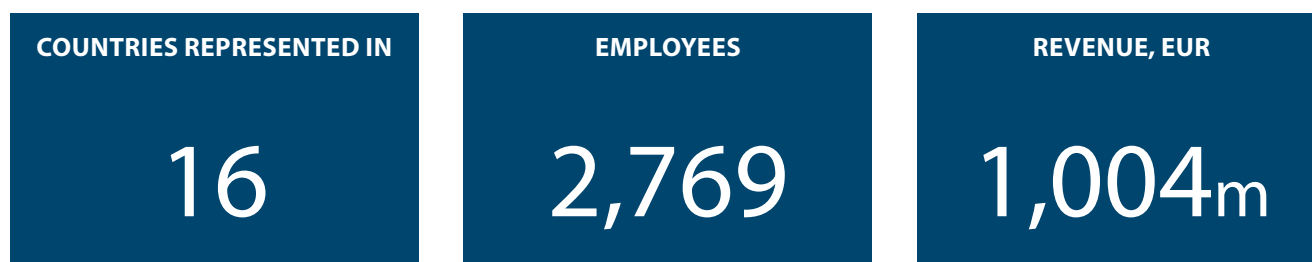
Our commitment to the principles of the UN Global Compact is our basis for expanding the reach and awareness of corporate social responsibility throughout our company and among external stakeholders. We therefore also ask our major suppliers to adopt the UN Global Compact - and we are happy to report a high and growing adherence. Similarly, several customers are asking for UN Global Compact compliance as a prerequisite for participating in tenders, e.g. in the offshore wind industry.

In NKT Cables we aim at excellence in everything we do, as outlined in our EXCELLENCE 2020 business strategy. We are committed to demonstrating responsible and ethical behaviour with high focus on safety. As an active corporate citizen we embrace a principled approach to the way we conduct business around the world. In 2016 we updated our ethical guidelines to create a Business Code of Conduct to make sure that we are aligned with applicable requirements. Also in 2016, we continued to see progress in most of the defined focus areas for improving our sustainability footprint.

Our continued participation in the UN Global Compact strengthens and energises our commitment to working ethically and responsibly while maintaining our business pledge of bringing power to life.

Michael Hedegaard Lyng
President and CEO, NKT Cables

2016 KEY FIGURES

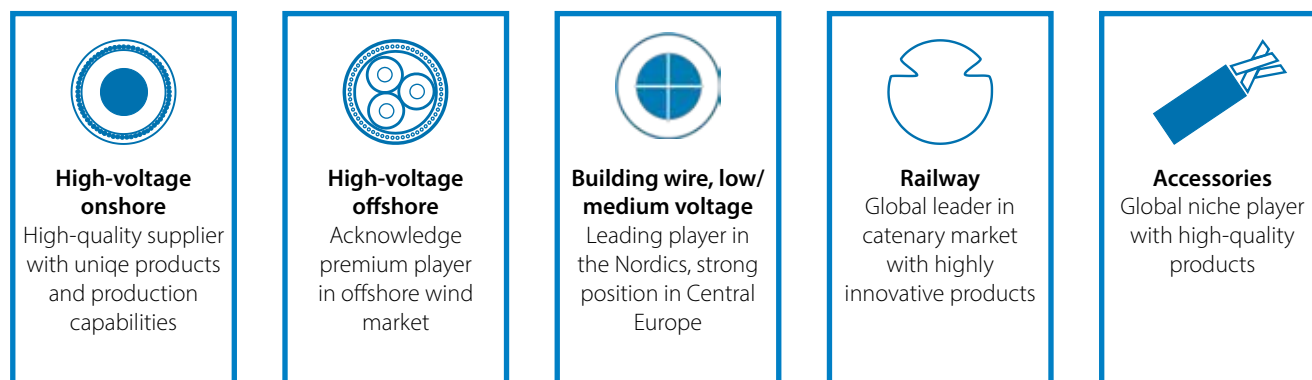


NKT CABLES BUSINESS MODEL

NKT Cables designs, manufactures and markets power cables for low-, medium- and high-voltage solutions. The company is the largest power cable manufacturer in Northern Europe and in the top three across Europe. Founded in Denmark in 1891, NKT Cables is today a strong market presence with a state-of-the-art high-voltage manufacturing facility in Cologne, Germany and a number of plants in other European countries. Altogether, the company is represented in 16 countries and employs 2,769 people. In 2016, total revenue was EUR 1,0bn.

