

MT HØJGAARD HOLDING

MT HØJGAARD HOLDING A/S

Remuneration report 2020

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This remuneration report covers MT Højgaard Holding A/S and has been published in both Danish and English. In case of discrepancies between the two versions, or in case of doubt, the Danish version shall prevail.

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Remuneration report 2020

1. Introduction

This remuneration report discloses all of the Group's remuneration of members of the Board of Directors of MT Højgaard Holding A/S ("the Company" or "MTHH", which is listed on Nasdaq OMX Copenhagen (inclusive of remuneration received from the subsidiary MT Højgaard A/S), and of the registered Executive Board of MTHH in 2020. The disclosures in the remuneration report are primarily derived from the audited financial statements, which are available at www.mthh.dk. The remuneration report has been compiled in accordance with section 139b of the Danish Companies Act and MTHH's remuneration policy that was adopted at the Annual General Meeting held on 17 March 2020 and is available at www.mthh.dk.

The overall principles of the remuneration policy are:

- To support the purpose and sustainability of the Company;
- To align the remuneration components with the interests of shareholders and other stakeholders relevant to the above;
- To support delivery of MTHH's strategic priorities;
- To attract, motivate and retain members of the Board of Directors and the Executive Board of the appropriate calibre given the size and complexity of the business; and
- To reward members of the Executive Board in line with corporate and individual performance.

2. Financial results

In 2020, a new course was set for the MT Højgaard Holding Group with the Sustainable>22 strategy and with a new organisation aimed at driving and improving profitability throughout the Group.

The MT Højgaard Holding Group's EBIT before special items reached DKK 87 million in 2020 against DKK 12 million in 2019. Revenue stood at DKK 5,951 million and was as expected. In 2020, the Group won new contracts and extra work worth a total of DKK 7.5 billion against DKK 6.3 billion in 2019.

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3. Remuneration of the Board of Directors

In 2019 and 2020, the members elected by the AGM for the Board of Directors of MTHH also constituted the Board of Directors of MT Højgaard A/S along with three members elected by the employees. In practice, these Boards have served as one Board of Directors for the entire MT Højgaard Holding Group. Following the demerger of MT Højgaard A/S into the three separate entities MT Højgaard Danmark A/S, MT Højgaard International A/S and MT Højgaard Projektudvikling A/S and the establishment of a more transparent group structure with MTHH serving as the holding company with six business units of equal status at 1 January 2021, the board tasks for the entire Group will in future be handled by MTHH's Board of Directors alone.

The Board of Directors of MTHH consists of four to seven members, see the Articles of Association. In 2020, the Board had five members. Morten Hansen resigned from the Boards of Directors of MTHH and MT Højgaard A/S when taking office as President and Chief Executive Officer on 5 February 2020.

The members of the Board of Directors receive a fixed annual remuneration, which is approved at the Company's AGM for the current financial year. These members are not covered by a pension plan and do not receive variable or incentive-based pay. The annual remuneration must be in accordance with market practice for comparable enterprises, taking into account the required skills, efforts, the nature of the work and responsibility.

All Board members receive the same annual base remuneration, which was DKK 100,000 for MTHH in 2020, while the Chairman receives 3 times the fixed annual base remuneration and the Deputy Chairman 1.5 times the fixed annual base remuneration. Additional fees for committee work, including ad hoc committees, must be determined by the Board of Directors after considering the precise scope and workload of such committee work and must also be approved by the General Meeting.

Additional fees for sitting on the Audit Committee may total an amount of up to 0.85 times the fixed annual base remuneration for ordinary members and up to 1.75 times the fixed annual base remuneration for the Chairman of the Audit Committee.

The separate fee for participation in the Nomination Committee and the Remuneration Committee may amount to up to 0.25 times the annual base remuneration for each committee.

Also, a base fee of DKK 250,000 was paid in 2020 in the operating company MT Højgaard A/S for the financial year. The Chairman receives 3 times the fixed annual base remuneration, and the Deputy Chairman receives 2 times this remuneration.

DKK 125,000 was in 2020 paid to each member of the Audit Committee of MT Højgaard A/S and another DKK 12,500 for its work in MTHH, and DKK 25,000 was paid to members of the Nomination Committee and the Remuneration Committee of MTHH. Pernille Fabricius was Chair of the Audit Committee until 30 June 2020, after which Anders Lindberg took office as Chair.

