

Remuneration report 2021

Introduction

This report describes how the guidelines for executive remuneration for NCC AB, adopted at the 2021 Annual General Meeting (AGM), were implemented in 2021. 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* issued by the Swedish Corporate Governance Board

Further information on executive remuneration is available in Note 4 (Number of employees, personnel expenses and remuneration of senior executives) on pages 37-40 in the 2021 Annual Report. Information on the Board's work on remuneration in 2021 is set out in the corporate governance report available on pages 104-113 in the 2021 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 4 on pages 37-40 in the 2021 Annual Report.

Key developments 2021

The CEO summarizes the company's overall performance in his statement on pages 4-5 in the 2021 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 2021 AGM, in accordance with the summary below:

	CEO	Other members of the Senior Management Team (SMT)
Fixed salary	<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>
Variable remuneration (Short Term Incentive – STI)	<i>The maximum STI outcome of up to 75 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 50 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>
Variable remuneration (Long Term Incentive – LTI)	<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 for LTI 2019 and LTI 2020 and approximately 60 percent for LTI 2021 (six shares per invested share, maximum of 10 percent of annual salary) 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 for LTI 2019 and LTI 2020 and approximately 37.5 percent for LTI 2021 (five shares per invested share, maximum of 7.5 percent of annual salary) 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>
Pension	<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>
Other benefits	<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 2021, 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 2021 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.

The guidelines are presented on pages 20-21 in the 2021 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. 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 2021 (SEK 000s)

Name of the CEO	Fixed remuneration		Variable remuneration		Expensed share-based remuneration LTI Dec 31, 2021	Expensed change (debt) re. vacation pay and reduced working hours 2021	Pension**	Total remuneration	Proportion of fixed/variable remuneration ***
	Salary incl. vacation pay*	Benefit, car etc.	One-year Bonus STI regarding 2020 paid in 2021	Multi-year remuneration LTI 2018-2020 paid in 2021					
Tomas Carlsson	9,921	129	607	183	1506	-325	3,780	15,802	93%/7%

* Including vacation pay and unpaid benefits for reduced working hours

** 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 (2019–2021, 2020–2022 and 2021–2023). The programs will extend over three years. For the first two programs, LTI 2019 and LTI 2020, the 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. For the CEO, the allotment value is 50 percent of annual salary, and 30 percent of annual salary for other members of the SMT. 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.

Unlike earlier LTI programs, LTI 2021 entails that participants have personally invested in shares, Savings Shares. The participants are divided into four categories, including:

- The CEO (one person) may acquire Savings Shares for an amount capped at 10 percent of his/her Basic Salary and is entitled to receive a maximum of six Performance Shares for each Savings Share held.
- Members of the SMT (ten people) may acquire Savings Shares for an amount capped at 7.5 percent of their Basic Salary and are entitled to receive a maximum of five Performance Shares for each Savings Share held.

The target set for LTI 2021 comprises the cumulative performance of earnings per share (EPS) during the 2021–2023 period.

Allotment/payment in all programs 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 have been invited to participate in the respective programs.

Table 2 – Share program (CEO)

Main conditions for the program						On January 1	During the year			
	1	2	3	4	5	6	7	8	8	10
Name of director (position)	Program	Performance period	Award date	Vesting date	End of retention period	Share awards held at beginning of year	Awarded	Vested	Subject to performance conditions	Awarded and unvested at year-end
Tomas Carlsson (CEO)	LTI 2018	2018-2020	Apr 26, 2018	Apr 26, 2021	Apr 26, 2021	28,570	0	1,142	28,570	0
	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	32,790	0	0	32,790	32,790
	LTI 2021	2021-2023	May 2, 2021	May 2, 2024	May 2, 2024	0	37,158*	0	37,158	37,158
Total						91,134	37,158	1,142	128,292	99,722

*Share awards amount to six times the number of invested shares (6,193)

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 (2021): variable cash remuneration

Name of director, position	Description of performance criteria	Relative weighting of performance criteria	a) measured performance and b) actual remuneration paid in 2021
Tomas Carlsson (CEO)	Profit (EBIT)	100%	a) 100% b) SEK 7,087,500*

*Paid-out remuneration in 2021 amounted to SEK 607,000 regarding performance in 2020, see table 1.

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

	RFY 2015 vs 2016	RFY 2016 vs 2017	RFY 2017 vs 2018	RFY 2018 vs 2019	RFY 2019 vs 2020	RFY 2020 vs 2021	RFY 2021
Annual change							
pCEO as a function	-4.87%	-24.10%	53.97%	11.56%	-9.42%	17.73%	15.8
NCC Group's operating profit	-52.19%	-14.52%	-161.51%	269.63%	4.94%	34.19%	1,825
Average remuneration on a FTE basis of employees of the Group	1.75%	0.51%	15.19%	3.36%	2.46%	1.95%	0.64

*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