NKT

Sustainability Report 2020 We connect a greener world

Contents

**United Nations
Global Compact**

This report describes the compliance of NKT A/S with Section 99a (CSR), Section 99b and 107d (Diversity) of the Danish Financial Statements Act in 2020. It also includes the progress made on compliance with the principles of the UN Global Compact. NKT A/S consists of two standalone companies; NKT (power cables) and NKT Photonics (photonics equipment) which have separate sections in this report. All NKT A/S entities are covered by this report unless otherwise stated. See more at page 50.

NKT

As a leading player in the power cable industry, NKT has contiued its sustainability journey to reduce the environmental impact of its products, solutions and operations.
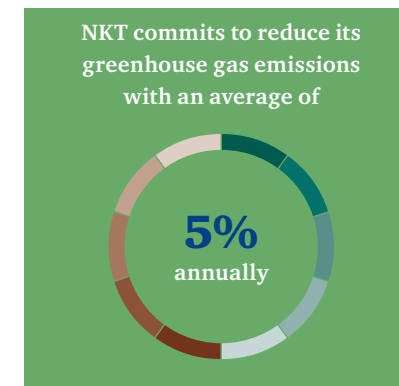
NKT commits to reduce its greenhouse gas emissions with an average of

5% annually

NKT Photonics

Manufactures a wide range of products used in solutions that have a long-term perspective of supporting the transition to renewable energy and improving human health and safety.
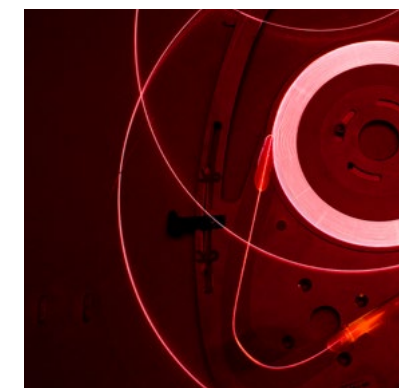
Group

NKT A/S is listed on Nasdaq Copenhagen and consist of the two standalone companies NKT and NKT Photonics.
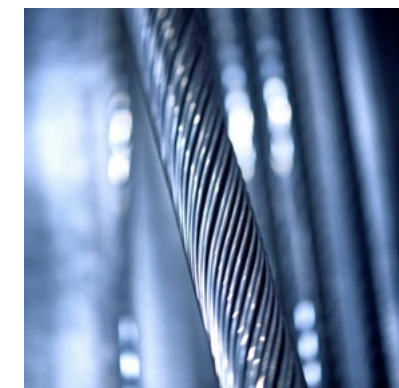
Sustainability in NKT

NKT Victoria is one of the world's most energy efficient cable-laying vessels, and she plays a key part in NKT's ambition to consistently minimize the environmental impact arising from its offshore operations.

Letter of commitment

We connect a greener world

As the world moves towards green energy, we are proud to take center stage. Our power cable technology is key to a future based on clean and renewable energy.

In NKT, we have made it our purpose to connect a greener world by delivering the power cable technology essential for the green transformation. This journey continued in 2020.

As the first major power cable manufacturer we committed to the Science Based Target initiative to become a net-zero emissions company no later than 2050. This commitment further accelerates our sustainability journey and in 2020, we have taken steps to reduce the environmental impact of our operations. Here, a key one was to power all our power cable production with electricity generated from renewable energy leading to a 72% reduction in our greenhouse gas emissions (GHG) from electricity compared to 2019*.

In 2020, we have also continued to connect the power grids of Europe ensuring the infrastructure needed to efficiently exchange renewable energy. Furthermore, we are a key partner in connecting solar farms, on- and offshore wind parks

as well as in upgrading and developing the global power grids. Here, a highlight was our significant order wins for the German corridor projects which are essential to the green transition in Germany.

In a year shaped by the COVID-19 pandemic, our primary focus has been and still is to safeguard the health and safety of our employees. We have instituted a number of initiatives across the organization, while complying with recommendation of the authorities in the markets we operate in. Throughout 2020, we have managed to keep our production running without significant impact.

We promote diversity and equality across our organization, and we are committed to connect a greener world based on responsible and ethical behaviour defined in our Code of Conduct. Furthermore, we conduct our business in accordance with the relevant UN Sustainable Development Goals (SDGs) expressing the most important global challenges.

Alexander Kara
President and CEO, NKT

All power cable factories run on green electricity reducing the corporate greenhouse gas emissions from electricty with

72%

compared to 2019.

"**We are mitigating climate change by reducing the environmental impact from both our supply chain, solutions, products and operations.**"

* Reporting year is October 2019-October 2020.

Sustainability – We connect a greener world

Our power cable technology is essential to the transition to renewable energy and we are committed to mitigate climate change by reducing the environmental impact arising from our operations, products and solutions. In 2020, we have continued the journey to become a net-zero emissions company.

We are primarily contributing to the following Sustainability Development Goals:

We commit to reduce our greenhouse gas emission by an average of

5%
annually
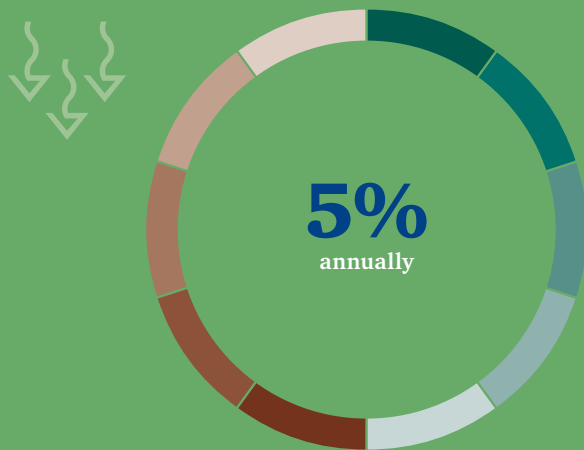
We have signed up for the Science Based Target initiative to become a net-zero emissions company no later than 2050. In 2021, we will define a climate action programme addressing scope 1, 2 and 3 emsissions.

NKT Victoria is one of the world´s most advanced and fuel efficient cable-laying vessels.

The onboard technologies ensure up to

80%

reduction of NOx* emissions compared to similar vessels.

Our Lost Time Injury rate decreased compared to 2019.

0.73

0.41

2019   2020

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WE SUPPORT
UN GLOBAL COMPACT

SILVER
2020
ecovadis
Sustainability Rating

europacable®
Try life without us
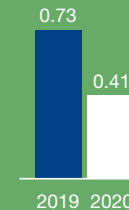
Our Employee Engagement Index increased to

73

from 65 in 2019.

BUSINESS AMBITION FOR 1.5°C

WE MEAN BUSINESS

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

SUSTAINABLE DEVELOPMENT GOALS

* NOx = Nitrogen oxide

Description of Business Model

High-voltage offshore →

High-voltage onshore →

Medium-voltage →

Medium-voltage →

Low-voltage →
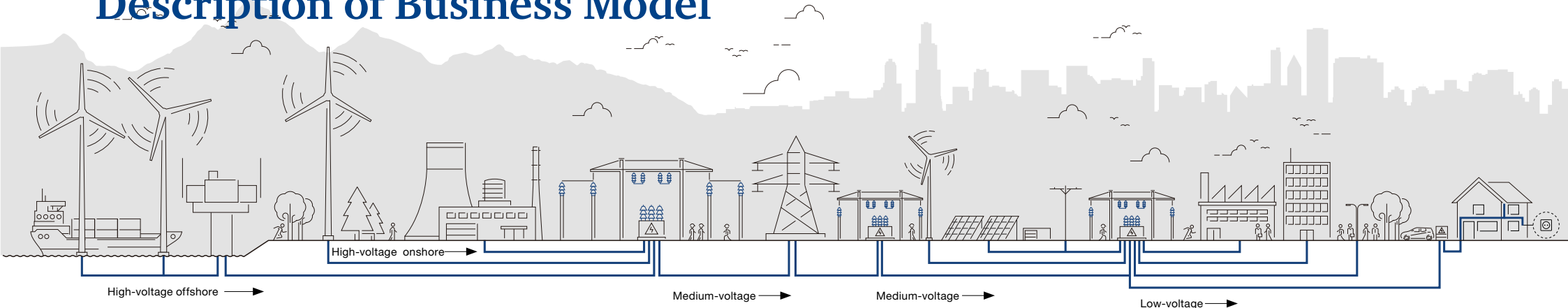
Solutions

Specializes in high-voltage power cable solutions. NKT provides a broad range of solutions for off- and onshore power transmission systems, and supplies both AC and DC power cables. Further, NKT offers complete and customized end-to-end turnkey solutions, including full installation services.

NKT has two high-voltage production facilities in Germany and Sweden. Centrally situated in the north European market, these sites have sea and river access. This enables convenient and efficient logistics for offshore solutions around the world as well as ideal access to onshore opportunities in Europe. These production sites, combined with NKT's installation expertise and dedicated cable-laying vessel, make NKT a leading company in the high-voltage interconnector, offshore wind, and oil & gas segments.

Applications

Offers a broad range of low- and medium-voltage power cable solutions. NKT markets high-quality products that conform to regulatory requirements and high customer expectations and has developed ergonomic solutions that are easy to install. These solutions are important contributors to the ongoing electrification of societies. Telecom power cables are also developed and marketed with a view to addressing future opportunities in the roll-out of 5G mobile networks.

Applications has five main production sites located in the Czech Republic, Denmark, Poland and Sweden. NKT holds strong positions in these markets. Further, NKT is relatively well placed in other European markets, such as Germany and Norway. The proximity of the production sites to the markets are important to ensure fast delivery and cost-efficient solutions.

Service & Accessories

Supplies off- and onshore power cable services and offers a full portfolio of power cable accessories across the medium- and high-voltage categories.

The Service business focuses on servicing high-voltage power cables. These generally require limited maintenance, but unfortunate events will occur due to external damage caused by anchor drag, excavation works, etc. This can lead to power cable failures. To avoid such events and to shorten potential downtime, monitoring solutions and rapid response are in demand. NKT provides these services from teams based in Denmark, Germany and Sweden.

Accessories are critical components in any power cable system. In the high-voltage market, NKT's technological competence is key as only a few suppliers can match the requirements that accessories must deliver. NKT provides market support for accessories from three production sites in Germany and Sweden.

Sustainability governance

NKT recognizes the importance of having clear governance to ensure the corporate integration of sustainability.

Clear governance helps to ensure that decisions are taken at an appropriate level, that sustainability is prioritized and aligned with the business agenda and that the commitment to sustainability is addressed across the organization.