Furthermore, members of the Board of Directors may receive an additional fee for ad hoc work, however, this option was not exercised in 2020.

The remuneration for 2020 was adopted by the AGM of MTHH that was held on 17 March 2020.

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Remuneration of individual members of the Board of Directors in 2020

Remuneration of individual members of the Board of Directors						
Name	Position	MT Højgaard Holding A/S		MT Højgaard A/S		Total
		Board of Directors	Committee	Board of Directors	Committee	
Carsten Dilling	Chairman of the Board of Directors and Chairman of the Nomination Committee and the Remuneration Committee of MT Højgaard Holding A/S	300,000	50,000	750,000	-	1,100,000
Anders Lindberg	Chairman of the Audit Committee and member of the Nomination Committee and the Remuneration Committee of MT Højgaard Holding A/S and of the Audit Committee of MT Højgaard A/S	150,000	62,500	500,000	125,000	837,500
Christine Thorsen	Member of the Board of Directors	100,000	-	250,000	-	350,000
Pernille Fabricius	Member of the Board of Directors and of the Audit Committees of MT Højgaard Holding A/S and MT Højgaard A/S	100,000	12,500	250,000	125,000	487,500
Ole Jess Bandholtz Røsdahl	Member of the Board of Directors	100,000	-	250,000	-	350,000
Morten Hansen	Member of the Board of Directors (until February 2020)	9,195	-	22,989	-	32,184
Total remuneration, in DKK		759,195	125,000	2,022,989	250,000	3,157,184

The remuneration published does not include reimbursed expenses incurred by the individual members of the Board of Directors as part of their meeting activities at MT Højgaard Holding A/S and MT Højgaard A/S.

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4. Remuneration of the Executive Board

The Board of Directors is of the opinion that a combination of fixed and performance-related remuneration of the Executive Board helps ensure that the Company can attract and retain a competent and value-creating Executive Board and that partially incentive-based remuneration encourages the Executive Board to create value for the benefit of the shareholders.

The remuneration package for the Executive Board consists of a fixed remuneration (base salary), a short-term bonus and a long-term incentive (LTI) programme. Moreover, it is possible for the Board of Directors, in special cases, to grant a member of the Executive Board an option programme and/or an extraordinary bonus. The Executive Board also receives non-monetary benefits such as a company car, telephone, etc. Expenses incurred by members of the Executive Board in connection with travels, conferences, education, etc. are reimbursed by the Company.

In 2020, the remuneration of the Executive Board was composed of the following:

- **Base salary:** An annual market-consistent remuneration that is fixed based on skills, performance, experience, scope of work and responsibility, taking into consideration the rate of pay rise for executives and other employees.
- **Other benefits:** Housing, car, telephone, etc.
- **Short-term bonus:** Covering a maximum of 7.2 months of the fixed monthly base salary per financial year. The annual bonus schemes are contingent on the targets defined in the annual bonus agreement being met in whole or in part.
- **Long-term incentive (LTI) programme:** An investment of 25% to 100% of the short-term bonus earned by members of the Executive Board is converted into shares that vest over a three-year period and may qualify for free shares (maximum grant/deduction of 0.5 free share per share a year).

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Remuneration of individual members of the Executive Board in 2020

Remuneration of individual members of the Executive Board							
Name	Position	Year	Fixed remuneration		Variable remuneration		Total
			Base salary	Other benefits*	Short-term bonus***	LTI programme**	
Morten Hansen	President and Chief Executive Officer (from February 2020)	2020	5,895,000	222,852	2,066,000	0	8,183,852
		Share	72%	3%	25%	0%	100%
Martin Solberg	Chief Financial Officer	2020	2,970,760	88,735	1,222,000	433,040	4,714,535
		Share	63%	2%	26%	9%	100%
Total remuneration, in DKK		2020	8,865,760	311,587	3,288,000	433,040	12,898,387

*Other benefits include the tax base of free residence, free telephone, car allowance, mileage allowance and insurance.

**The LTI programme has been calculated using the grant date fair value of the contingent shares that correspond to the estimated and maximum number of contingent shares to vest at the maturity date multiplied by the grant date share price.