Our mission is by driving excellence to become the best power cable company by 2020 in the eyes of our customers and people. We aim to be the preferred choice of our customers and to create an excellent workplace where the best people build their careers and work with highly skilled colleagues. This ambition is supported by our values focused on safety, commitment, ability to change and determination.

NKT Cables has strong market positions across the portfolio



Compliance

A global mindset based on sound values is key to our continued success. We are committed to responsible and ethical behaviour and have set up the appropriate systems to foster this in the way we conduct business around the world.

In an increasingly complex regulatory environment, ensuring compliance is a fundamental challenge, and in 2016 we updated our compliance approach. The ambition is to identify and abide by applicable laws, regulations and international standards, meet stakeholder expectations and develop a strong compliance mindset throughout the organisation.

BUSINESS CODE OF CONDUCT

In 2016, as a key part of our compliance approach, a Business Code of Conduct was developed and implemented. This mechanism describes the fundamental principles and rules governing the way in which all employees should act, both within the company and in relation to our vendors, business partners and the general public.

The principles set out in the Business Code of Conduct are designed to guide us, help us make the right decisions in internal and business-related actions, and protect us while we are at work.

The Business Code of Conduct is about

- Embodying the essence of how we do business
- Adhering to our values and principles and striving to do the right things/making the right decisions
- Providing a sense of direction and guidance
- Setting standards of behaviour and never doing anything that could be misinterpreted
- Considering how we do things, and how we can do them even better
- Protecting our people, business and reputation

The Business Code of Conduct focuses on the entire value chain - how we conduct business in all parts of our organisation - and includes policies within areas such as business integrity, anti-corruption, environment, energy & climate, fair competition, human & labour rights, information security, product compliance & quality, compliance handling and report misconduct.

During 2016 an extensive communication and implementation package was developed and rolled out to the employees. The CEO explained in a video presentation the importance of correct business conduct and described what the Code means to the individual enterprise. Employees have confirmed their understanding of the Code and training was provided in the form of an e-Learning course culminating in a test.



CSR focus areas

To ensure top-level commitment and local anchoring, the managements of all NKT Cables' entities are obliged to sign a personal Statement of Representation based on the principles of the UN Global Compact. These individual statements are consolidated and signed by the CEO of NKT Cables.

Our policies, actions, goals and plans, reflecting relevant risks and mitigation thereof, are presented in the sections below for: the following topics:

- Environment, energy & climate
- Anti-corruption
- Human & labour rights

ANTI-CORRUPTION

As a company, we are committed to refrain from and to oppose all forms of bribery and corruption. No employees may directly or indirectly offer, give or take money or anything else of value in connection with business dealings in order to obtain an improper advantage.

This is also stated in our anti-corruption policy which has been updated and implemented company-wide in 2016 through training and awareness activities. In line with our updated compliance approach our goals, actions and future plans have been reviewed and revised. The main risks in the NKT Cables business models are evaluated to be in the sales organization but the vast majority of our operations are in countries which are not part of the high-risk regions from a corruption point-of-view.

| Goals and actions 2016 | Outcome |
|--|---|
| Update anti-corruption policy and ensure implementation | An updated anti-corruption policy covering relevant employees has been established as part of our new Business Code of Conduct. An extensive company-wide implementation programme has been conducted and employees have been trained in our overall anti-corruption approach |
| Future plans, goals and actions | Targets 2017 and beyond |
| Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees | All employees who are exposed to corruption risks to be further trained and equipped to handle risk situations |
| Minimise the risk of direct or indirect participation in corruption | Review and update our third-party compliance processes in relation to anti-corruption |

ENVIRONMENT, ENERGY & CLIMATE

NKT Cables is committed to working for a sound environment, including energy and climate, through sustainable business practices. We will strive to reduce the consumption of resources and limit the emission of pollutants from our business activities. .

To secure compliance and optimisation in line with our environmental policy all our production facilities operate to an ISO14001-certified environmental management system. In addition, five locations have a certified energy management system based on ISO 50001. Further development of the energy management system is planned for the years ahead.