Endorser
- The Board of Directors endorses the sustainability strategy and the sustainability report annually
- Sustainability is part of the agenda quarterly

Approver
- CEO approves the sustainability strategy and sustainability report, oversees performance and progress
- Sustainability is addressed at least once a quarter

Formulator
- GLT and the Sustainability Steering Group decide on the sustainability strategy and its implementation
- Formal meetings at least every quarter

Advisor
- Councils and functions ensure sustainability trends are captured, planned and prioritized. Provide guidance to Sustainability Council and ensure actions from the Sustainability Steering Group and the Sustainability Council are addressed
- Councils have monthly meetings or as needed

Implementer
- Ensures that processes are implemented in the organization, captures ideas and collects performance data
- Meetings as needed

Executive level

Board of Directors

CEO

Group Leadership Team (GLT)

Sustainability Steering Group

Group level

Organization	Group HSE	Group Sustainability

Ethics and Compliance Board	HSE Council	Sustainability Council	Environmental Council

Business level

Business Work Streams – organized according to sustainability priorities
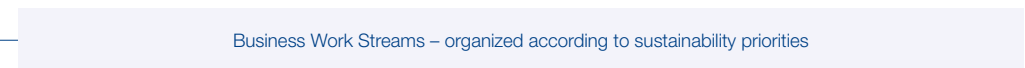
Materiality assessment defining sustainability priorities

The materiality assessment enables the identification and prioritization of social and environmental issues presenting risks and opportunities for NKT and stakeholders.

The assessment furthermore supports the visualization of global changes and trends and their potential effect on the business. It also helps reporting on the issues of greatest importance to relevant stakeholders.

Interactions with stakeholders associated with sustainability related matters are conducted through several channels, utilizing methods such as interviews, surveys and informal dialogues. The feedback collected has been included in this year's materiality assessment and in the general sustainability processes of NKT.

Sustainability aspects are evaluated on the basis of risks, opportunities and trends in relevant industries and in political agendas. Changes in legislation, technology and general developments in the sustainability agenda have also been assessed.

The identified issues and opportunities have been processed in an impact valuation based on the NKT Enterprise Risk Management framework using multiple criteria to identify their significance for relevant stakeholder groups.

Materiality assessment

■ Environment ■ Safety ■ Responsible business ■ Social

Medium materiality, limited disclosure

High materiality, detailed disclosure

Very High materiality, detailed disclosure

Importance to stakeholders

Importance to business

- Incident prevention and response
- Eco-design and innovation
- Climate change
- Compliance to bribery laws
- Labour standards
- Personal safety
- Danger zone protection
- Circularity
- Customer satisfaction
- Water scarcity
- Responsible supply chain
- Human rights
- Product compliance
- Crisis management
- Data management and cybersecurity
- Product quality
- Product safety
- Talent management
- Waste management
- Competition/anit-trust laws
- Diversity and inclusion
- Energy efficiency
- Employee wellbeing
- Corporate governance
- Export controls and sanctions laws
- Competency development
- Biodiversity
- Local community engagement

COVID-19 preventive measures

As the pandemic evolves, NKT monitors the situation closely and implements preventive measures to safeguard the health and safety of employees, partners and to ensure business continuity.

The world has changed dramatically since the COVID-19 pandemic spread globally. Throughout the outbreak, the primary focus of NKT has been to ensure the health and safety of its employees while continuing its operations. This has led to a number of initiatives following the recommendations and requirements from the authorities in the markets, NKT operates. These preventive measures implemented have so far ensured business continuity without significant impact.

NKT has registered 139 confirmed cases in the total workforce of 3,469 employees in 2020. All infected employees have fully recovered.

In 2021, the development of COVID-19 continues to be closely monitored, and the necessary measures are maintained and will be evaluated as the situation develops.

NKT has registered

139

employee cases of COVID-19 in 2020.

Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) define the greatest sustainability challenges globally and provide guidelines for the necessary actions. NKT is committed to conduct business supporting the goals and underlying targets and primarily contributes to:

Very High Impact
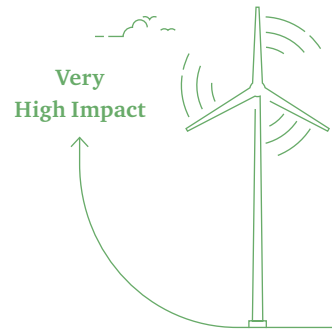
7. Affordable and clean energy
Power cable technology is key in powering modern life and global society with clean and renewable energy. The integration of affordable and clean energy is essential for mitigating climate change and supports most global goals on CO_{2e} reduction. NKT has committed to the Science Based Target initiative to become a net-zero emissions company no later than 2050.

9. Industry, innovation and infrastructure
NKT actively supports the development of the infrastructure needed to bring power to industries, cities and societies. The innovation and expertise of NKT are constantly paving the way for efficient integration of renewable energy. With extensive experience in areas such as high-voltage direct current (HVDC) cable technology, superconducting cable systems and dry-termination technology, NKT is enabling efficient and safe power transmission.

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8. Decent work and economic growth
Safety is a core area for NKT, and work to strengthen the safety culture is constantly ongoing. NKT participates in industry initiatives, operate within international standards, respect and comply with local labour laws, and support freedom of association.

12. Responsible consumption and production
NKT minimizes the environmental impact of its activities and all power cable production sites run on 100% green electricity. NKT has a high utilization, work towards zero waste and increases transparency in minerals used in the supply chain with the Conflict Minerals Reporting Template. All production sites are certified according to ISO 14001, specifying requirements for effective environmental management.

13. Climate action
NKT maintains and builds the infrastructure needed to integrate and distribute the renewable energy mitigating climate change. Part of the company's climate action is to constantly minimize the environmental impact of its operations

High Impact

5. Gender equality
NKT is committed to providing equal opportunities to its employees and will not tolerate discrimination or harassment based on gender race, religion, or any other factor.

14. Life below water
NKT has extensive experience operating in the offshore industry and protects aquatic biodiversity and wildlife when installing and laying power cables. The seabed is safeguarded during trenching and cable burial, safe distance to wildlife is kept during offshore operations and NKT has experience from several operations in high-risk marine environments.

15. Life on land
NKT is preserving the environment and minimizing impact on nature and wildlife when executing onshore operations. Processes are in place to monitor the environmental footprint and mitigate the risks of environmental incidents at installation sites.

16. Peace, Justice and strong institutions
NKT is committed to responsible business practices and refrains from all forms of bribery, fraud or corruption. This is described in the Code of Conduct establishing the fundamental principles and rules of behaviour for all employees. A compliance programme is also in place, including a corporate whistleblower hotline.

Moderate Impact

Target overview

In 2020, progress was made in all defined sustainability focus areas.

	Goals and actions 2020	Outcome	Status	SDG
Responsible business	Develop and implement improved risk assessment process covering all areas within the Ethics & Compliance programme and targeting all key functions within NKT		■	16.6
	Develop new Code of Conduct		■	16.5
Environment	All manufacturing sites to run on green electricity	Transition made at all power cable factories. Process ongoing at factories manufacturing accessories	◪	12.6
	Complete and evaluate pilot project on energy monitoring and set high level implementation plan		■	12.6
	No Environmental Impact Incidents*	4 incidents registered (gas leakages)	☐	12.5
Social	Increase Employee Engagement Index for 2020 (>65)	73	■	8.5
	Implement Safety Culture Ladder level 3 certification		■	8.8
	Full implementation of IA System on all manufacturing sites		■	8.8
	Complete transition from OHSAS 18001 to ISO 45001		■	8.8
	Reduce the Lost Time Injury Rate (≤ 0.50)	0.41	■	8.8
Procurement	Qualify all A and A+ suppliers		■	16.6
	Implement Supplier Relationship Management programme for all A and A+ suppliers		■	16.6

* Discharge or release of hazardous substances into the environment, or negative impact on stakeholders, have occurred. From 2020, NKT includes climate impact incidents in the this definition.

☐ Incomplete   ◪ Partly completed   ■ Completed

Responsible business

Business ethics

Responsible business sets the foundation for global sustainable development and is a key priority for NKT.

Corporate governance within NKT is managed by the Ethics & Compliance Board overseeing the initiatives contained in the Ethics & Compliance programme which is ultimately supervised by the Audit Committee on behalf of the Board of Directors. In 2020, a new Ethics & Compliance strategy was implemented setting the direction for the compliance programme, and the process for internal controls were strengthened.

Ethics and compliance
NKT is committed to promoting ethical behaviour across the company, and ensuring ethical compliance across all segments, markets and entities is fundamental to commercial success.
The approach in this area is continuously improved via a broad-reaching compliance programme. NKT complies with applicable laws, regulations and international standards, and strive to meet stakeholder expectations.

Code of Conduct
The code continues to define the fundamental principles of conduct in NKT in relation to employees, vendors, business partners and the public. It includes policies governing the approach to business responsibility and covers the expectations placed by NKT on its customers and external partners.

Improved risk management
NKT is committed to the management of risks in accordance with good corporate governance and to the application of best practice to internal risk processes.

A risk management framework has been developed in 2020[1].

As shown on page 8, a detailed materiality assessment dedicated to sustainability has been completed.

Anti-bribery and anti-corruption
NKT tolerates no form of bribery or corruption as described in the Code of Conduct and related training and awareness initiatives are regularly provided to all relevant employees. Strict guidelines and requirements governing gifts, entertainment and hospitality are also in place.

Corruption and bribery risks
The exposure in relation to corruption and bribery risks arises principally through interactions with external suppliers and business partners in connection with tenders and business agreements. Initiatives minimizing this exposure are constantly ongoing including targeted training and awareness campaigns. With an enhanced third-party compliance process responsibility and transparency throughout the value chain has increased. During 2020, an improved risk assessment process was developed to help further identify key compliance risks.

Find the NKT Code of Conduct
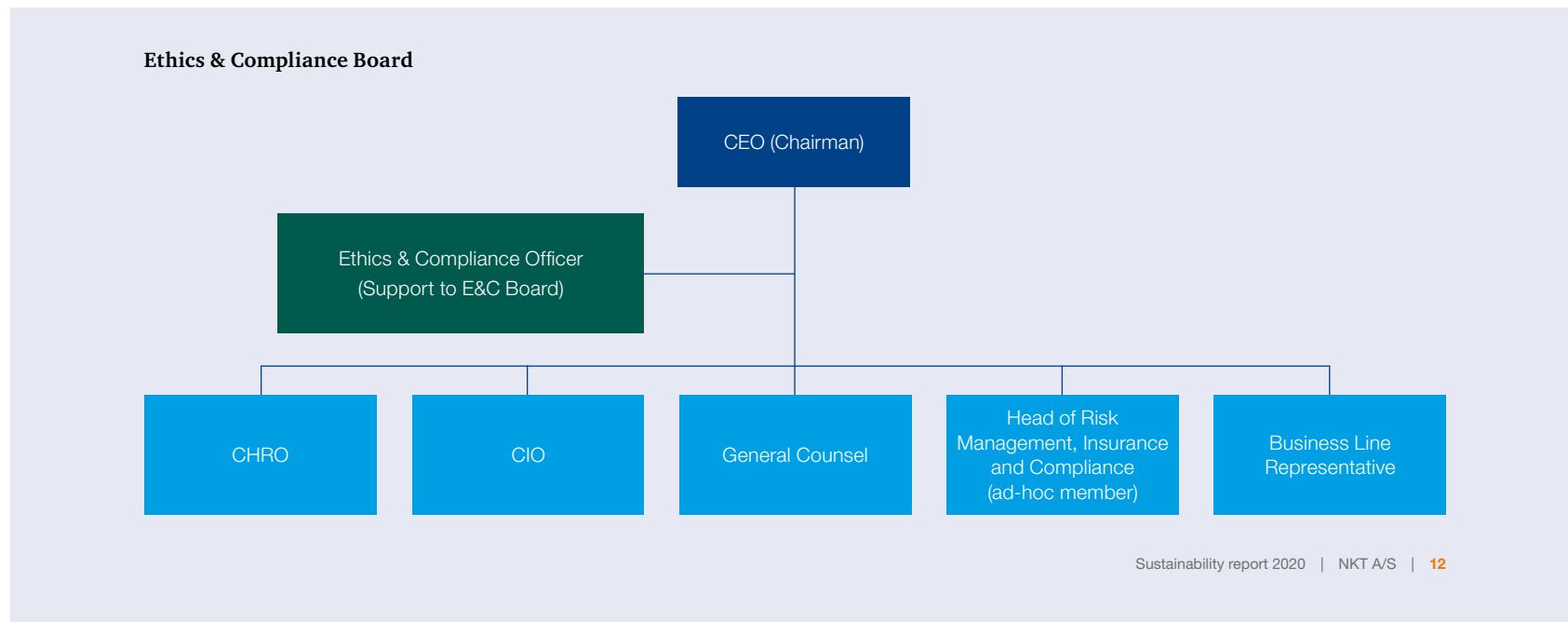
[1] Read more in the NKT Annual Report 2020 on page 40.

