

SEMCON AB (PUBL) REMUNERATION REPORT FOR THE FINANCIAL YEAR 2020

INTRODUCTION

This report provides an outline of how Semcon AB's [publ] guidelines for executive remuneration ["the remuneration guidelines"], adopted by the Annual General Meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of the company's CEO as well as a summary of the company's outstanding share and share-price related incentive programs. The report has been prepared in compliance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Additional information about executive remuneration is available in note 9 [Employees and staff costs] on p. 70-72 in the Annual Report for 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report on p. 90-91 in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 9 on p. 71 in the Annual Report 2020. The Group has no deputy CEO to be included in this report.

DEVELOPMENT IN 2020

The CEO summarizes the company's overall results in his comment on p. 8-9 in the Annual Report 2020.

THE GROUP'S REMUNERATION GUIDELINES: SCOPE, PURPOSE AND DEVIATIONS

A prerequisite for the successful implementation of the group's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company can recruit and retain qualified employees. To this end, the group must offer competitive remuneration. The group's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, executive remuneration 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 maximum 75 per cent of the total fixed cash salary during the year included in the measurement period. Furthermore, the variable cash remuneration shall be linked to pre-determined and measurable criteria. They may consist of individualized quantitative or qualitative goals, for example criteria linked to operating result, cash flow, return on capital employed or sustainability goals. The criteria shall be designed to contribute to

the group'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 guidelines are found on pages 48-49 in the Annual Report 2020. During 2020, the company has complied with the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines is available on www.semcon.com. No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of the company have resolved to implement long-term share-related incentive programmes.

TABLE 1 – TOTAL REMUNERATION OF THE CEO IN 2020 [KSEK]

Name of executive, position	1 Fixed remuneration		2 Variable remuneration		3	4	5
	Base salary*	Benefits**	One-year	Multi-year***	Pension expense	Total remuneration	Proportion of fixed and variable remuneration****
Markus Granlund, CEO	3,287	89	-	473	1,150	4,999	91/9

* Including holiday pay amounting to kSEK 66

** Benefits including company car and healthcare

*** Refers to shares awarded during the year at the share price of the award date for the Performance-based Share Savings Scheme 2017

**** The pension expense [column 3], which entirely refers to Base salary and is of defined-contribution nature, has been fully reported as fixed remuneration.

SHARE-BASED REMUNERATION

Outstanding share and share-price related incentive programs

Semcon has two long-term performance-based share savings schemes for senior executives and key employees in the Semcon Group [“Performance-based share savings scheme 2017” and “Performance-based share savings scheme 2018”]. To be able to take part in the schemes, participants must invest in shares. Employees who participate in the schemes can save an amount equivalent to 10 per cent of their fixed gross salary to purchase ordinary shares on Nasdaq Stockholm over a 12-month period from the date the schemes were implemented. If the shares purchased by the employee are retained for three years from the date of the investment and the individual was employed within the Semcon Group throughout the three-year period, then the employee will receive the same amount of ordinary shares [“matching shares”] from the Semcon Group and, as long as performance requirements have been met, then a further two to four performance shares will be issued. For performance matching to occur, the annual average percentage increase in Semcon's earnings per share must meet certain targets:

For the 2017 programme, Semcon's average annual percentage increase in earnings per share between 2016 and 2019 is to be at least 5 per cent. The 2016 earnings per share for continuing operations will serve as the reference value for calculating this increase in earnings per share. The maximum number of performance shares will be issued if the average increase in earnings per share is 20 per cent or more. Performance shares will not be issued if the average annual earnings per share increase are equal to or less than 5 per cent. Matching of performance shares when the annual increase in earnings per share is between 5 and 20 per cent will be on a linear basis.

For the 2018 programme, the 2018 performance criteria apply: Semcon's average annual percentage increase in earnings per share [EPS] between 2017 and 2020 is to be at least 5 per cent. The 2017 earnings per share will serve as the reference value for calculating this increase in earnings per share. The maximum number of performance shares will be issued if the average increase in earnings per share is 20 per cent or more. Performance shares will not be issued if the average annual earnings per share increase is equal to or less than 5 per cent. Matching of performance shares when the annual increase of earnings per share is between 5 and 20 per cent will be on a linear basis.