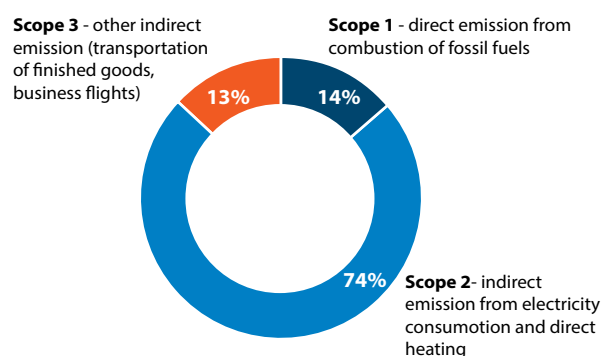
Improving our environmental impact

NKT Cables makes a positive contribution to modern power infrastructure, thereby enabling the shift towards a cleaner and more sustainable energy mix. This is a significant environmental benefit. As with any industrial company, however, there are also negative environmental impacts associated with production and these must be continuously reduced. Identification of principal material effects is carried out according to ISO 14001.

NKT Cables strives to reduce CO₂ emissions as a part of its environmental policy. CO₂ emission is a principal environmental impact area and primarily derives from electricity consumption in the production process and from the combustion of fuel for transport and heating. In 2016, reduced emissions were recorded primarily due to lower levels of factory activity

Water consumption is another focal environmental factor. Water consumption in 2016 amounted to 93,722m³, a reduction of 15% compared to the year before. The primary source of water consumption is the cooling system circuits. A number of

CO₂ emission in 2016



investments and initiatives have had a good effect, especially in our plant in Falun, Sweden, but also the sites in Central Europe has seen a good trend.

Copper is a natural but scarce resource, essential for today's cable production. At NKT Cables the use of copper is optimised mainly through continuous improvement of production processes based on lean manufacturing principles. These initiatives have delivered significant improvements leading to a material utilisation factor of 96.8% in 2016, outperforming the defined goal by 1%-points.

In 2017, focus will continue on further improvements in principal environmental impact areas, namely CO₂ emissions, water consumption and material efficiency. Furthermore, to intensify our efforts to initiate and execute environmental efficiency projects we will establish an Environmental Council consisting of key people from the company.

| Goals and actions 2016 | Outcome |
|---|---|
| Reduce natural gas consumption by 260 MWh (-1%) compared with 2015. | Total natural gas consumption increased by 7%, mainly as a result of adverse winter weather. |
| Reduce power consumption by 500 MWh (-0.4%) compared with 2015. | Total power consumption decreased by 0.5% mainly as a result of local saving initiatives and lower production levels. |
| Increase material utilisation by 0.2%-points annually. | Material utilisation reached 96.8%, an improvement of 1%-points. Important drivers for this was the introduction of LEAN manufacturing techniques as well as waste reduction efforts. |

| Future plans, goals and actions | Targets 2017 |
|--|--------------------------------|
| Improve total energy efficiency in kWh/tonne by 2% compared to 2016. | 597kWh/tonne |
| Reduce water consumption by 2% compared to 2016. | 91,847 m3 |
| Increase material utilisation by 0.2%-points annually. | 97% |
| Establish an Environmental Council to accelerate efficiency efforts. | Operational before 31 December |

THE NKT CABLES RECYCLING CENTER

The NKT Cables recycling center in Stenlille, Denmark is unique in our industry. The facility each year processes tonnes of cables scrap emanating from our own factories as well as from our customers. Amounts have increased steadily over the years, reflecting society's increased focus on re-use of scarce resources.

STENLILLE AT GLANCE

| Amounts in tonnes | 2016 |
|--|--------|
| Total weight of processed cables | 1615,2 |
| Total weight of processed cables (from external customers) | 91,9 |
| Recycled copper | 562,8 |
| Recycled aluminium | 392,7 |
| Recycled PEX | 187,0 |
| Recycled PVC | 84,3 |
| Recycled Halogen-free-flame retardants | 45,1 |

Tonnes
recycled
copper

562,8

Tonnes
recycled
aluminium

392,7



HUMAN & LABOUR RIGHTS

A safe and healthy working environment is a top priority in our company. We respect the integrity of all employees and always strive to treat one another with respect and decency. We respect data privacy regulations and ensure that employees receive adequate job training.

To live up to our policy, appropriate systems and structures have been set up with improvement goals and actions in key areas as outlined below. In the NKT cables business model, one of the key risks to manage relates to our ambition of a high safety level.