Ethics & Compliance Board

CEO (Chairman)

Ethics & Compliance Officer
(Support to E&C Board)

CHRO

CIO

General Counsel

Head of Risk Management, Insurance and Compliance (ad-hoc member)

Business Line Representative

Export controls and sanctions law

As a global company, NKT complies with international and national trade controls, including economic sanctions and export controls. To ensure compliance, NKT operates a robust compliance program according to which all relevant business partners are screened to ensure they are not subject to any applicable sanctions or other relevant restrictions and all business transactions will immediately be terminated if that is the case. While NKT primarily operates in low-risk countries in relation to sanction and trade controls, the area is reviewed on a continuous basis.

Data privacy

NKT remains committed to maintaining strict privacy in respect of all personal information relating to employees and third parties, and the focus will continue in 2021.

Third-party compliance

In 2020, the global due diligence process in respect of agents and distributors were enhanced to strengthen responsibility and transparency in the value chain. The implementation of the process will continue in 2021.

Responsible tax

NKT is a responsible taxpayer which bases its tax reporting on openness and transparency in all aspects of tax-related reporting and compliance in the countries where NKT operates. The business is structured in accordance with the commercial and economic activities and do not operate in tax havens. Tax is paid in the countries where value is created, and NKT aims at benefiting from tax incentives in the countries where the company has substance. NKT is committed to responsible tax through adherence to international double taxation treaties, EU regulations and relevant domestic and OECD guidelines.

Compliance training

Throughout 2020 the level of compliance training across the organization were enhanced, focusing specifically on

→

Governance and compliance are prerequisites for large power cable projects such as NordLink enabling exchange of renewable energy between Norway and Germany.

Great team work across the entire organization led to a high-voltage order backlog of

EUR

3.07 bn

year-end setting a new company record

E-learning module	Completion rate achieved 2020	Target
Business Code of Conduct	91%	90%
Data privacy	75%*	90%
Competition law	96%	90%
Trade sanctions	97%	90%

* The re-certification campaign was launched in October and is still running, thereby impacting the completion rate

91%

was the corporate completion rate of training in the updated Code of Conduct.

Read more in the **Annual Report**

employees working in high risk areas. The training involved both face-to-face sessions and e-learning modules and covered the Code of Conduct, data privacy, competition law, trade sanctions and the corporate whistleblower hotline.

Training in competition law

During 2020, a dedicated focus to strengthen the training and awareness activities relating to anti-trust and competition law was initiated. This was part of the strategic initiatives in the awake of the alleged price-fixing described below, along with an unannounced inspection conducted in 2019 by the authorities at the Polish facility in Warsowice. The inspection arose out of concerns of unfair competition in the market for low- and medium-voltage power cables. NKT cooperated fully with the Polish authorities and the matter was dismissed by the authorities after a short investigation.

In May 2020, the appeal against the fine imposed by the European General Court following investigation into alleged price-fixing on high-voltage power cable projects was partially upheld by the European Court of Justice. The fine and scope of NKT's alleged conduct was reduced. NKT has lodged objections against the judgement which is currently being considered by the European Court of Justice[1].

Whistleblower hotline

NKT takes full responsibility for its actions and is committed to a culture of openness and honesty. Employees and business partners are urged to report any concerns arising from their daily work or the collaboration with NKT.

NKT operates a whistleblower hotline for the use of both employees and external stakeholders to report unethical or alleged unlawful behavior. Awareness of the hotline is raised on an ongoing basis and NKT has a strict policy whereby no employee will suffer retaliation for raising a concern or reporting suspected misconduct in good faith.

The reports received in 2020 primarily related to concerns or allegations about mishandling of confidential information, conflicts of interest, misuse of company funds, and impact of trade restrictions. All relevant cases were investigated thoroughly, and appropriate corrective and disciplinary actions were taken where relevant.

The whistleblower hotline complies with the new EU Whistleblower Protection Directive.[1]

Number of whistleblower reports

- ■ Whistleblower reports
- ■ Reports substantiated
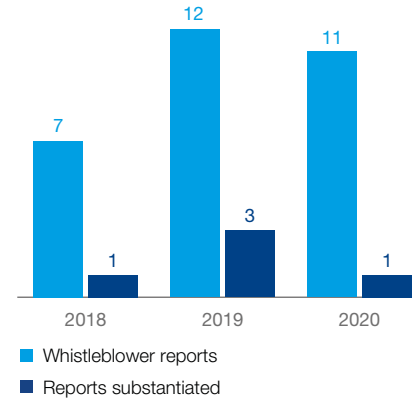
	Goals and actions 2020	Outcome	Status	SDG
Responsible business	Develop and implement an improved risk assessment process covering all areas within the Ethics & Compliance program and targeting all key functions within NKT		■	16.6
	Develop new Code of Conduct		■	16.5

☐ Incomplete ◩ Partly completed ■ Completed

Future plans, goals and actions	Target 2021	SDG's
Increase awareness on anti-bribery and anti-corruption	Achieve 90% completion rate of anti-bribery and anti-corruption e-training	16.5
Strengthen compliance approach for agents and distributors	Implement new agents and distributor compliance instruction	16.5
Strengthen risk assessment	Develop enhanced risk assessment process for ethics and compliance	16.5

[1] EU Directive 2019/1937 of 23 October 2019 on the protection of persons who report breaches of EU law.

Social
People

NKT believes a safe and diverse working environment is fundamental to the continued growth of both the company and its employees.

For NKT, the principal exposure in the area of human and labour rights relates to threats to employee safety in the form of occupational injuries and accidents and to vioaltions in the supply chain.

To mitigate these risks NKT promotes a continous focus on health and safety and an improved, digitized procurement process for vendors and business partners have been established to strengthen supplier assessments in sustainability related areas. While mainly operating in low-risk countries, exposure in relation to forced and child labour is not considered a material risk for NKT, but it is subject to continuous review.

Human and labour rights

As a signatory to the UN Global Compact, NKT is committed to conforming to all aspects of the Universal Declaration of Human Rights. NKT respects and abides by local labour law, and supports freedom of association, and all employees have contracts complying with local laws and regulations.

Conflict minerals

NKT uses the Conflict Minerals Reporting Template (CMRT) provided by the Responsible Minerals Initiative to increase transparency in respect of the smelters and refiners used in the supply chain to ensure the smelters and refiners used are conformant.

Diversity and equality

NKT is committed to promoting diversity and inclusion across the company and firmly believe that a diverse organization provides the best foundation for driving both employee engagement and com-

pany performance. As a first step this comprises a target of 30% female leaders in the Board of Directors[1], the Group Leadership Team and the Extended Leadership Team by 2024.

In 2021, NKT will update the Diversity & Inclusion Policy and develop a dedicated strategy to strengthen the focus on diversity and inclusion through initiatives and programs fostering a diverse and inclusive organization. Planned initiatives include partnerships to locate and attract female talents, increase focus on diversity and inclusion in recruitment and talent processes to ensure a diverse field of candidates and continue to cover the importance of diversity and inclusion in the mandatory leadership development programs.

Gender diversity
Senior leadership

All employees

Diversity in senior leadership*

| | Total | Age Profile | | | Gender | | No. of nationalities |
		<40	40-54	>54	Female	Male	
2020	80**	14	44	22	14 (18%)	66 (82%)	12
2019	53	10	32	11	8 (15%)	45 (85%)	10
2018	58	13	38	7	9 (16%)	49 (84%)	8

* Senior Leadership consists of the Extended Leadership Team, including members of the Group Leadership Team.

** The number of members in the Extended Leadership Team has been increased to strengthen representation from all parts of the business.

[1] Members elected at the Annual General Meeting.

Engaged, committed employees

NKT considers a culture driven by high engagement to be a key enabler, and delivering this is a long-term focus. To track the progress in this regard, an annual survey measured by an Employee Engagement Index is conducted. Here, the company ambition is to have an Employee Engagement Index in the top quartile compared to the global benchmark. The positive index trend recorded in 2019 continued in 2020, with leaders at all levels continuing to initiate actions that foster engagement.

To further strengthen the focus on engagement in the leadership domain, two new programmes were launched in 2020; one for project managers and one for first line leaders in production. Furthermore, a follow-up initiative was implemented to cement the NKT leadership model after completed training.

New pipeline of engineering talents

As a leading company in the power cable industry, NKT has high demands for technical competencies to continue building the necessary infrastructure for the transition to renewable energy. This programme, which will run for 12 months, will operate from the high-voltage engineering centre and manufacturing site in Karlskrona, Sweden.

After completing the programme, the participants are expected to continue in relevant positions throughout the NKT organization.

Community engagement

Across the NKT organization, employees engage and make a difference to their local communities. Some examples of the voluntary community service from 2020 are presented below.

People in the Accessories business line continued their work with local organizations to support children in the local communities. This collaboration, which began in 2017 at the site in Nordenham, Germany, has since widened to include other German and Swedish locations, focuses on giving underprivileged children a merry Christmas in the form of gifts and social activities.

In Alingsås, Sweden, employees helped provide a fun Christmas for 30 families and 116 children through collaboration with the local Lions club. In Berlin and Cologne, Germany, NKT employees are in touch with local help organizations such as Elisabethstift, one of the oldest children's homes in Berlin. In addition to making their annual cash donation, the employees organized an event in which they responded to a 'wish list' submitted by 30 children and young people.

As in 2019, employees in Kaunas, Lithuania, continued their partnership with the local Order of Malta organization which provides financial and other support to elderly, families and children in need. In 2020, employees dedicated their efforts towards helping the children visiting locally run day centres where they can do their homework, play and interact in a safe and supportive environment. To help give the children a foundation for a good education, a variety of school equipment as well as sports and recreational supplies for after-school activities were provided.

