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Remuneration report 2023

Introduction

This report describes how the guidelines for executive remuneration for NCC AB, adopted at the 2023 Annual General Meeting (AGM), were implemented in 2023. 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 57-60 in the 2023 Annual Report. Information on the Board's work on remuneration in 2023 is set out in the corporate governance report available on pages 33-43 in the 2023 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 57-60 in the 2023 Annual Report.

Key developments 2023

The CEO summarizes the company's overall performance in his statement on pages 4-5 in the 2023 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 mainly be linked to financial criteria with a minor portion linked to the number of worksite accidents (which is one of NCC'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.

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The Board has evaluated the application of the guidelines resolved by the 2023 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>Given the past outcomes of previous programs and the forecast outcome for LTI 2021 and LTI 2023, the programs provide 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>Given the past outcomes of previous programs and the forecast outcome for LTI 2021 and LTI 2023, the programs provide 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 2023, 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 SMT in 2023 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 25-26 in the 2023 Annual Report.

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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.

Table 1 – The CEO's total remuneration 2023 (SEK 000s)

Name of the CEO	Fixed remuneration		Variable remuneration				Pension**	Total remuneration	Proportion of fixed/ variable remuneration ***
	Salary incl. vacation pay*	benefit, car etc.	One-year Bonus STI regarding 2022 paid in 2023	Multi-year remuneration LTI 2020-2022 paid in 2023	Expensed share-based remuneration LTI Dec 31, 2023	Expensed change (debt) re. vacation pay and reduced working hours 2023			
Tomas Carlsson	10,490	166	0	1,131	518	930	4,234	17,443	90%/10%

*Including vacation pay and unpaid benefits for reduced working hours

**Premium pension 42%

***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 two ongoing long-term performance-based incentive programs for senior executives and key personnel (2021–2023 and 2023-2025). The programs will extend over three years.

For participation in LTI 2021 and LTI 2023, participants must have personally invested in shares, savings shares. The participants are divided into four categories, including:

- The CEO (one person) who 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) who 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. For LTI 2023, the targets consist of EPS for each year of the period separately, as well as a smaller component relating to a reduction in the Group's carbon emissions for Scope 1 and 2, as well as a reduction in the number of work-related accidents.

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 start date. A maximum of 180 employees and 240 employees, respectively, have been invited to participate in the programs.

No long-term performance-based incentive program LTI 2022 was prepared (for the 2022–2024 period).

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Table 2 – Share program (CEO)

	1	2	3	4	5	6	7	8	9	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	LTI 2020	2020-2022	May 2, 2020	May 2, 2023	May 2, 2023	32,790	0	5,603	32,790	0
Carlsson	LTI 2021	2021-2023	May 2, 2021	May 2, 2024	May 2, 2024	37,158	0	0	37,158	37,158
(CEO)	2022	No LTI program started in 2022								
	LTI 2023	2023-2025	May 2, 2023	May 2, 2026	May 2, 2026	0	65,208	0	65,208	65,208
Total						69,948	65,208	5,603	135,156	102,366

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 (2023): 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 2023
Tomas Carlsson (CEO)	Result (EPS)	100%	a) 0%
			b) SEK 0*

*Paid-out remuneration in 2023 amounted to SEK 0 regarding performance in 2022, see table 1.

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

Change of remuneration and company performance over the last five reported fiscal years (RFY) (SEK 000s)

	RFY 2017 vs 2018	RFY 2018 vs 2019	RFY 2019 vs 2020	RFY 2020 vs 2021	RFY 2021 vs 2022	RFY 2022 vs 2023	RFY 2023
Annual change							
CEO as a function	53.97%	11.56%	-9.42%	17.73%	56.70%	-29.55%	17.4
NCC Group's operating profit	-161.51%	-269.63%	4.94%	34.19%	-25.59	32.70%	1,802
Average remuneration on an FTE basis of employees of the Group	15.19%	3.36%	2.46%	1.95%	8.16%	6.77%	0.74

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

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