



## Remuneration report 2020

### Introduction

This report describes how the guidelines for executive remuneration for NCC AB, adopted at the 2020 Annual General Meeting (AGM), were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Plans* ("the Remuneration Rules") issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 5 (Employees and personnel costs) on pages 37-40 in the 2020 Annual Report. Information on the Board's work on remuneration in 2020 is set out in the corporate governance report available on pages 98-108 in the 2020 Annual Report.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the AGM and disclosed in Note 5 on pages 37-40 in the 2020 Annual Report.

### Key developments 2020

The CEO summarizes the company's overall performance in his statement on pages 2-3 in the 2020 Annual Report.

### The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for successful implementation of the company's business strategy and achievement of the company's long-term interests, including its sustainability, is that the company is able to recruit and retain qualified employees. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives competitive total remuneration.

Under the remuneration guidelines, remuneration of senior executives shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to financial criteria with a minor portion linked to the number of worksite accidents (which is one of the company's sustainability targets), adapted functional criteria or operational criteria. The criteria shall be designed to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

The Board has evaluated the application of the guidelines resolved by the 2020 AGM, in accordance with the summary below:

|   | <b>CEO</b>  | <b>Other members of the Executive Team (ET)</b>   |
|---|---|---|
| <b>Fixed salary</b>   | <i>The salary is market-aligned in accordance with well-established and local-market salary statistics.</i>   | <i>The salaries are market-aligned in accordance with well-established and local-market salary statistics.</i>  |
| <b>Variable remuneration (Short Term Incentive – STI)<sup>1</sup></b> | <i>The maximum STI outcome of up to 65 percent provides a relevant and market-aligned balance between fixed and variable remuneration in accordance with well-established and local-market salary statistics, as well as a desired balance between fixed and variable costs.</i>  | <i>The maximum STI outcome of up to 40 percent provides a relevant and market-aligned balance between fixed and variable remuneration in accordance with well-established and local-market salary statistics, as well as a desired balance between fixed and variable costs.</i>  |
| <b>Variable remuneration (Long Term Incentive – LTI)</b>              | <p><i>According to the analysis conducted by the Board, most comparable companies offer some form of share-based incentive program.</i></p> <p><i>A maximum LTI outcome of 50 percent provides a relevant and market-aligned balance between fixed and variable remuneration in line with well-established and local-market salary statistics, as well as a desired balance between fixed and variable costs.</i></p> | <p><i>According to the analysis conducted by the Board, most comparable companies offer some form of share-based incentive program.</i></p> <p><i>A maximum LTI outcome of 30 percent provides a relevant and market-aligned balance between fixed and variable remuneration in line with well-established and local-market salary statistics, as well as a desired balance between fixed and variable costs.</i></p> |
| <b>Pension</b>  | <i>In the Board's opinion, a pension commitment has been made that complies with standard practices in the Swedish market.</i>  | <i>In the Board's opinion, a pension commitment has been made that complies with standard practices in the Swedish market.</i>  |
| <b>Other benefits</b>   | <i>The payment of salary during the notice period and severance pay according to employment contract complies with the provisions of the Swedish Code of Corporate Governance. Other benefits constitute only a limited value.</i>  | <i>The payment of salary during the notice period and severance pay according to employment contract complies with the provisions of the Swedish Code of Corporate Governance. Other benefits constitute only a limited value.</i>  |

In addition, the Board states that the NCC Group was able to both recruit and retain senior executives during 2020, thus indicating that the remuneration levels have been market-aligned, but not too high.

Accordingly, the Board is of the opinion that the remuneration structures and remuneration levels for the CEO and members of the ET in 2020 were reasonable, competitive and functional. Against this background, the Board's assessment is that the remuneration paid to senior executives has been applied in accordance with the guidelines.

During 2020, the Board has exercised its right, in individual cases and for special reasons, to deviate from the guidelines insofar as the salary reviews for three senior executives

<sup>1</sup>The stated maximum STI rate is the reduced rate, whereby a deduction of 10 percentage points has been made because of participation in the Long Term Incentive (LTI) program.

apply for two years rather than one year, which the Board deemed to be in the interests of the company.

The guidelines are presented on pages 18-19 in the 2020 Annual Report.

There were no deviations from the decision-making process that, according to the guidelines, must be implemented in order to set the remuneration. The auditor's report regarding the company's compliance with the guidelines is available on [www.ncc.se](http://www.ncc.se). No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the company's AGM has resolved to implement long-term share-related incentive plans.

**Table 1 – The CEO's total remuneration 2020 (SEK 000s)**

| Name of the CEO | Fixed remuneration         |                   | Variable remuneration                          |   | Expensed share-based remuneration LTI Dec 31, 2020 | Expensed change (debt) re. vacation pay and reduced working hours 2020 | Pension** | Total remuneration | Proportion of fixed/ variable remuneration *** |
|-----------------|----------------------------|-------------------|--|---|--|--|-----------|--------------------|--|
|                 | Salary incl. vacation pay* | Benefit, car etc. | One-year Bonus STI regarding 2019 paid in 2020 | Multi-year remuneration LTI 2017-2020 (did not participate) |  |  |           |                    |  |
| Tomas Carlsson  | 10,493                     | 115               | 1,755  | 0   | 450  | 609  | 3,780     | 17,202             | 89%/11%  |

\* Including vacation pay and unpaid benefits for reduced working hours of SEK 1,003,000

\*\* Premium pension 40%

\*\*\* Excl. expensed share-based remuneration and change (debt) re. vacation pay and reduced working hours

### Outstanding share-based and share-price-related incentive plans

NCC has three ongoing long-term performance-based incentive programs for senior executives and key personnel (2018–2020, 2019–2021 and 2020–2022). The programs will extend for three years and entail that participants will be allotted, free of charge, share awards that provide entitlement to Series B shares and synthetic shares that provide entitlement to cash remuneration. For each participant, the Board establishes an allotment value relative to the participant's annual salary. The allotment value is 50 percent of annual salary for the CEO, and 30 percent of annual salary for other members of the ET. The allotment value for other key personnel is either 15 percent or 30 percent of the annual salary.