In Asnaes, Denmark, the long-term collaboration with the local Red Cross continued to engage people with special needs in meaningful work. The local workforce is converting old wooden cable drums into fashionable furniture being sold locally. The money generated is being spent on special activities in their protected accommodation.

←

Dedicated employees from the Shared Service Center in Kaunas, Lithuania, are getting ready to support local children in need with equipment supporting a life of wellbeing.

Social

Health and safety

The safety of employees, suppliers, customers and partners is paramount to NKT. The corporate safety culture is continuously strengthened by mitigating risks and supporting the necessary behaviour for ongoing improvements.

Throughout 2020, steps were taken at corporate level to continue to build a strong safety culture. A key initiative was the implementation of the centralized IA system[1] at all manufacturing sites. This will strengthen data collection, analysis and reporting on a global scale and enable improvements and risk mitigations within health and safety.

Another central development in 2020 was the transition from OHSAS 18001 to the new Health and Safety Management standard ISO 45001, which will improve processes, help monitor progress and support building a strong safety culture.

With ISO 45001 in place, health and safety will be more extensively integrated into the general processes, driving an overall focus on safety across the NKT organization.

Furthermore, the HV Solutions land-based operations of NKT was accredited according to level 3 of the Safety Culture Ladder certification standard. This helps drive engagement, develop risk awareness and build a safety-focused mindset. The certification standard provides a framework for working safely in various sectors and for promoting a robust safety culture throughout the entire value chain of products and services. In 2021, the Safety Culture Ladder certification standard will be expanded to NKT's HV Solutions offshore operations to further advance the corporate safety culture.

Positive development
Progress from the initiated safety initiatives was reflected in the primary KPI, Lost Time Injury Rate[2] (LTIR), which decreased from 0.73 in 2019 to 0.41 in 2020.

The positive development was primarily driven by focused efforts by the HSE-organization in the form of initiatives to mitigate identified unsafe acts and conditions, implement lessons learned from previous workplace incidents and mobilize local campaigns promoting safe behaviour. The decrease in LTIR can also partly be attributed to the COVID-19 pandemic, which led to extra safety measures, an increase in the general focus on safe behaviour, and to employees periodically working from home.

It has been decided to update the corporate health and safety KPI framework with a view to continued transparency, improved data collection and enhanced monitoring. From 2021, the corporate progress will be measured based on three main KPIs: Lost Time Injury Rate (LTIR), Total Recordable Injury Rate[3] (TRIR), and Lost Work Day Rate[4] (LWDR). All three are normalized over the total number of hours worked, which enables faster identification of trends and helps decrease statistical fluctuation.

Safety Week 2020 in Karlskrona
NKT's corporate Life Saving Principles, CPR procedures and safety on the road were all part of the agenda for the Safety Week 2020, a local initiative at the high-voltage engineering and manufacturing site in Karlskrona, Sweden. The event is a great example of how local initiatives support the corporate focus to constantly strengthen the safety culture. Due to COVID-19 restrictions the safety week was held online. The event will be repeated in 2021 and has the potential to become a company-wide initiative.

↑
Jan Perslof played an active part in the planning and execution of the successful Safety Week in Karlskrona.

[1] Informationssystem om Arbejdsmiljö (Information system for working environment).
[2] The LTIR is defined as the number of Lost Time Injuries, multiplied with 200.000 and divided by the sum of worked hours.
[3] The TRIR is defined as the combined number of Fatal Injuries, Lost Time Injuries, Medical Treatment Injuries and Restricted Work Cases, multiplied with 200.000 and divided by the sum of worked hours.
[4] The LWDR is defined as the sum of lost workdays due to Lost Time Injuries (LTI), multiplied with 200.000 and divided by the sum of worked hours.

Local mental health focus

Psychological and social stressors in the workplace have been identified as a safety risk, especially at predominantly white-collar locations. At the Danish headquarters, the Working Environment Committee is currently executing a three-year action plan on mental health. In 2020, as part of this initiative, the Committee hosted two workshops with an organizational psychologist and stress prevention coach. One workshop was for the Danish organization and one for managers. The workshops were recorded and can be watched on the local intranet.

"These sessions were prominent building blocks in our mental health action plan. They supplement a dedicated Stress Policy, our Mental Health guidance documents and our external support hotline. Due to the pandemic we also had to widen our outreach to homeworking and isolation. We had very high participation rates, showing that our colleagues and leaders treat this as a priority."

Akos Frank, Lead Legal Operations and Working Environment Representative

	Goals and actions 2020	Outcome	Status	SDG
Social	Increase Employee Engagement Index >65	73	■	8.5
	Implement Safety Culture Ladder level 3 certification		■	8.8
	Reduce the Lost Time Injury Rate ≤ 0.50	0.41	■	8.8
	Full implementation of IA System on all manufacturing sites		■	8.8
	Complete transition from OHSAS 18001 to ISO 45001		■	8.8

☐ Incomplete   ◩ Partly completed   ■ Completed

Future plans, goals and actions	Target 2021	SDG
Employee Engagement Index	>73	8.5
Initiate training of HR Business Partners and selected leaders to minimize biases in recruitment processes		5.5
Stabilize the Lost Time Injury Rate	≤ 0.50	8.8
Expand Safety Culture Ladder level 3 certification to HV Solutions offshore operations		8.8
Conduct HSE management training for the top 200 leaders	100% completion rate	8.8

Environment

Becoming a net-zero emissions company

As a central player in the global transition towards renewable energy, NKT is continuously minimizing the environmental impact of its activities.

The sustainability journey of NKT continued through 2020 with several initiatives significantly reducing the corporate carbon footprint. A key step was the commitment to become a net-zero emissions company by 2050. To fully focus on reaching this target NKT committed to the Science Based Target initiative providing a scientifically based method to validate the climate strategy. While the pathway towards net-zero emissions is being validated, the journey continues, and corporate targets have been set to cut greenhouse gas emissions (GHG) with an average of 5% annually.

To take steps reaching this target all power cable factories switched to using electricity based on renewable energy leading to a 72% reduction in GHG emissions from electricity consumption

Climate action programme
NKT is currently developing a climate action program which will address the journey towards reducing fossil dependency in all emissions scopes both related to production and operation (Scope 1 and 2) as well as from the value chain (Scope 3).

The programme will include requirements and goals for all steps of the process.

Decarbonization of supply chain
As NKT is a major player in the power cable industry, an important element of the journey towards net-zero emissions is to decarbonize the supply chain, which accounts for a significant part of the corporate GHG emissions. A supplier engagement programme has been launched to drive the decarbonization process. Close supplier collaboration is considered essential to succeed in driving reduction of supply chain emissions. To initiate this dialogue and assess the level of maturity within the main critical suppliers, 21 strategic suppliers in high-impact areas have been asked to disclose their emissions. All suppliers have committed to the programme, and the focus to build a sustainable supply chain to decrease the corporate Scope 3 emissions will continue in 2021.

Climate impact reductions
The focus on climate and energy efficiency in is directed by the corporate Environmental Council, ensuring a systematic approach to energy efficiency at all factories. To ensure progress in this regard energy performance is closely monitored to enable rapid response to anomalies and provide the necessary data for projects increasing energy efficiency.

Driving energy efficiency
During the year, local initiatives included installing energy meters on machinery at the plant in Warzowice, Poland, which provided increased transparency and overview of energy consumption. In Alingsås, Sweden, an extensive mapping of energy consumption has been completed to identify energy efficiency projects leading to a reduction in energy used for cooling.

Energy programmes at the high-voltage factories in Karlskrona and Cologne have yielded impressive results generating 2,485 MWh in energy savings. The work was performed on various equipment throughout the factories by working with lighting, ventilation and isolation.

Green power cable production
In 2020, all power cable factories switched to using electricity based on renewable energy reducing the GHG emissions with more than 38,000 tonnes of CO_{2e} in a single year from production and the cable-laying vessel NKT Victoria. The change in energy supply is documented by EU Guarantees of Origin, market-based instruments which are certified by an auditor and provide proof that electricity consumption is based on renewable energy for the power cable production in Germany, Denmark, Sweden, Norway, Poland and Czech Republic.

Overview of carbon emission scopes

Kilotonnes (kt)

Upstream (indirect) activities

Scope 2
13 kt

**Purchased heat and electricity
(13 kt)**

Scope 3

**Business travel etc.
(0.500 kt)**

**Transportation and distribution
(240 kt)**

**Purchased goods and services
(17,000 kt)**

NKT direct activities

Scope 1
12 kt

**Emissions produced at NKT sites
(7 kt)**
Forklifts, gas for heating of cable tracks, handling of fluorinated gases, production emissions, company cars etc.

**NKT Victoria
(5 kt)**
Fuel consumption and use of electricity when connected to shore

NKT Services and installations
(currently not included)

Downstream (indirect) activities

Scope 3
20,308kt*

**Transportation and distribution
(7 kt)**

End-of-life: 100% recyclable products and solutions
(Avoided CO_{2e} at end-of-life of power cables produced in 2020 161 kt)

**Employee commuting
(75 kt)**

**3rd party waste recycling
(1 kt**, avoided CO_{2e} emissions **23 kt)**

**Other
(3,000 kt)**

* Previously the data collection regarding Scope 3 emissions have included business travel and logistics. In 2020, an overall evaluation of Scope 3 emissions was made to create a baseline for the corporate climate programme using Quantis Scope 3 Evaluator tool. This will improve future data collection and utilizing supply chain decarbonization as well.

Comparative overview of the carbon emissions trend

Kilotonnes of CO_{2e}	2020	2019	2018
Scope 1	12.1	16.3	14.8
Scope 2*	13.2	47.1	48.2
Scope 3	20,308	8.2**	9.0**
Outside of Scope 1 reporting***	5.9	-	-

*   Market-based method.
** Limited scope: Transport, distribution and business travel.
*** Emissions from the use of renewable fuels.

NKT has committed to reduce its greenhouse gas emissions by an average of

5%

annually.

Reducing fuel consumption

Switching to certified renewable electricity along with additional reduction of fossil fuels have been key drivers in reducing the Scope 1 and 2 emissions by 60% compared to 2019. In 2020, fuel for stationary and non-stationary equipment accounted for 47% of the corporate greenhouse gas emissions (GHG emissions) making reduction in fuel consumption central to the ambition to become a net-zero emissions company. The work to convert processes and

machinery to renewable energy sources has been initiated with a dedicated focus on the transition of the company fleet to electrical/hybrid vehicles (EV). To support this change, electric chargers will be installed at several sites during 2021.

At the high-voltage cable factory in Karlskrona, Sweden, forklifts have been upgraded to run on alternative fuel. This project will be evaluated on an ongoing basis with a view to implementation company-wide.

"We were motivated to do small but important contributions to become more sustainable by reducing the emissions caused by our transportation. Several departments engaged to make the project a reality and it has positive impact on both our work environment, cost efficiency and of course the environment. On top of that our customers were satisfied as they could receive their orders sooner."