*** Martin Solberg has also earned a bonus of DKK 1,317,000 for 2019.

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Short-term bonus of individual members of the Executive Board in 2020

Short-term bonus of individual members of the Executive Board in 2020				
	Position	Weight	2020	
			Bonus earned	Maximum bonus
Morten Hansen	President and Chief Executive Officer			
<i>KPIs in the MT Højgaard Holding Group</i>				
	<i>EBIT before special items in 2020</i>	50%		
	<i>Order intake in 2020</i>	50%	2,066,000	3,240,000
Performance ratio			64%	
Martin Solberg	Chief Financial Officer			
<i>KPIs in the MT Højgaard Holding Group</i>				
	<i>EBIT before special items in 2020</i>	50%		
	<i>Order intake in 2020</i>	50%	1,222,000	1,916,862
Performance ratio			64%	

Martin Solberg has also earned a bonus of DKK 1,317,000 for 2019.

The short-term bonus of the individual members of the Executive Board is based on the targets for MTHH's EBIT before special items and order intake in 2020 being met. In 2020, both Executive Officers achieved a performance ratio of 64% after a 10% reduction due to the COVID-19 situation.

Both Executive Officers have decided to invest all of their short-term bonus earned in 2020 in the LTI programme in MT Højgaard Holding A/S.

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Long-term incentive (LTI) programme

In November 2020, the Board of Directors of MTHH decided, consistently with the applicable remuneration policy adopted at the AGM held on 17 March 2020, to implement a few adjustments to and specifications in the existing LTI programme that was introduced after the completion of the merger in accordance with the remuneration policy of 5 April 2019 applicable at that time. The adjusted LTI programme is effective for 2020 and onwards and replaces the 2019 programme. The terms, the overall principles and the remuneration components of the adjusted programme have remained unchanged in all material respects. The aim of the LTI programme is still to ensure convergence of interests of Management and shareholders, to strengthen and retain the attachment of members of the Executive Board to the Group, and to intensify Management's focus on financial targets, including high and long-term value added.

The LTI programme is effective in parallel with MTHH's short-term cash bonus programme for the Executive Board and entitles members of the Executive Board to invest 25% to 100% of any short-term bonus they may have earned the year before. The LTI programme is a revolving, conditional share incentive scheme that is based on an annual right to have conditional shares granted in MTHH ("LTI Grant"). Shares acquired on the LTI Grant are subject to a three-year maturity period.

Under certain conditions, members of the Executive Board may become eligible for additional contingent "Matching Shares" paid by MTHH. Any dividend on shares acquired by the member of the Executive Board under the LTI programme, inclusive of any Matching Shares, is automatically re-invested in shares in MTHH ("Dividend Shares").

The value of the shares of the individual members of the Executive Board, inclusive of any Matching Shares or Dividend Shares, under the LTI programme cannot exceed two years' base salary for such members per LTI Grant, calculated using the stock market value of the mature shares at the maturity date.

Executive Board members' share of their LTI Grant in the custody account, inclusive of Dividend Shares, will be subject to an annual grant or deduction of Matching Shares based on developments in the Company's share price or its financial performance. Consequently, the original LTI Grant or investment by the Executive Board member may be subject to deduction. Matching Shares are granted or deducted in full shares, and for the combined maturity period they cannot exceed +/- 0.5 share per share in the custody account, rounded down to the nearest full share.

Executive Board members' right to receive the shares as part of the LTI Grant, inclusive of any Matching Shares or Dividend Shares, is subject to continued employment at the maturity date (or resignation as a good leaver). A bad leaver will lose all of their LTI Grants and thus all immature conditional shares, including any Matching Shares or Dividend Shares. The right to receive Matching Shares is also contingent on MTHH in the financial year prior to the LTI Grant and in the three subsequent financial years (four financial years in aggregate) for at least one year either having distributed dividend to the shareholders of MT Højgaard Holding A/S or having reduced the long-term liabilities.

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In March 2020, Martin Solberg invested 50% of his 2019 short-term bonus of DKK 1,803,486 in total, i.e. DKK 901,743, in 11,546 investment shares in MTHH at the grant price of DKK 78.10 per share, qualifying him to receive up to a maximum of 5,773 contingent shares ("Matching Shares") if the share price increases by 100% or more from the grant date to the vesting date. Fair value of a contingent share has been calculated at DKK 75.01 per share at the grant date, which amount has been calculated using the average share price over the first five weekdays after the grant date of 17 March 2020. The value of the grant was calculated at a total of DKK 433,040 based on, among other factors, the expected maturity period of three years from the grant date, the expected increase in the MT Højgaard Holding A/S share price from the grant date to the vesting date, and assuming that either dividend is paid or long-term liabilities are repaid.