For more information about the programmes, please refer to note 9 in the Annual Report 2020. The Group CEO is participating in the programmes, refer to table 2 below for more information.

Table 2 – Performance-based Share Savings Scheme (CEO)

Name of executive, position	The main conditions of the share savings scheme				Information regarding the reported financial year*				
	1 Name of the programme	2 Performance period (Performance criteria EPS)**	3 Award date for Matching and Performance shares	4 End of retention period	5 Awarded Matching and Performance shares previous years	6 Awarded Matching and Performance shares in 2020	7 Vested*** to be awarded in 2021	8 Vested*** to be awarded in 2022	9 Subject to performance criteria**
Markus Granlund, CEO	2017	2017-2019	Nov 2020 – July 2021	Nov 2020-July 2021	-	6,956	19,314	-	EPS
	2018	2018-2020	Nov 2021 – July 2022	Nov 2021 – July 2022	-	-	4,949	13,819	EPS
Total					-	6,956	24,263	13,819	

* Shares, in which the CEO has invested to be entitled to participation of the programme are not included in the table

**Performance criteria for the 2017 programme: Semcon's average annual percentage increase in earnings per share between 2016 and 2019 is to be at least 5 per cent. The 2016 earnings per share for continuing operations will serve as the reference value for calculating this increase in earnings per share. The maximum number of performance shares will be issued if the average increase in earnings per share is 20 per cent or more.

Performance shares will not be issued if the average annual earnings per share increase are equal to or less than 5 per cent. Matching of performance shares when the annual increase in earnings per share is between 5 and 20 per cent will be on a linear basis.

Performance criteria for the 2018 programme: Semcon's average annual percentage increase in earnings per share [EPS] between 2017 and 2020 is to be at least 5 per cent. The 2017 earnings per share will serve as the reference value for calculating this increase in earnings per share. The maximum number of performance shares will be issued if the average increase in earnings per share is 20 per cent or more. Performance shares will not be issued if the average annual earnings per share increase is equal to or less than 5 per cent. Matching of performance shares when the annual increase of earnings per share is between 5 and 20 per cent will be on a linear basis.

*** A prerequisite for the vested shares to be awarded is that Markus Granlund is still an employee at the award date.

APPLICATION OF PERFORMANCE CRITERIA

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account.

Table 3(a) - Performance of the CEO in the reported financial year: variable cash remuneration

Name of executive, position	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3	
			a) Measured performance and	b) actual award / remuneration outcome
Markus Granlund, CEO	Group operating result 2020	100 %	a) 0 %	b) kSEK 0

Tabell 3(b) - Performance of the CEO in the reported financial year: share-based remuneration

Name of executive, position	Name of the programme	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3	
				a) Measured performance and	b) actual award / remuneration outcome *
Markus Granlund, CEO	Share Savings Scheme 2017	Average earnings per share 2017-2019	100 %	a) 84 %	b) 26,269 shares
	Share Savings Scheme 2018	Average earnings per share 2018-2020	100 %	a) 57 %	b) 18,768 shares

*The actual allotment of shares, which is mentioned under item (b) in Section 3 refers to the award during years 2020-2021 and 2021-2022 respectively.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE**Table 4 - Change of remuneration and company performance over the last reported financial year [kSEK]**

	2020 vs 2019	År 2020	År 2019
CEO remuneration (Markus Granlund)	- 22,7 %	4 999	6 470
Group operating result	- 8,3 %	130 000	141 800
Average remuneration on a full-time equivalent basis of employees* of the group companies**	0,2 %	434	433

* Excluding members of group management

** Comparison is made with employees in all group companies as the Group's key functions are found in more companies than the parent company.

The Board for Semcon AB [publ]
Göteborg March 2021