The performance targets focus on NCC's long-term profitability ("Performance Target 1") and on minimizing the number of serious occupational accidents in the Group ("Performance Target 2"). Of each allotment of share awards and synthetic shares, two-thirds pertain to Performance Target 1 and one third to Performance Target 2. Entitlement to allotment/payment is conditional upon, with certain exceptions, the participant remaining an employee of the NCC Group at the end of the Vesting Period, three years after the date of allotment. A maximum of 180 employees will be invited to participate in the program.

## Table 2 – Share program (CEO)

### Main conditions for the program

| Name of director (position) | 1<br>Name of plan | 2<br>Performance period | 3<br>Award date | 4<br>Vesting date | 5<br>End of retention period | 6                                      | 7               |          | 8                                 | 10                               |
|-----------------------------|-------------------|-------------------------|-----------------|-------------------|------------------------------|--|-----------------|----------|-----------------------------------|----------------------------------|
|                             |                   |                         |                 |                   |                              | On January 1                           | During the year |          | 8                                 | 10                               |
|                             |                   |                         |                 |                   |                              | Share awards held at beginning of year | Awarded         | Vested   | Subject to performance conditions | Awarded and unvested at year-end |
| Tomas Carlsson (CEO)        | LTI 2017          | 2017–2019               | Apr 28, 2017    | Apr 28, 2020      | Apr 28, 2020                 | 0                                      | 0               | 0        | 0                                 | 0                                |
|                             | LTI 2018          | 2018–2020               | Apr 26, 2018    | Apr 26, 2021      | Apr 26, 2021                 | 28,570                                 | 0               | 0        | 28,570                            | 28,570                           |
|                             | LTI 2019          | 2019-2021               | May 2, 2019     | May 2, 2022       | May 2, 2022                  | 29,774                                 | 0               | 0        | 29,774                            | 29,774                           |
|                             | LTI 2020          | 2020-2022               | May 2, 2020     | May 2, 2023       | May 2, 2023                  | 0                                      | 32 790**        | 0        | 32,790                            | 32,790                           |
| <b>Total</b>                |                   |                         |                 |                   |                              | <b>58,344</b>                          | <b>0</b>        | <b>0</b> | <b>91,134</b>                     | <b>91,134</b>                    |

\*\*Value: SEK 4,499,000, based on market price per share when awarded (SEK 137.23) multiplied by number of share awards (32,790).

### Application of performance criteria

The performance criteria for the CEO's variable remuneration (STI) have been selected to facilitate a full focus on profitability, which is the basis for realizing the company's strategy and long-term interests in the year ahead.

### Table 3. Performance of the CEO in the reported fiscal year (2020): variable cash remuneration

| Name of director, position | Description of performance criteria | Relative weighting of performance criteria | a) measured performance and<br>b) actual remuneration to be paid out in 2021 |
|----------------------------|-------------------------------------|--|--|
| Tomas Carlsson (CEO)       | Profit (EBIT)                       | 100%                                       | a) 9.88%   |
|                            |                                     |  | b) 606,879*  |

\*Paid-out remuneration in 2020 amounted to SEK 1,755,000 regarding performance in 2019, see table 1.

**Table 4 – Change of remuneration and company performance over the last five reported fiscal years (RFY) (SEK M)**

| <b>Annual change</b>   | <b>RFY 2015 vs 2016</b> | <b>RFY 2016 vs 2017</b> | <b>RFY 2017 vs 2018</b> | <b>RFY 2018 vs 2019</b> | <b>RFY 2019 vs 2020</b> | <b>RFY 2020</b>    |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------|
| <b>CEO as a function</b>   | <b>-4.87%</b>           | <b>-24.10%*</b>         | <b>53.97%**</b>         | <b>11.56%</b>           | <b>-9.42%</b>           | <b>SEK 13.4 M</b>  |
| <b>NCC Group's operating profit</b>                                  | <b>-52.19%</b>          | <b>-14.52%</b>          | <b>-161.51%</b>         | <b>-269.63%</b>         | <b>4.94%</b>            | <b>SEK 1,360 M</b> |
| <b>Average remuneration on a FTE basis of employees of the Group</b> | <b>1.75%</b>            | <b>0.51%***</b>         | <b>15.19%</b>           | <b>3.36%</b>            | <b>2.46%</b>            | <b>SEK 0.63 M</b>  |

\*CEO as a function: 2017 Peter Wågström and Håkan Broman (acting) for part of the year

\*\* CEO as a function: 2018 Håkan Broman (acting) and Tomas Carlsson for part of the year

\*\*\*Reorganization NCC AB - NCC Sweden 2016/2017