Safety first

One of our core values is 'safety first'. We want our employees and contractors to return home safely. Around this principle we continuously build robust management processes, combined with the introduction of uniform, high safety standards. In 2016, a new programme, 'HSE Regulatory Compliance' was implemented.

Just as important as the formal rules and standards is the nurturing of a safety culture characterised by high risk awareness and constant search for hazard elimination. A special programme has been set up for identification and elimination of hazards, resulting in the removal of 9,649 unsafe situations and behaviours over a three-year period. Together with comprehensive efforts from management, this has improved workplace conditions and the safety culture significantly

We have registered substantial progress in reducing work accidents over recent years, but we plan to go even further with view to becoming the best in our industry. Over a three-year period, the number of accidents has declined 28%, including a decrease of 17% in 2016.

Furthermore, to optimise our HSE efforts the relevant organisation has been redesigned and the new setup is expected to be finalised in 2017. The goal is for each site to have at least one specialist fully dedicated to the supervision and improvement of HSE processes.

Engaged and committed people

The performance of our employees is vital for our success and is intimately linked to job satisfaction. As part of our EXCELLENCE 2020 strategy, a significant increase in job satisfaction was therefore defined as a key target and an ambitious goal of reaching a trust index of more than 80% (above industry standards) was set. The last survey, conducted in 2016, showed an improvement from 38% in 2015 to 46% in the year under review. NKT Cables is currently focusing on development initiatives to

strengthen its leadership culture, with more focus on feedback and dialogue in daily management. A dedicated programme will be launched in 2017. The next survey is scheduled for mid-2017.

Reporting according to the UK Modern Slavery act

As stated in our human & labour rights policy it is clear that we do not accept any form of forced labour, including bonded labour, indentured labour, slave labour, or human trafficking. Also we condone the hiring of child labour.

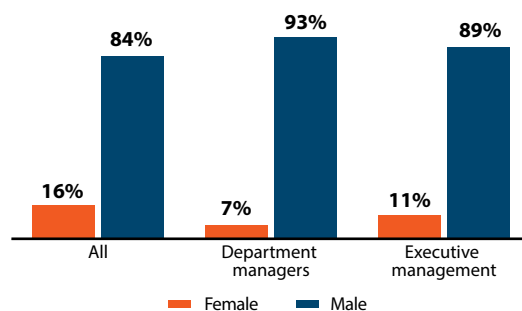
Employees are committed to continuously identifying and mitigating potential violations even though that - due to the countries in which we mainly operate and the nature of our production - the risk of forced labour and child labour is not considered material.

Business partners are expected to comply with the principles set out in our Business Code of Conduct and we conduct relevant due diligences processes in merger and acquisition processes. In 2016, we furthermore extended our whistleblower system to incorporate external stakeholders to increase the efforts to detect any breach of proper business behaviour.

Diversity

NKT Cables is committed through its policies to promoting diversity, and firmly believes that an impartial approach in terms of age, gender, nationality and culture provides the best possibilities for developing competencies and talents in the company. In a traditionally male-dominated industry, the main area for improvement is to achieve a more balanced gender composition at all organisational levels. A key action in 2016 was to communicate these principles clearly to the organization as part of our code of Conduct training.

Gender composition



Our top management level consists of a total of 42 persons comprising 8 nationalities. The age distribution is fairly even but the majority are within the 40-55 age group.



| Goals and actions 2016 | Outcome |
|---|------------|
| Reduce the number of unsafe situations and behaviours by more than 2907 | 2,499 |
| Improve frequency of Lost Time Accidents to < 5.8 accidents per million working hours | 5.8 |
| Reduce number of Lost Time Accidents to < 25 | 29 |
| Reduce number of Accidents without work absence to <80 | 75 |
| Annual increase in employee trust index towards > 80% by 2020 | +8%-points |

| Future plans, goals and actions | Target 2017 + |
|---|---------------|
| Reduce the number of unsafe situations and behaviours | > 2,300 |
| Reduce the Lost Time Accidents Rate by 30% compared with 2016 | 0,77* |
| Reduce the Lost Time Accidents Severity rate by 9% compared with 2016 | 29 |
| Annual improvement in employee trust index to > 80% by 2020 | > 46% |

**corresponding to 4.3 accidents per million working hours*

VENDORS AND BUSINESS PARTNERS

NKT Cables expects its major vendors and business partners acting on behalf of or in co-operation with the company to comply with the principles of the UN Global Compact.