Grzegorz Chłopczyk
Warehouse Foreman
Warszowice, Poland

In Poland, a local initiative aimed at optimizing truckloads has produced positive results in the form of reduced fuel consumption as fewer trucks are needed to transport goods. It is currently being investigated to implement the initiative at other sites.

The cable-laying vessel NKT Victoria accounts for a significant part of the corporate fuel consumption, contributing to 19% of the overall Scope 1 and 2 emissions in the reporting period. Accordingly, she has a central role in the ambition to consistently reduce the offshore environmental impact, and is constantly the focus of initiatives to reduce fuel consumption and GHG emissions and to increase onboard energy efficiency. Fuel consumption is significantly lower for NKT Victoria than for equivalent vessels due to a unique combination of technologies, including Azipod propulsion units, energy storage for marine applications, and a specially designed onboard grid. Last but not least, NKT Victoria is also equipped to be powered by electricity when in port significantly reducing her fuel consumption.

Risks

For NKT, the principal environmental exposure relates to the handling and use of chemicals, the consumption of energy arising from manufacture of power cables and accessories, and the consumption of fuel for power cable installations and transport of goods.

To mitigate this exposure, a dedicated QHSE Policy is in place as well as procedures for ensuring compliance with internal guidelines and external regulations. To continuously track and minimize the environmental footprint, NKT has a KPI framework including monthly follow-up procedures for data analysis. During 2020, four gas leakages were detected which were quickly neutralized using established procedures. The Root causes are being investigated so that mitigating actions can be implemented.

Circularity

Journey to zero waste

NKT is committed to eliminating waste, and progress is based on a long-term focus on the reuse and recycling of cable scrap and other materials. In 2020, several local initiatives supporting the zero-waste objective were launched. Teams at all factories are reducing the use of the landfill and current state is that use of landfill constitutes only 4% of the total waste treatment processes of NKT.

When it comes to waste reduction, production processes play an important role and efficient material utilization has been a long-term focus area.

Part of the ambition is to become free of single-use plastics, and in 2021 efforts to realize the ambition will continue across the organization.

Material utilization

Year	Value
2018	96.9%
2019	95.8%
2020	95.5%
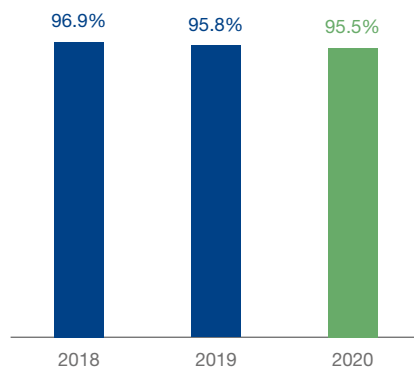
Taking recycling to a new level

In 1960, NKT developed the first methods of recycling cable scrap at the dedicated facility in Stenlille, Denmark. Since then, the methods for recycling power cables have been innovated while reprocessing tonnes of cable scrap every year. The Stenlille facility has now entered a new era with the acquisition by the Norwegian recycling specialist Kabel Metall & Trafo Gjenvinning AS (KMT). It is a transaction which opens a new chapter for the facility itself and further drives the recycling commitment of NKT. The divestment of the facility supports the corporate ambitions to take full product responsibility and contribute to the circular economy by increasing the recycling rate from the power cable production. This will include increasing recycling and reuse of metals and plastics and reducing waste. NKT continues to be a long-term partner at the recycling facility in Stenlille.

← Mechanical recycled XLPE material is now being reused in cable drums by AXJO Plastic.

Innovative XLPE recycling

In 2020, NKT presented the results of an innovative project to develop methods for the mechanical recycling of cross-linked polyethylene (XLPE). In close collaboration with the Swedish research institute RISE IVF, AXJO Plastic and materials specialist Borealis, NKT succeeded in recycling XLPE material, an important step in driving sustainability in the entire life cycle of the product portfolio.

With the successful industrialization of this process, AXJO Plastic is now manufacturing robust cable drums from recycled XLPE with clear benefits; the material costs are significantly reduced compared to new raw materials and approximately two tonnes of CO_{2e} are saved for every tonne of recycled XLPE.

Local recycling initiatives

Cologne, Germany	Asnaes, Denmark	Warszowice, Poland	Kladno, Czech Republic
■ Replacing single-use fabrics for oil-absorption with reusable pads made of high-absorbent textile. ■ Reducing the amount of incineration by reusing yarn from spools in production.	Reusing the plastic top on the Qaddy® - the low voltage accessory - by exchanging a sticker with the new cable type mounted. The task is providing paid work for people with special needs.	Reusing packaging materials from wood pallets and plastic big bags.	Recycling PVC material from production by collecting and reprocessing for reuse in the production process.

← The development of new and more environmental friendly materials is key to become a net-zero emissions company.

Eco-design and innovation

NKT is continuously developing new technologies to enable more efficient, reliable and sustainable power transmission based on environmentally friendly materials. The need for new technology is essential for a low carbon future as the global power grids are constantly expanding, driven by megatrends such as urbanization, decentralization and a growing demand for electricity produced from renewable energy sources.

As a technology leader in the power cable industry, NKT has a long-term strategy to be an key player in developing the next generation of power cables and accessories to deliver the solutions needed to drive the transition to renewable energy.

Superconducting technology

During 2020, NKT began developing the prototype technology for the world's longest superconducting power cable system. This system, which is being developed in close collaboration with five other partners and will be specially designed for the city of Munich, Germany, is a milestone project that will take superconducting technology to a new level. Superconducting power cables have massive potential for creating the infrastructure needed to meet the growing demand for clean energy in large cities as it is extremely compact compared to conventional power cable technology and can be installed with less construction work.

Materials development

In NKT, environmental impact and carbon footprint are core considerations in the development of new products and solutions. A key focus in this development is to design for sustainable manufacturing processes, efficient material usage, long product lifespan and potential for decommissioning and recycling. NKT investigates, develop and test new materials on an ongoing basis with constant focus on minimizing the environmental impact of its products and solutions.

> **"It is rewarding to see how driving sustainability is transforming our business and uniting people across the company. Every day they contribute with new ideas for energy savings, fuel reduction and ways to optimize the daily work to reduce our climate and environmental impacts."**
>
> **Natalia Lykova,** Head of Sustainability

	Goals and actions 2020	Outcome	Status	SDG
Environment	All manufacturing sites to run on green electricity	Transition made at all power cable factories. Process ongoing at factories manufacturing accessories	◪	12.6
	Complete and evaluate pilot project on energy monitoring and set high level implementation plan		■	12.6
	No Environmental Impact Incidents*	4 incidents registered (gas leakages)	☐	12.5

☐ Incomplete   ◪ Partly completed   ■ Completed

Future plans, goals and actions	Target 2021	SDG
Minimize climate impact of production and from NKT Victoria	Reduce CO_{2e} emissions by 5%	12.6
Drive transition to alternative fuel	▪ Create and implement electrical vehicle strategy and install charging stations at relevant sites ▪ Complete and review pilot-project with alternative fueled forklifts	12.6
Prevent Environmental Impact Incidents*	Complete preventive maintenance of cooling equipment and systems at all factories	12.6
Reduce environmental impact	Reduce total amount of waste by 3%	12.5

* Discharge or release of hazardous substances into the environment, or negative impact on stakeholders, have occurred. NKT includes climate impact incidents in the this definition.

Procurement

Responsible supply chain

NKT expects and requires business partners to fully comply with all applicable laws, statutes and international regulations, as well as with the corporate Code of Conduct.

2020 was a year in which NKT prioritized building long-term relations with key partners as a part of our Supplier Relation Management programme. In addition, work began on creating a strong foundation for a sustainable supply chain, notably with a programme to drive decarbonization for the supplier base in high-impact categories.

NKT has a supplier qualification process in place to ensure due diligence and transparency in the supply chain: The process includes confirmation of compliance with the Code of Conduct, including specific elements relating to quality, health, safety, environment and ISO-certifications. During the year, all strategic suppliers were qualified covering up to 80% of annual spend.

Digital procurement processes
In 2019, NKT Market Place, an automated ordering platform which facilitates compliant ordering from approved and qualified vendors, was introduced.

The primary benefits of the platform are optimal operational efficiency and increased transparency as all actions are digitalized. Furthermore, NKT Market Place is linked directly to corporate policies and the Code of Conduct, strengthening the overview of supplier compliance.

NKT Market Place processed more than 5,500 purchase orders in 2020 pertaining to the high-voltage manufacturing sites. In 2021, the implementation continues to the remaining manufacturing sites, targeting 80% automation in ordering when fully implemented in 2022.

NKT Market Place will cover

80%

of all service purchases when fully implemented in 2022.

	Goals and actions 2020	Outcome	Status	SDG
Procurement	All strategic vendors (defined as A+ and A) to be qualified according to process		■	16.6
	Develop and implement Supplier Relationship Management programme covering our strategic vendors (A+ and A)		■	16.6

☐ Incomplete   ◪ Partly completed   ■ Completed

Future plans, goals and actions	Target 2021	SDG
Strengthen focus on supply chain sustainability	Review and update supplier qualification process within quality, environment and health and safety	12.6
Globalization of NKT Market Place	Implementation at remaining manufacturing sites	12.6

NKT
Datasheets

Introduction to the ESG Scorecard

Reporting structure and principles

Scope: NKT uses operational scope for data collection for NKT Cables Group A/S and its subsidiaries.

ESG Data collection and data quality:
NKT continuously strives to improve data quality and increase data transparensy and granularity. This year non-production sites have been included into the carbon reporting.

Reporting period: Q4 2019 - Q3 2020 for all environmental data and full year for Social and Governance data.

New ESG indicators:

- Waste: Hazardous waste split by type of treatment (tonnes).

- Waste: Non- Hazardous waste split by type of treatment (tonnes).

- Aprentices and students (%/number).

- New set of indicators on Customer Satisfaction.

Changes in the business structure affecting ESG performance: New facilities in Sweden and Germany.

Responsible business

Sustainability scorecard and indicators		Unit of measure	2018	2019	2020
Ethics	Whistleblower cases, total	number	7	12	11
	Whistleblower cases concluded as substantiated	number	1	3	1
Ethics Training	Completion rate for anti-bribery and anti-corruption e-learning module	%	-	-	91
	Completion rate for data privacy e-learning module	%	-	-	75*
	Completion rate for competition law compliance e-learning module	%	-	-	96
	Completion rate for trade sanctions e-learning module	%	-	-	97
Supplier due diligence	Supplier due diligence questionnaires	number	10	349	78**
	Supplier due diligence audits	number	30	23	3***
	Supplier audit action plans closing status	%	87	83	0****
Quality	ISO 9001 certification	%	100	100	100
Customer Experience	CX Pro Performance	number	-	-	80
	Satisfaction	number	-	-	83
	NPS	number	-	-	57
	Environmentally responsible	number	-	-	81
Involvement in renewables/ EU Taxonomy	Revenues from green activities	%			50*****

*   The re-certification campaign was launched in October 2020 and is still running, thereby impacting the completion rate.
**   Qualification process updated in 2020 ensuring more in-depth supplier qualifications.
***   Reduced number of audits due to impacts of COVID-19 related travel restrictions.
****   Negative impact of COVID-19, suppliers are still executing on action plans.
***** Projects (services and solutions) that ensure the reduction of environmental impacts to the marine and local environment were also included.

