

MEMO

ANNUAL GENERAL MEETING 2014

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TITLE

Executive remuneration principles in COWI Holding A/S

DATE

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PAGE 1/4

## 1 Background

In accordance with the Danish Corporate Governance Recommendations, COWI's remuneration principles for the Board of Directors and the Executive Board (EB) (jointly referred to as the "executive management") need to be revised to include (i) a detailed specification of the components included in the remuneration of the Board of Directors and the Executive Board, (ii) a description of the reasons for choosing the individual remuneration components, and (iii) a description of the criteria determining the balance between the individual remuneration components. The suggested changes to the remuneration principles are subject to the approval of the annual general meeting in COWI Holding A/S in 2014 before they take effect.

## 2 Remuneration principles

COWI wishes to incentivise the Executive Management to ensure continued positive development of the COWI Group and, as a result, good value creation for COWI's shareholders – COWIfonden and COWI employees. The company uses incentive pay to attract and retain executives with the professional and personal competencies required to drive the company's performance and to secure a high degree of coincidence of interests between the company's executive management and the shareholders.

The remuneration packages for the executive management are guided by five overall principles:

- › **A total remuneration and rewards approach**  
In addition to a fixed base salary, incentives and benefits, non-monetary remuneration such as continuing education and a global working environment are important elements of the total remuneration rewards package
- › **Market-linked**  
Salaries, incentives and benefits are positioned and maintained at the level required to be competitive in the global market, generally around the market median. COWI also provides adequate life insurance, healthcare insurance and pension schemes.

- › **Performance-linked**  
There is a transparent, direct link between performance and remuneration. Variable pay is used to reward performance, while base pay increases reflect market conditions.
- › **Transparency**  
Clear communication of the remuneration principles is a priority. The variable part is simple, transparent and easy to understand and calculate. All costs associated with the remuneration are known and publicly disclosed.
- › **Flexibility**  
Within the framework of corporate governance and legal requirements, flexibility is encouraged. Flexible solutions are to be cost neutral, and adequate levels of insurance are to be maintained.

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

The remuneration for the members of the Board of Directors is a fixed annual fee. The level is set through benchmarking towards similar major Danish companies.

The annual remuneration fees are approved each year at the annual general meeting.

### *Travel and other expenses*

Expenses such as travel and accommodation in relation to board meetings as well as relevant education are reimbursed.

## **2.2 Remuneration of the Executive Board (EB)**

The remuneration for EB is proposed by the Chairman of the Board of Directors and subsequently approved by the Board of Directors.

The remuneration for EB members is presented and approved at COWI Holding A/S' annual general meeting.

On an annual basis, the remuneration for EB is evaluated against a benchmark of large Danish companies with international activities. This information is supplemented by information on remuneration levels for similar positions in the international/Scandinavian market.

The remuneration for EB consists of (i) a fixed base salary, (ii) a short-term incentive, (iii) a long-term incentive, (iv) a pension contribution, and (v) other benefits. Short-term and long-term elements are only paid/awarded if the COWI Group generates an EBIT of at least two per cent in the year of payment/award.

### **Fixed base salary**

The base salary is intended to attract and retain executives to EB with the professional and personal competencies required to drive the company's

performance. It is determined and adjusted annually based on the abovementioned benchmarking in order to ensure market-consistent remuneration.

### **Short-term incentive programme**

The short-term incentive programme is designed to incentivise the individual executive to ensure short-term achievements in line with company needs.

Upon achievement of the set targets, the short-term incentive programme results in a pay-out per year equalling four months' fixed base salary. The maximum pay-out per year equals six months' fixed base salary.

The performance targets are defined as KPIs for EB. The KPIs are set by the Board of Directors based on a recommendation from the Chairman of the Board.

The Chairman of the Board evaluates the degree of achievement for the members of EB based on input from the Chief Executive Officer.

### **Long-term incentive programme**

The long-term incentive programme is designed to incentivise the individual executive to ensure long-term achievements in line with company needs.

Furthermore, the aim is to ensure retention of executives with the professional and personal competencies required to drive the company's performance and to secure a high degree of coincidence of interests between the company's Executive Management and the shareholders.

Upon achievement of the set targets, the long-term incentive programme results in an annual preliminary allocation of (restricted) shares equalling between zero and four months of salary for the Chief Executive Officer, and between zero to three months of salary for other executives. The final allocation of shares takes place after three years, and during this three-year period, further targets are to be achieved. During these three years, the preliminary allocation of shares may be reduced to zero months of salary.

The performance targets are defined as KPIs for EB. The KPIs are set by the Board of Directors based on a recommendation from the Chairman of the Board.

The Chairman of the Board evaluates the degree of achievement for the members of EB based on input from the Chief Executive Officer.

### **Pension**

Pension contributions are made to provide an opportunity for executives to build up an income for retirement, and are paid out in addition to the fixed base salary. The pension contribution for executives is equal to 25 per cent of the fixed base salary.

## **Other benefits**

Executives receive non-monetary benefits such as company cars and phones. Such benefits are approved by the Board of Directors by delegation of power to the Chairman of the Board. In addition, executives may participate in employee benefit programmes offered to COWI employees.

## **Severance payments**

COWI may terminate members of EB with 12 months' notice. Members of EB can resign from their position in COWI with six months' notice. In addition to a notice period, members of EB are also entitled to severance pay as defined in their employment contract. Severance pay provides a maximum pay-out opportunity of 12 months of base salary plus pension contribution and tax value of other benefits.

In case of acquisition or merger, the severance pay will constitute an additional 12 months of base salary plus pension contribution and tax value of other benefits.