The company regularly tracks the development in supplier adherence and have seen an increase in acceptance of the UN Global Compact, to 90%. We will continue to work for further improvement through continuous dialogue with vendors and business partners.

WHISTLEBLOWER HOTLINE

In 2016 we expanded our whistleblower system to enable unethical behavior also to be reported by external stakeholders. We also made our whistleblower hotline policy a part of the Business Code of Conduct, which among other initiatives, has been implemented via an eLearning course and awareness campaigns supporting the opportunity out speak out..

| Goals and actions 2016 | Outcome |
|---|---------|
| Increase number of suppliers (with procurement value > EUR 50,000) adopting the UN Global Compact principles to more than 90% | 90% |

| Future plans, goals and actions | Target 2017+ |
|---|--------------|
| Increase number of suppliers (with procurement value > EUR 50,000) adopting the UN Global Compact principles. | 95% |



NKT Photonics

“We focus on our primary strength as an innovative, quality supplier within our core businesses”



Letter from the CEO

Products and solutions from NKT Photonics are integrated in a wide range of solutions including applications for better and more efficient use of energy resources such as oil and gas, new and improved equipment for early detection of diseases, and systems that deliver improved human safety and protect high-value assets.

We operate in global businesses characterised by increasing focus on sustainability. The entire supply chain, from the suppliers of our product materials and components to the end-users of our customers' solutions, is geared to delivering environment-friendlier products and to ensuring that these products are manufactured safely and responsibly.

Our products are marketed and sold with a reputation for high quality and they rely upon significant investment and R&D. It is therefore crucially important for our company that the players in our industry compete on fair terms, and we will tolerate no form of bribery or other acts contributing to unfair competition.

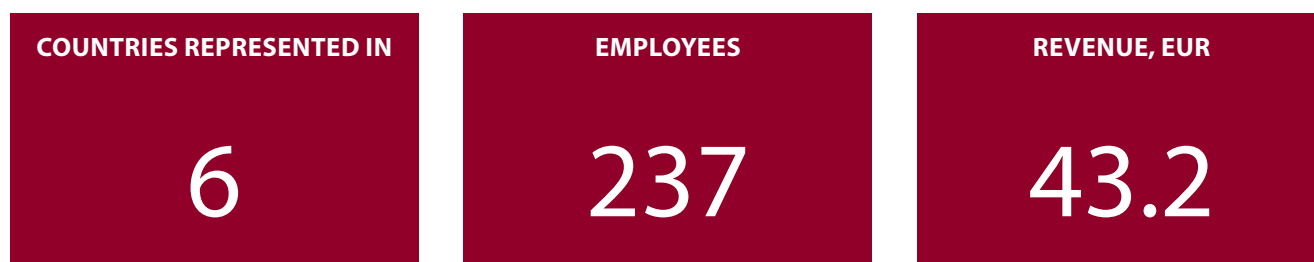
It is vital to our business that we can attract highly committed, top-qualified people and provide them with incentive to do their best. We therefore strive to offer a good, stimulating and challenging work environment with ongoing dialogue on both job- and non job-related development, goals and performance.

We believe that our strong focus on sustainability and our adherence to the principles of the UN Global Compact will support our business opportunities and at the same time contribute to improved living conditions for future generations.

Basil Garabet

President and CEO, NKT Photonics

2016 KEY FIGURES



BUSINESS MODEL

NKT Photonics is a leading supplier of fiber lasers, photonic crystal fibers and distributed temperature systems (DTS). The market consists of a broad spectrum of industries, including life sciences and energy. The company presides over a strong patent portfolio and a high ratio of highly skilled specialists driving technology development and deployment in our field.

NKT Photonics is headquartered in Denmark and has additional manufacturing sites in Germany and the UK. Including our

worldwide sales and service operations the company employed some 237 people at end-2016.

Our business model is based on developing and marketing technology-intensive products in the photonics industry, thereby enabling our customers to improve their offering and gain advantages in terms of energy efficiency, safety or operating costs. We go to market directly as well as through partnerships with OEM customers.

Compliance

We consider a global mindset to be the key to our success. Responsible and ethical conduct is at the heart of all our actions, and as an active corporate citizen we embrace a value-based approach to the way we do business around the world.

