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MEMO

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ADDRESS COWI Holding A/S  
Parallelvej 2  
2800 Kongens Lyngby  
Denmark

TITLE

Executive remuneration principles

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TO

The shareholders of COWI Holding A/S

TEL +45 56 40 00 00

COPY

FAX +45 56 40 99 99

FROM

The Board of Directors of COWI Holding A/S

WWW cowi.com

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## Executive remuneration principles

### 1 Background

In accordance with new Danish Corporate Governance Recommendations introduced during 2010, COWI's remuneration principles for the Board of Directors and the Executive Board (jointly referred to as the "Executive Management") need to be revised to include (i) incentive guidelines, (ii) a description of the reasons for choosing the individual components of the remuneration package, and (iii) a description of the criteria on which the balance between the individual components of the remuneration is based. The suggested changes in the remuneration principles will be subject to the approval of the annual general meeting in COWI Holding A/S in 2012 before they will take effect.

### 2 Remuneration principles

COWI wishes to incentivize the Executive Management to ensure continued positive development of the COWI Group and, as a result, good value creation for COWI's shareholders - COWI foundation and COWI employees. The company uses incentive pay to attract and retain executives with the professional and personal competences 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 rewards approach**  
In addition to a fixed base salary, incentives and benefits, non-financial remuneration such as continuing education and a global working environment are important elements of the 'total rewards' package.
- › **Market linked**  
Salaries, incentives and benefits are positioned and maintained at the level required to be competitive in the global markets, generally around the market

median. COWI also provides adequate life insurance, healthcare and pension provisions.

› **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 remuneration programs is a priority. The variable part is simple, transparent and easy to understand and calculate. All costs associated with compensation practices are known and publicly disclosed.

› **Flexibility**

Subject to corporate governance or legal requirements, flexibility is encouraged. Flexible solutions must be cost neutral, and adequate levels of insurance must be maintained.

## **2.1 Remuneration Board of Directors**

Remuneration of 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 fees of the remuneration are approved each year by the 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 – Executive Board (EB)**

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

Remuneration for members of EB is presented and approved at COWI Holding A/S general meeting.

On an annual basis, 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.

Remuneration for EB consists of (i) a fixed base salary, (ii) a short-term incentive, (iii) long-term incentive, (iv) a pension contribution and (v) other benefits.

The aggregate maximum amount that may be granted as bonus incentives for a given year is currently equal to 6 months fixed base salary.

In the following the fixed base salary and bonus granted as short term incentive is referred to as the 100% cash compensation. Long-term incentives are not included

because they currently have the form of an obligation to buy shares for the bonus granted as short term incentive.

### **Fixed base salary**

The fixed base salary accounts for 67% to 75% of the total value of the cash compensation if targets are met. The base salary is intended to attract and retain executives to EB with the professional and personal competences required to drive the company's performance.

### **Short-term incentive program**

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

Upon achievement of the set targets the short-term incentive programme will result in a payout per year equal to four months' fixed base salary. The maximum payout per year equal to six months' fixed base salary. Thus the short-term incentives constitute 25% to 33% of the total cash compensation depending on target achievement.

The performance targets are defined as KPI's for EB. The KPI's 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 program**

To ensure a long-term element in the remuneration package Executive Board members are requested to buy COWI B-shares within the company's share programme equivalent to an amount of minimum 1/6 of their cash short-term bonus.

### **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% 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 benefits programs 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 6 months notice.

In addition to a notice period members of EB are also entitled to a Severance pay as defined in their employment contract. Severance pay provides a maximum pay out opportunity of 12 months base pay plus pension contribution and tax value of other benefits.

In case of acquisition or merger the Severance pay will constitute an additional 12 month base pay plus pension contribution and tax value of other benefits.