Accounting method and comments

Whistleblower cases: The corporate whistleblower hotline is in place for both internal and external use. All cases are assessed by the Ethics & Compliance Board which also determines whether a case is violating the Code of Conduct or relevant legislation. Only cases that are reported and fully substantiated in the reporting year are included.

Supplier due diligence questionnaires: Total number of assessments conducted in the reporting year.

Supplier due diligence audits: Total number of audits conducted in the reporting year.

Customer satisfaction: Numbers are based on the results of the yearly relationship survey conducted in October 2020. Customers were asked to evaluate different statements on a scale from 1 to 10. All other scores are measured from 0 to 100.

CX Pro Performance: Main customer experience identification, contains 4 dimensions: Satisfaction, value for money, willingness to recommend and excitement.

Satisfaction: Shows the overall customer satisfaction

Net Promoter Score (NPS): Shows the level of customers loyalty.

Environmentally responsible: The view of the customers to which extend NKT is environmentally responsible.

Historical data is not available due to changes in the methodology.

Involvement in green activities: Revenues generated from activities under the EU Taxonomy Regulation. Type of activity; manufacturing of low-carbon technology where cables were manufactured for the renewable sector.

Environment

Sustainability scorecard and indicators		Unit of measure	2018	2019	2020
Energy consumption					
Fuel	**Fuel for transportation of personnel and goods**				
	Non-stationary sources: Diesel and fuel oil	MWh	36,415	36,306	22,997
	Non-stationary sources: Petrol (gasoline)	MWh	108	489	794
	Non-stationary sources: LPG	MWh	-	255	-
	Non-stationary sources: Renewable fuels	MWh	-	-	130
Fuel	**Fuel for own stationary equipment**				
	Non-renewable: Natural gas	MWh	21,615	28,878	25,695
	Stationary equipment: Diesel	MWh	1340	930	613
Electricity	**Electricity and district heating**				
	Electricity	MWh	150,377	142,294	154,333*
Heat/cooling	District heat	MWh	12,607	11,915	11,978
Resource consumption					
Water consumption	Water	m³	106,428	102,508	130,105**
Waste and material utilization	Material utilisation rate	%	96.9	95.8	95.5***
Hazardous waste:	Reuse, recycling and composting	tonnes	-	-	477
	Recovery, including incineration with energy recovery	tonnes	-	-	532
	Landfill and incineration (no energy recovery)	tonnes	-	-	387
Non-hazardous waste:	Reuse, recycling and composting	tonnes	-	-	13,362
	Recovery, including incineration with energy recovery	tonnes	-	-	4,600
	Landfill and incineration (no energy recovery)	tonnes	-	-	412
Total amount of waste per treatment type:	Total material recycling and energy recycling	%	-	-	70
	Total waste recovered (incl. energy)	%	-	-	26
	Total waste to landfill	%	-	-	4****

*   Data impacted by two new sites included and increased production volumes.
** Increase due to added sites and improved data collection.
***   One site excluded from calculation.
**** Two sites excluded from the reporting scope.

Accounting method and comments

Energy consumption: Includes all energy consumptions leading to generation of greenhouse gasses according to Scope 1 emissions from all production facilities including the NKT owned cable-laying vessel. Currently excluded processes; service and installation consumption (mapping in progress).

Electricity and district heat: Include all heat and power purchased for own consumption both for production and non-production sites. Production sites use accounting methods based on financial documentation and non-production sites are estimated based on the use per m².

Material utilization: Calculated based on production volumes as a factor to the scrap generated in relation to the product produced.

Water consumption: Data collected based on invoices received from utility companies, supplemented with site specific measuring methods where applicable.

Waste by type and disposal method: Data on waste is collected based on invoices received from waste recipients, supplemented with site specific measuring methods.

Continues on next page

Environment continued

Sustainability scorecard and indicators		Unit of measure	2018	2019	2020
Greenhouse gas emissions					
Scope 1	Direct emissions from own energy consumption and production process	tonnes CO_{2e}	14,799	16,247	12,053
Scope 2	Emissions and purchased electricity (market based)	tonnes CO_{2e}	48,177	47,138	13,147
	Emissions and purchased electricity (location based)	tonnes CO_{2e}	43,177	42,774	44,385
	Emissions and purchased heat (market based)	tonnes CO_{2e}	247	199	296*
	Emissions and purchased heat (location based)	tonnes CO_{2e}	247	199	296**
Scope 3	Total Scope 3 emissions	kilotonnes CO_{2e}	9.012*	8.220*	20,308***
Other emissions	Emissions related to biofuel usage	tonnes CO_{2e}	-	-	5.9
Relative Targets	Carbon intensity	tonnes CO_{2e}/EUR	0.000044	0.000050	0.000018
	Green electricity, share in cable production facilities (full year)	%	-	-	100****
Incidents and cerfications					
Incidents	Environmental Impact incidents	number	2	1	4*****
Certification	ISO 14001 certification	%	100	100	100

*   Scope prior to 2020 included only production facilities.
**   Scope prior to 2020 included only production facilities.
***   2018 and 2019 included business travel and downstream transport emissions.
****   Verified by Guarantees of Origin.
***** New definition of Environmental Impact Incidents implemented including climate incidents.

Greenhouse gas emissions:
Scope 1: Reporting is conducted based on the Greenhouse Gas Protocol (GHG Protocol) and covers direct NKT emissions included in the scope of reporting. Emissions are calculated based on the emission factors applicable to the type of fuel. Emissions from the biofuels are excluded from the Scope 1 emissions and are reported separately as per GHG Protocol.

Scope 2: Reporting is conducted based on the GHG Protocol and covers indirect greeNhouse gas emissions from the generation of power, heat and steam purchased and consumed by NKT. The calculation is conducted based on the volumes purchased and average emission factors based on the site location. Within the method is based on emission factors. Market based calculation is based on the Guarantees of Origin certification as well as other calculations.

Scope 3: Reporting is based on the GHG Protocol using the Quantis Scope 3 Evaluator tool which divides the scope 3 inventory into 15 subcategories. C5 are calculated based on actual waste data multiplied by relevant emission factors. C6 are calculated based on GHG emissions from airplane travel provided by our travel agent. C9 are calculated based on volumes of residual products, estimated distances transported and relevant GHG emission factors for transportation. The subcategories C10 and C12-C15 are not relevant for NKT operations.

Carbon intensity: Calculated based on the total scope 1 and 2 (market based) of emissions divided by the revenue.

Environmental incidents: Reported based on the HSE reporting principles.

An Environmental Impact Incident is defined as discharge or release of hazardous substances into the environment, or negative impact on stakeholders, have occurred. Discharges or releases that have been decontaminated before causing harm to the environment is not classified as an Environmental Impact Incident but reported as an environmental incident.

Green electricity share: Calculated based on the share of verified green electricity subtracting the entities where non-renewable electricity are used.

⨹ Social

Sustainability Scorecard and Indicators		Unit of measure	2018	2019	2020
People					
Diversity	Diversity in senior leadership*: Age profile (average age)	number	-	48	49
	Diversity in senior leadership: Gender (male/female)	number	49/9	45/8	66/14
	Gender with lowest representation (female)	%	16	15	18
	Diversity in senior leadership: Nationalities	number	8	10	12
	Diversity: male/female	number	2,804/615	2,673/630	2,779/690
	Gender with lowest representation (female)	%	18	19	20
Talent	Apprentices and students	%/number	-	-	0.48/18.7
Engagement	Employee Engagement Index		61	58	73

* Includes the Group Leadership Team (GLT) and the Extended Leadership Team (ELT).

Accounting method and comments

Group Leadership Team: Consists of Executive Vice Presidents, CEO and CFO.

Extended Leadership Team: Consists of Senior Vice Presidents, Vice Presidents and Senior Directors as well as selected subject matter experts.

All employees: All employees by gender represent the gender split of the total workforce of NKT.

Safety

Sustainability scorecard and indicators		Unit of measure	2018	2019	2020
People					
Statisics	Lost Time Injury Rate	per 200 000 hours worked	0.53	0.73	0.41
	Total Recordable Injury Rate	per 200 000 hours worked	-	-	1.20
	Lost Work Day Rate	per 200 000 hours worked	-	21.34	11.66
	Fatal injuries	number	0	0	0
	Reported near misses	number	-	259	532
	Reported unsafe acts and conditions	number	1,620	1,922	2,723
	Implement Safety Culture Ladder level 3 certification	number	-	-	1
	DIN 91020 / OHSAS 18001 certification at all manufacturing sites	%	100	100	
	ISO 45001 certification at all manufacturing sites	%			100

Accounting method and comments

Fatal injuries (FI): A fatality as a consequence of a work-related injury.

Medical Treatment Injury (MTI): A work-related injury that is treated by a paramedic or doctor (either on site or at a medical facility) not resulting in lost time beyond the day of occurrence.

Restricted Work Case (RWC): A work-related injury with the consequences of temporary assignment to more suitable tasks and/or reduction in working hours beyond the day of occurrence.

Lost Time Injury (LTI): A work-related injury with consequences of lost time beyond the day of occurrence.

Lost Time Injury Rate (LTIR): The number of lost-time injuries (LTI) of NKT employees, multiplied with 200.000 and divided by the sum of worked hours.

Total Recordable Injury Rate (TRIR): The combined number of Fatal Injuries, Lost Time Injuries, Medical Treatment Injuries and Restricted Work Cases, multiplied with 200.000 and divided by the sum of worked hours.

Lost Work Day Rate (LWDR:) The sum of lost workdays due to Lost Time Injuries (LTI) multiplied with 200.000 and divided by the sum of worked hours.

Near miss (NM): An incident which did not lead to any injury or illness but had the potential given a slight shift in time or position.

Unsafe acts and conditions: Observed unsafe situations and behaviors that if not corrected can cause harm and could result in injuries, illness, and/or damage to material, property and/or environment.

Sustainability
in NKT Photonics

Letter of commitment

Change through innovation

NKT Photonics manufactures a wide range of products used in solutions that have a long-term perspective of supporting the transition to renewable energy and improving human health and safety.

Examples include cable monitoring systems to extract more power from offshore wind farms, lasers used in manufacturing semiconductors and solar cells, and light sources used in equipment for eye surgery and disease detection.

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

Products from NKT Photonics 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 us that players in our industry compete on fair terms, and we will tolerate no form of bribery or other acts contributing to unfair competition.