Compliance is about behaviour

Developing and fostering relationships with stakeholders is integral to our business philosophy, and we intend to continue in this direction by following the required compliance regulations. We are also experiencing increasing demands from stakeholders who wish to ensure that we conduct our business ethically and responsibly.

Compliance Landscape

In 2016, we approved an updated Compliance Landscape covering the period 2016-2020. The purpose of this mechanism is to ensure compliance with applicable laws, regulations, international standards and stakeholder expectations.

The fundamental baseline is build on a Business Code of Conduct applicable to all employees. Other specific compliance programmes have been identified and will be developed and implemented in NKT Photonics in the years ahead.

Our vision is to establish a strong compliance mindset throughout the company by ensuring that all employees are properly trained.



BUSINESS CODE OF CONDUCT

In 2016, in line with our updated Compliance Landscape, a Business Code of Conduct was developed and implemented. This medium describes the fundamental principles and rules governing the way in which all employees should act both within the company and externally in relation to vendors, business partners and the general public.

The principles set out in the Business Code of Conduct are designed to guide us, help us make the right decisions in internal and business-related actions, and protect us while we are at work.

The Business Code of Conduct is about

- Embodying the essence of how we do business
- Adhering to our values and principles and striving to do the right things/making the right decisions
- Providing a sense of direction and guidance
- Setting standards of behaviour and never doing anything that could be misinterpreted
- Considering how we do things, and how we can do them even better
- Protecting our people, business and reputation

The Business Code of Conduct focuses on the entire value chain - how we conduct business in all parts of our organisation - and includes policies within areas such as business integrity, anti-corruption, environment, energy & climate, fair competition, human & labour rights, information security, product compliance & quality, compliance handling and how to report misconduct. A narrow due diligence and risk assessment process has been conducted to ensure that the content and scope of the Business Code of Conduct Code are correct and relevant for our company.

Training and awareness

During the year an extensive communication and implementation package was developed and rolled out to the company's employees. The CEO explained in a video presentation the importance of correct business conduct and described what the Business Code of Conduct means to NKT Photonics. Various awareness campaigns were held, and the Code was signed by the employees to indicate that it had been read and understood. Employee training was provided in the form of an e-Learning course culminating in a test.

CSR focus areas

To ensure top-level commitment and local anchoring, the managements of all NKT Photonics' entities are obliged to sign a personal Statement of Representation based on the principles of the UN Global Compact. These individual statements are consolidated and signed by the CEO of NKT Photonics.

Our policies, actions, goals and plans are presented in the sections below for the following topics:

- Environment, energy & climate
- Anti-corruption and bribery
- Human & labour rights

ANTI-CORRUPTION

Participating in corruption and bribery is contrary to our business values, and as a company we refrain from such activities.

No employees may directly or indirectly offer, give or accept money or anything else of value in connection with business dealings in order to obtain an improper advantage.

This is clearly stated in our anti-corruption policy which was implemented by company-wide awareness campaigns and training initiatives in 2016.

| Goals and actions 2016 | Outcome |
|--|---|
| Update anti-corruption policy and ensure implementation. | An updated anti-corruption policy covering all employees has been established as part of our new Business Code of Conduct. An extensive company-wide implementation programme has been conducted and employees have been trained in our overall anti-corruption approach. |

| Future Plans, goals and actions | Targets 2017 and beyond |
|---|--|
| Develop and implement an extended anti-corruption programme targeting high-risk business areas/employees. | All employees exposed to corruption risks to be further trained and equipped to handle risk situations |
| Minimise the risk of direct or indirect participation in corruption. | Review and update our third-party compliance processes in relation to anti-corruption. |



ENVIRONMENT, ENERGY & CLIMATE

As stated in our Environment, Energy & Climate Policy we are committed to working for a sound environment through sustainable business practices and we will strive to reduce the consumption of resources. The policy has been implemented company-wide through awareness campaigns and training.

Our product manufacture is associated with a modest environmental footprint and use of relatively small amounts of raw materials. Almost all our products incorporate and use electrical components and are manufactured in compliance with the directive restricting the use of hazardous substances in electronic and electrical equipment (RoHS directive) and similar regulations.

Our operations have very limited impact on the environment compared with conventional industry. Furthermore, our total energy consumption is determined more by our current product mix - e.g. the ratio of high-power lasers to lower-power lasers - than by the energy-saving initiatives which we introduce. It is therefore difficult to establish relevant KPIs for meaningful and consistent, long-term measurement. Accordingly, no such KPIs have been introduced.