Terms of termination and termination benefit

Executive Board members have a term of notice of 6-12 months towards MTHH whereas MTHH can terminate an Executive Board member at 12 months' notice.

MTHH may, in exceptional circumstances, require repayment (claw-back), in whole or in part, of variable remuneration (cash or share-based) if disbursement was made using incorrect or inaccurate data. This was not the case in 2020 or 2019.

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5. Comparison of remuneration and accounting figures

Comparison of remuneration and accounting figures			
	2020	Change	2019
Executive Board - remuneration			
Morten Hansen*	8,183,852		1,229,000
2019, annualised for comparison			6,866,000
Converted into annual increase		19%	
Martin Solberg**	4,714,535		3,417,000
2019, annualised for comparison		-1%	4,753,920
Board of Directors - remuneration			
Carsten Dilling	1,100,000	25%	881,944
Anders Lindberg	837,500	14%	733,333
Christine Thorsen	350,000	8%	325,000
Pernille Fabricius	487,500	-26%	658,333
Ole Jess Bandholtz Røsdahl	350,000	8%	325,000
Morten Hansen (until February 2020)	32,184	-88%	259,753
Employees – average remuneration			
The MT Højgaard Holding Group's average remuneration of employees	579,366	3%	562,764
Employees of the MT Højgaard Holding Group (FTE)	2,680	23%	2,178
Employees of MT Højgaard Holding A/S other than the Executive Board (FTE)	0	-	0
Financial results			
Revenue of the MT Højgaard Holding Group, in DKK million	5,951	27%	4,672
EBIT before special items of the MT Højgaard Holding Group, in DKK million	87	601%	12

* For 2019, remuneration as acting President and CEO covers the period from November to December 2019. For 2020, remuneration as acting President and CEO covers the period from January 2020 and as permanent President and CEO from February 2020.

** For 2019, remuneration as CFO covers the period from June 2019 to December 2019.

*** 2019 also covered remuneration of the former President and CEO for the period 5 April 2019 to 13 November 2019 in the total amount of DKK 16.6 million including remuneration, termination benefit for 12 months and a bonus for 2019 etc. In addition, the former President and CEO earned a bonus of approximately DKK 2 million for 2020.

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6. Statement by the Board of Directors

The Board of Directors has today considered and approved the remuneration report of MT Højgaard Holding A/S for the financial year 1 January to 31 December 2020.

The remuneration report is presented in accordance with section 139b of the Danish Companies Act.

In our opinion, the remuneration report is in accordance with the Company's remuneration policy, which has been adopted at the Company's Annual General Meeting, and is free of material misstatement, whether due to fraud or error.

We recommend the remuneration report for advisory vote at the Company's Annual General Meeting.

Søborg, 26 February 2016

Board of Directors

Carsten Dilling
Chairman

Anders Lindberg
Deputy Chairman

Christine Thorsen

Ole Røsdahl

Pernille Fabricius

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7. Independent auditor's report on the Company's remuneration report

To the shareholders of MT Højgaard Holding A/S

We have examined whether the remuneration report of MT Højgaard Holding A/S for the period 1 January – 31 December 2020 contains the disclosures required pursuant to section 139b(3) of the Danish Companies Act.

The degree of assurance we express in this report is reasonable.

The Board of Directors' responsibility for the remuneration report

The Board of Directors is responsible for the preparation of the remuneration report in accordance with section 139b(3) of the Danish Companies Act.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error.

Auditor's independence and quality control

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of laws and regulations applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IEASBA Code, which rely on general principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

We are subject to the International Standard on Quality Control, ISQC 1, and thus use a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements of Danish law and other regulations.

Auditor's responsibilities

Our responsibility is to express a conclusion on the remuneration report based on our examinations. We performed our work in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and additional requirements under Danish audit regulation to obtain reasonable assurance for our conclusion.

As part of our examinations, we performed the below procedures:

- ▶ We verified whether the remuneration report, to the extent relevant, contains the disclosures required pursuant to section 139b(3)(i)-(vi) of the Danish Companies Act regarding the remuneration of each member of Management.

We believe that our work provides a reasonable basis for our conclusion.

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Our examinations have not included procedures to verify the accuracy and completeness of the information provided in the remuneration report, and therefore, we do not express any conclusion in this regard.

Conclusion

In our opinion, the remuneration report, in material respects, contains the information required pursuant to section 139b(3) of the Danish Companies Act.

Copenhagen, 24 February 2021

EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

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