As a company at the cutting edge of photonics technology it is vital that we can attract highly committed, top-qualified people and provide them with incentive to do their best. Consequently, we 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

"We are a technological leader in a global industry characterized by increasing focus on sustainability"
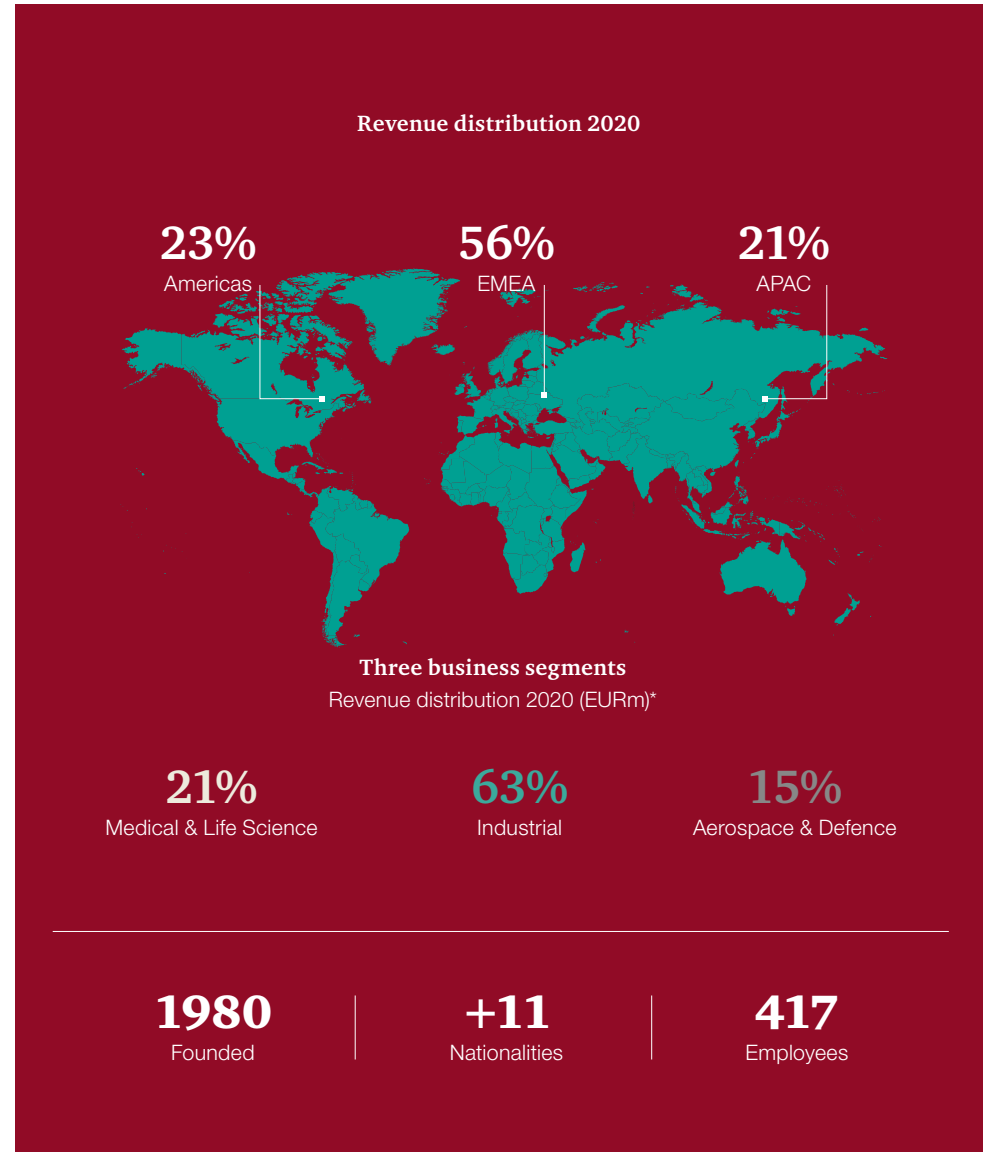
Description of business model

NKT Photonics is a leading supplier of fiber lasers, photonic crystal fibers and distributed temperature systems as well as having a strong foothold in ultrafast lasers.

The company's products are sold into three main markets: Medical & Life Science, Industrial, and Aerospace & Defence. In 2020, the Industrial market was the biggest, accounting for more than 60% of revenue. The company presides over a strong patent portfolio and employs many highly skilled specialists driving technology development and deployment in the field.

NKT Photonics is headquartered in Denmark and has additional manufacturing sites in Germany, Switzerland, UK, US, and Sweden. Including worldwide sales and service operations, NKT Photonics employed approximately 420 people at end-2020.

The company's business model is based on developing and marketing technology-intensive products in the photonics industry that enable customers to improve their offering and gain advantages in terms of energy efficiency, safety, or operating costs. NKT Photonics goes to market both directly and through partnerships with OEM customers.

NKT Photonics primarily contributes to the following UN Sustainable Development Goals :

3 GOOD HEALTH AND WELL-BEING

7 AFFORDABLE AND CLEAN ENERGY

SUSTAINABLE DEVELOPMENT GOALS

Revenue distribution 2020

23% Americas

56% EMEA

21% APAC

Three business segments
Revenue distribution 2020 (EURm)*

21% Medical & Life Science

63% Industrial

15% Aerospace & Defence

1980 Founded

+11 Nationalities

417 Employees

Business ethics

NKT Photonics is an active corporate citizen with a global mindset and is committed to responsible and ethical business conduct.

Developing and fostering long-lasting relationships with stakeholders is integral to the business philosophy of NKT Photonics, and this is achieved through a compliance regime.

Compliance landscape
In 2016, NKT Photonics adopted an updated compliance landscape covering the period to 2020. The vision is to maintain and further develop a strong ethos of compliance within the company, and the purpose of the compliance landscape is to ensure conformance with laws, regulations, international standards and stakeholder expectations. The compliance landscape is anchored in the Business Code of Conduct, which applies to all employees, and representatives of the company.

Developing a strong compliance mindset across the company demands proper training. Accordingly, training in line with the established compliance landscape continued in the organization in 2020.

Business Code of Conduct
The NKT Photonics Business Code of Conduct applies to all employees and defines the fundamental principles governing the behaviour internally as well as externally in relation to vendors, partners, the supply chain and the general public. The principles set out in the Code are designed to guide and ensure the right decisions are taking in all business actions. The Code identifies how business must be conducted across the organization and includes policies relating to business integrity, anti-corruption, environment, fair competition, human and labour rights, information security, product compliance and quality, compliance management, and misconduct reporting.

Training and awareness
As part of an extensive onboarding processes, all new employees in NKT Photonics are introduced to the Business Code of Conduct and trained and tested in its use by means of e-learning courses. A video presentation by the CEO explains the importance of correct business conduct and what the Code of Conduct means to the company. Employees are required to repeat the e-learning course annually and to sign the Code of Conduct to confirm that it has been read and understood.

The focus and emphasis on proper business conduct was maintained in 2020.

Strong focus is placed on minimizing this exposure both internally and externally, and anti-corruption is also an integral part of the corporate training agenda, which also includes the Code of Conduct.

Since 2016, NKT Photonics has extended the availability of the whistleblower hotline to external stakeholders for reporting instances of unethical behaviour.

Sustainability focus areas
To ensure commitment at senior level and support at local level, the managements of all NKT Photonics' entities have signed a Statement of Representation based on the principles of the Business Code of Conduct for the reporting of potential violations. The contents of the individual Statements of Representation are subsequently consolidated and potential actions are taken accordingly. Policies, actions, goals, and plans are presented in the sections below for the following topics:

- Business ethics

- Energy and climate

- People and safety

- Vendors and business partners

Anti-corruption

Participation in corruption and bribery is contrary to the business values of NKT Photonics, and the company refrains from such activities.

The company has a clear anti-corruption policy; no officer, employee, or representative may directly or indirectly offer, give, or accept money or anything else of value as part of business dealings in order to obtain an improper advantage.

Key risks in regard to corruption and bribery are primarily linked to the interaction with external vendors, suppliers, and business partners.

NKT Photonics works to minimize these risks both internally and externally: Anti-corruption is an integral part of the corporate training program covering among others the Business Code of Conduct in which all employees receive appropriate training.

	Goals and actions 2020	Outcome	Status
Governance	Enrol new employees in awareness programme		■
	Provide training for employees exposed to above-average levels of corruption		■

□ Incomplete   ◪ Partly complete   ■ Complete

Future plans, goals and actions for 2021	Target 2021
Strengthen corporate compliance programme	Review the Business Code of Conduct and associated awareness training program
Increase awareness of anti-corruption policy	■ Enrol new employees in awareness programme ■ Provide training for employees exposed to above-average levels of corruption

Energy and climate

NKT Photonics is committed to working for a sound environment through sustainable business practices.

NKT Photonics has implemented an environment, energy and climate policy company-wide through campaigns and training to ensure a high level of awareness throughout the organization.

Product manufacture at NKT Photonics entails little environmental footprint and relatively small amounts of raw materials are used. No material environmental exposure is deemed to exist. The majority of the products are manufactured in compliance with regulations such as the RoHS directive, which restricts the use of hazardous substances in electronic and electrical equipment.

The corporate operations have very limited environmental impact compared with conventional industry. The total energy consumption is also determined more by current product mix – e.g. the ratio of high-power lasers to lower-power lasers – than by the energy economies introduced. It is therefore difficult to define relevant KPIs for consistent and long-term measurement, and no such KPIs have therefore been introduced.

Supporting wind power

As electricity generation becomes more distributed with the increase in renewable energy sources like wind and solar, and as demand becomes more complex, cable operators are facing higher demands for up-time and for sophisticated balancing of grid load.

NKT Photonics produces sensing systems that monitor the power cables used in the energy grid using an optical fiber embedded in the power cable. This enables the system to monitor and predict cable conditions, ensuring more efficient utilization of the power grid, fewer disruptions and enhanced load balancing from the distributed renewable energy sources.

Increasing wind turbine efficiency
Efficiency and reliability of modern wind turbines rely on accurate measurement and prediction of wind speed and direction, so that turbine orientation and blade angle can be continuously adjusted to changing wind conditions. NKT Photonics' Koheras fiber lasers are used in wind LIDAR equipment that is capable of measuring 3D wind speed and direction in real time. These systems are traditionally used to determine the ideal location for new wind farm installations, ensuring optimum placement and high efficiency.

The latest generation of wind LIDAR from NKT Photonics is designed to be mounted directly on each wind turbine, where it constantly measures the wind speed before it hits the turbine blades. This enables continuous optimization of the turbine, resulting in up to 5% higher turbine efficiency and reduced component wear. Combined, NKT Photonics' lasers enable both more reliable and efficient wind energy production. Combined, NKT Photonics' lasers enable both more reliable wind power and higher efficiency.

$\longrightarrow$

The latest generation of wind LIDAR from NKT Photonics enables continuous optimization of the turbine, resulting in up to 5% higher turbine efficiency.

Fiber laser solutions from NKT Photonics makes wind turbines up to

5%

more efficient.

Social

People and safety

Ensuring a healthy, safe and secure working environment is fundamental to the continued growth of NKT Photonics and is therefore an intrinsic part of the everyday activities.

NKT Photonics values all employees and consider them key to company success. Hence, diversity in the workplace is perceived as a key asset and the company does not tolerate any form of harassment or discrimination and is firmly committed to equality of opportunity for all employees.