HUMAN & LABOUR RIGHTS

We greatly value all our employees and consider them key to our success.

A healthy, safe and secure working environment is fundamental to our continuous growth. We therefore recognise that health, safety and security are an intrinsic part of everyday work routines.

NKT Photonics perceives diversity in the workplace as a key asset. Among other things, we are firmly committed to providing equal opportunity to all our employees.

We do not:

- Tolerate discrimination or harassment based on race, colour, gender, language, religion, ethnicity, political or other opinions, caste, national or social origin, possessions, birthplace, union affiliation, sexual orientation, health, age, disability or other factors
- Accept any form of forced labour, including bonded, indentured and slave labour, or human trafficking
- Condone the hiring of child labour. Persons aged between 15 and 18 are allowed to work if permitted by local laws and if compulsory schooling has been completed. Young persons must not undertake dangerous work that may jeopardise their physical or mental health, nor may they work at night. They must also be given the right training and instruction to perform the relevant job
- Tolerate any other form of harassment. We must protect workers from any acts of physical, verbal, sexual or psychological harassment, abuse or threats in the workplace
- Oppose the rights of employees to form, join or not join a labour union or other organisation of their choice

In 2016 our policy on human & labour rights was fully implemented company-wide.

Reporting according to the UK Modern Slavery act

As stated in our Human & Labour Rights Policy it is clear that we do not accept any form of forced labour, including bonded labour, indentured labour, slave labour, or human trafficking. Also we condone the hiring of child labour.

Employees are committed to continuously identifying and mitigating potential violations even though that - due to the countries in which we mainly operate and the nature of our production - the risk of forced labour and child labour is not considered material.

Business partners are expected to comply with the principles set out in our Business Code of Conduct and we conduct relevant due diligences processes in merger and acquisition processes.

In 2016, we furthermore extended our whistleblower system to incorporate external stakeholders to increase the efforts to detect any breach of proper business behaviour.

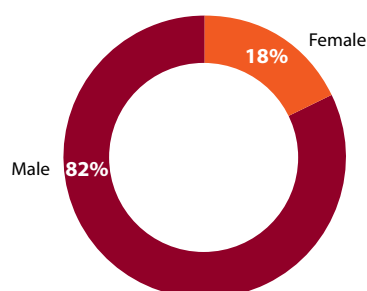
| Goals & and actions 2016 | Outcome |
|--|---|
| Zero accidents causing absences from work. | One such incidental registered in period - an employee stumbled on the stairs and, spraining an ankle. |
| Zero eye injuries caused by work with high-intensity lights recorded to be detected at two-yearly eye tests. | Zero eye injuries were detected. |
| Global employee survey to be conducted annually. Global employee survey to be conducted every year annually. | The 2016 survey has been deferred to 2017 to include the 2016 acquisition of Fianium and ensure immediate and thorough follow-up on any findings. |

| Future plans, goals and actions | Targets 2017+ |
|---|---|
| Further improve employee safety | Zero accidents |
| Maintain high level of safety regarding eye accidents | Zero eye injuries caused by work with high-intensity light to be detected at two-yearly eye tests |
| Global employee survey to be conducted annually. | Conduct employee survey including employees from newly acquired businesses |

Diversity reporting

We encourage diversity in our organisation and believe it enriches our corporate culture as well as our long-term competitiveness. However, we also have a strict policy of recruiting and promoting employees based solely on their capabilities and performance and disregarding other factors. Our industry - especially in R&D departments - typically has a relatively high over-representation of males.

Gender composition



VENDORS & BUSINESS PARTNERS

Our vendor and business partner landscape has changed considerably from previously due to acquisitions and divestments, specifically the sale of Vytran in the US in 2015 and the acquisition of Fianium in the UK in 2016. Progress on our procurement KPI and our plan to inspect suppliers have therefore been disrupted somewhat, cf. the accompanying table of goals and actions for 2016.

WHISTLEBLOWER HOTLINE

In 2016 we expanded our whistleblower system to enable instances of unethical behavior also to be reported by external stakeholders. Our whistleblower hotline policy has also been made a part of our Business Code of Conduct. The Code of Conduct has been implemented by means of awareness campaigns and an e-Learning course. No reports were filed during the period that necessitated material adjustments in business procedures.

| Goals & actions 2016 | Outcome |
|---|--|
| 80% of our procurement (above EUR 50,000 in value) to be supplied by partners who have adopted the UN Global Compact principles. | Procurement was slightly below target at 76% due to disruption by divestments and acquisitions during the year. Achievement of goal deferred to 2017. |
| Develop plan to monitor - by means of inspections - the extent of supplier compliance. | Deferred to 2017 as the intention is now also to include suppliers to Fianium. |
| Formalised and documented risk assessment of business areas and regions in which we are active, plus active follow-up on employees, agents and distributors in high-risk areas. | There is an annual formalised and documented risk management process that includes the risk of violation of our anti-corruption policy in high-risk areas. In addition, follow-up has been performed on employees, agents and distributors. All employees have undergone a documented training programme ending in an exam. |

| Future Plans, goals and actions | Targets 2017 and beyond |
|---|---|
| Ensure that main vendors and business partners firmly and explicitly commit to the principles set out in our Business Code of Conduct | Develop plan to monitor - by inspections - the extent of supplier compliance. |
| Increase supplier commitment to UN Global compact principles | 80% of our procurement (above EUR 50,000 in value) is to be supplied by partners who have adopted the UN Global Compact principles. |

Reporting principles

NKT deploys three key elements for monitoring progress on corporate social responsibility:

1. Relevant Key Performance Indicators (KPIs) have been developed based on our policies, and corresponding data are collected. These data cover - where applicable - parameters such as corruption, occupational injuries, CO₂ emissions, material utilisation, irregularities such as environmental spills and fines, and diversity development in senior management. The business units are responsible for data collection and KPI quality.
2. An annual Statement of Representation on Corporate Social Responsibility, signed by local managers in the business unit, certifying that they are familiar with and actively work to advance the principles of the UN Global Compact.
3. A whistleblower system, maintained by an external provider, which allows all NKT employees as well as external stakeholders to raise concerns about seemingly inappropriate conduct, events or circumstances. Facility exists for reporting in a number of languages.

Reporting methodology

The reporting parameters used in 2016 are largely unchanged from previous reports. Identification and evaluation of environmental impacts have been based on relevant requirements such as ISO 14001.

The reporting period for the CSR report has been aligned with the Group's financial reporting and now follows the calendar year.

Due to the intended split of NKT Holding, Nilfisk is issuing their own CSR report. Figures from Nilfisk have only been included in the Diversity table on page 4.

Data integrity

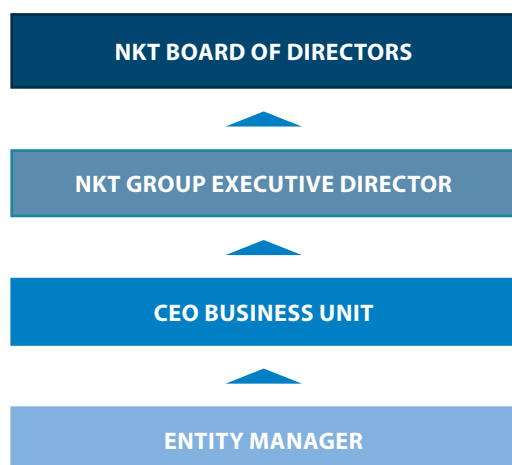
While the majority of data are estimated to be sound, CO₂ emissions data for transport of goods is still subject to some uncertainty.

Calculation of our CO₂ emissions from electricity and heat for 2016 was based on the latest conversion factors from the International Energy Agency's report "CO₂ Emissions from Fuel Combustion, 2016 edition". These indicators reflect differences in the structure of energy production in individual countries in which we operate. Emissions from mobile sources are based on data from the World Resources Institute "GHG Protocol for Mobile Combustion".

Auditing

The present report was not audited by an independent auditor.

Statement of Representation



NKT wishes to ensure that CSR is an integral element in the daily activities of all business units and entities. Each year, all entity managers (around 100) draft and sign a Statement of Representation detailing progress with compliance on all UN Global Compact principles.

Each Statement of Representation is submitted to the CEO of the relevant business unit who signs a Statement of Representation on behalf of the unit as a whole. Ultimately, NKT's Group Executive Director signs a Statement of Representation for the entire Group and the Board of Directors is informed of the conclusions.



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