At NKT Photonics, the principal exposure in terms of human and labour rights relates to safety and employment, and clear processes and policies are therefore in place to mitigate these risks. All employees are employed on contracts that comply with local labour laws and their safety is closely monitored.

Exposure in regard to forced labour and child labour is not considered material as NKT Photonics mainly operates in low-risk countries. A key element in risk prevention is the whistleblower hotline.

Reporting according to the UK Modern Slavery act

As stated in the policy on human and labour rights, NKT Photonics rejects any form of forced labour, including bonded labour, indentured labour, slave labour and human trafficking. Furthermore, the company does not condone the hiring of child labour. In view of the countries in which it mainly operates and the nature of the production, NKT Photonics does not deem to be materially at risk in this regard. However, employees are committed to continuously identifying and mitigating potential violations.

The company's business partners are expected to comply with the principles set the in the Business Code of Conduct, and relevant due diligence processes is pursued in conjunction with mergers and acquisitions.

	Goals and actions 2020	Outcome	Status
People and safety	No employee accidents	6 accidents reported; 5 first aid cases and 1 medical treatment case	☐
	No injuries by high-intensity lights detected in bi-anual tests		■
	Conduct employee engament survey including employees from newly acquired businesses	Rescheduled for 2021 due to COVID-19	☐

☐ Incomplete   ◪ Partly complete   ■ Complete

Future plans, goals and actions for 2021	Target 2021
Strengthen corporate safety culture	■ Revised incident reporting program established
	■ New HSE policy to be implemented globally
	■ No high intensity laser injuries detected
	■ No employee accidents
Drive employee engagement	Conduct employee survey

Diversity

Diversity is encouraged in the organiza-tion of NKT Photonics, as it is believed to enrich the corporate culture as well as the long-term competitiveness. NKT Photonics is committed to promoting gender equality without compromising on qualifications in terms of professional skills and personal competencies. The industry – especially in R&D departments – typical-ly has a relatively high over-representation of males.
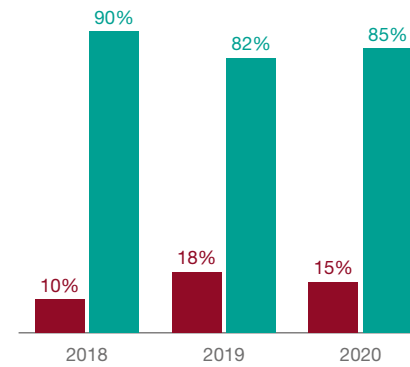
Nationalities in senior management
% of nationalities

- Danish — 46
- German — 15
- British — 23
- US — 8
- Italian — 8
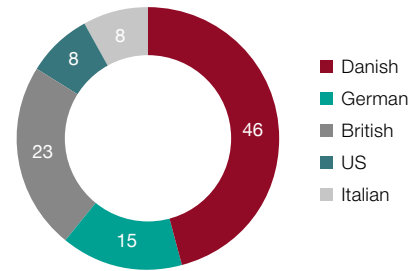
Gender diversity in NKT Photonics
Senior management*

|	2018	2019	2020
Female	10%	18%	15%
Male	90%	82%	85%

Women accounted for

15%

of the members of senior management ultimo 2020.

Diversity in senior management*

	Total	Age Profile			Gender		No. of nationalities
		<40	40-54	>54	Female	Male	
2020	13	0	9	4	2	11	5
2019	11	0	8	3	2	9	5
2018	10	0	8	2	1	9	4

*Defined as the Global Management Team.

All employees

	2018	2019	2020
Female	22%	23%	24%
Male	78%	77%	76%

- Female
- Male
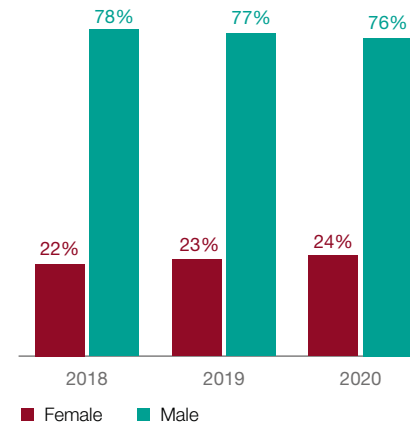
Driving healthcare innovation

NKT Photonics produces several products targeted at the medical and life science markets with the aim of improving health and wellbeing globally.

NKT Photonics' unique supercontinuum white light lasers are incorporated in all high-end confocal microscopes from Leica Microsystems. Used in medical research around the globe, these microscopes deliver unprecedented resolution and ability to distinguish between different kinds of cells in a sample. In a recent example, Leica's microscopes were used in COVID-19 research, helping to detect antibodies important in vaccine development. In 2020, Leica also launched an all-new mid-range microscope equipped with NKT Photonics' technology, thereby bringing high-end performance to laboratories that could otherwise not afford it.

Driving healthcare with ultrafast lasers

In addition to its supercontinuum white light lasers, which are used in a wide array of bio-imaging applications, NKT Photonics produces ultrafast lasers. These lasers also have several medical applications, the most important being for ophthalmology and marking of medical devices.

In ophthalmology, NKT Photonics' ultrafast lasers are used for eye surgery, the very short and clean pulses from these lasers replacing traditional methods using scalpels. Consequently, the cuts are more precise, and the risk of complications and recovery time are reduced. Moreover, automated surgery with lasers requires only weeks of training to perform, whereas it typically takes years to train a skilled eye surgeon. With this technology, life-changing surgery can therefore be delivered both at lower cost and in areas where skilled surgeons are not available.

Finally, ultrafast lasers are used for marking of medical equipment, such as surgical tools or vials containing medicine. This marking is critical to ensure tracing and authentication of both equipment and medicine. Furthermore, the marking must be inert and able to withstand autoclave sterilization without changing, something that is beyond most traditional marking techniques. This is because the high temperatures and humidity of the autoclaves quickly erase the marking, or result in rust if the surface has been removed by the marking technique. Using ultrafast lasers, hospitals can reliably track all equipment and its state of sterilization.

In the case of vials containing medicine, authenticity and trackability are a major concern. As some medicaments can cost enormous sums per dose, counterfeit medicine is a significant problem in certain parts of the world. Ultrafast lasers can be used to embed barcodes and serial numbers directly inside the glass vial, which cannot be changed or copied, thereby ensuring that the vial content is authentic.

→

NKT Photonics' unique supercontinuum white light lasers are incorporated in all high-end confocal microscopes from Leica Microsystems. Recently used to detect antibodies important in vaccine development for COVID-19.

Procurement

Vendors and business partners

In 2020, a new Global ERP system achieved stability and has demonstrated a strong platform for supply chain management across the global business.

The impact of COVID-19, and NKT Photonics' policy of discouraging all unnecessary travel throughout 2020 has increased the focus on ensuring minimal business disruption.

Whistleblower hotline

In 2016, NKT Photonics extended the whistleblower scheme to enable instances of unethical behaviour also to be reported by external stakeholders. The whistleblower policy has also been incorporated in the Business Code of Conduct, which has been implemented through awareness campaigns and e-Learning courses mandatory to all employees worldwide. In 2020, no reports were filed which necessitated material adjustments in business procedures.

	Goals and actions 2020	Outcome	Status
Procurement	Develop inspection plan to monitor the extent of supplier compliance	Supplier evaluation is in place and integrated into ISO9001 Management Review	■
	80% of our procurement (above EUR 50,000 in value to be supplied by partners adopting the UN Global Compact principles	Substantial progress has been made in implementing the principles in the purchasing Terms & Conditions. Audit and evaluation have been suspended in 2020 due to travel restrictions and will recommence when the global travel situation eases	■

☐ Incomplete ◪ Partly complete ■ Complete

Future plans, goals and actions for 2021	Target 2021
Goals maintained for 2021	■ Develop inspection plan to monitor the extent of supplier compliance ■ 80% of our procurement (above EUR 50,000 in value) to be supplied by partners adopting the UN Global Compact principles

NKT Photonics
Datasheets

Datasheet

	Unit of measure	2018	2019	2020	Accounting method and comments
Business ethics					
Whistleblower cases, total	number	0	1	0	
ISO 9001 certification	%	100	100	100	
Information security/Cybersecurity					See section on risk management section in the annual report on page 63
Environment					
Emissions from purchased electricity (market based)	Tonnes of CO_{2e}	-	-	400	
Social					
Diversity in Senior leadership: gender (male/female)	number	9/1	9/2	11/2	
Gender with lowest representation (female)	%	10	18	15	
Diversity in Senior leadership: nationalities	number	4	5	5	
Diversity: male/female (all employees)	%	78/22	77/23	76/24	

Group

48 Group compliance and reporting principles

Group compliance and reporting principles

NKT A/S monitors progress on sustainability by means of three main elements:

1. Key Performance Indicators have been developed based on relevant policies and corresponding data is collected. This data covers parameters such as occupational injuries, environmental impact, material utilization and diversity development at Board and senior leadeship level. The business units are responsible for KPI quality and data collection.

2. An annual Statement of Representation covering the principles of the Code of Conduct is signed by senior management representing the activities of the two standalone companies.

3. A whistleblower hotline, maintained by an external provider, allows all employees as well as external stakeholders to raise concerns about seemingly inappropriate conduct, events or circumstances.

Reporting methodology
The reporting parameters used in 2020 are largely unchanged from previous reports. The present report covers all entities of NKT A/S unless otherwise stated.

Data integrity
The data is considered to be valid.

Auditing
The present report has not been audited by an external auditor.

Reporting period
For all environmental data the reporting period in this report is from Q4 2019 to Q3 2020 and full year for Social and Governance reporting. NKT Photonics reports full year in all areas.

Diversity and inclusion
As described in the Diversity Policy, NKT A/S is firmly committed to equality of treatment for all employees. As part of this commitment, the workforce composition and changes are monitored as shown below. NKT A/S promotes equality of gender representation and are further committed to promoting equality of career opportunities, nationality, religion, age and other factors. Diversity is a key consideration when hiring for executive management and the Board of Directors. At Board level, a target has been set to have at least two members from the underrepresented gender amongst the six annually elected Board members. This target was achieved in 2020 and is unchanged for 2021.

In the Board of Directors

33%

of the members are from the underrepresented gender.

Diversity in senior management at NKT A/S

	Total	Age Profile			Gender		No. of nationalities
		< 40	40-54	>54	Female	Male	(The predominant nationality in %)
Board of Directors*	6	1	0	5	2	4	3 (Danish 66%)
NKT A/S**	2	0	1	1	1	1	2 (Danish 50%, Swiss 50%)
NKT***	80	14	44	22	14	66	12 (30% Swedish)
NKT Photonics****	13	0	9	4	2	11	5 (Danish 44%)

*   Elected at the Annual General Meeting.
**   Also part of the Executive Group Leadership Team of NKT.
***   The senior leadership level in NKT consists of the Extended Leadership Team, including members of the Executive Group Leadership Team.
****   The senior leadership in NKT Photonics is defined as the Global Management Team.

NKT