

# Remuneration Report 2020

There when you need us



# 1. Introduction

## **Remuneration Report**

This remuneration report provides a transparent overview of the total remuneration received by each member of the Board of Directors ("Board") and of the Executive Committee of Falck A/S, CVR no. 33591045, for the year 2020 with comparative historical figures. The Executive Committee includes members of the management at Falck registered with the Danish Business Authority.

Falck's remuneration principles provide the framework for the remuneration of the Board and the Executive Committee. These principles are available at: [www.falck.com/about-us/corporate-governance/remuneration](http://www.falck.com/about-us/corporate-governance/remuneration).

Remuneration to the Executive Committee is proposed by the Remuneration and Nomination Committee and approved by the Board.

## 2. Remuneration of the Board of Directors

### 2.1

#### Key points

The remuneration policy of the Board of Directors is designed to attract and retain qualified members and reward them for their independent oversight role as the stewards of shareholder assets. The remuneration package for the members of the Board of Directors comprises an annual fixed fee and an annual Committee membership fee to reflect individual time commitments and responsibilities. The annual base fee shall be in line with market practice of comparable companies considering the required competencies, effort and scope of work of the members of the Board. The Chairman and the Vice Chairman each receive a multiplier of the annual base fee of three (3) and two (2) respectively, for their extended duties.

In accordance with good corporate governance, the members of the Board of Directors are not eligible for any variable pay programmes such as short or long-term incentive plans, or any share-based compensation arrangements such as share or stock option programmes. However, employee-elected members of the Board of Directors may, due to their employment, be covered by general incentive schemes applicable to Falck's employees.

### 2.2

#### Board and Committee fee levels for 2020

	Role	Multiplier	Annual Fee (DKKt)
<b>Board fee</b>	Chairman	3	825
	Vice-Chairman	2	550
	Member	1	275
<b>Audit Committee</b>	Chairman	1	275
	Member	0.5	137.5
<b>Remuneration and Nomination Committee</b>	Chairman	0.75	206.3
	Member	0.375	103.1



# 3. Remuneration of the Executive Committee

## 3.1 Overview of 2020

The Executive Committee comprises of the Group CEO and the Group CFO. Together they form the management registered with the Danish Business Authorities.

As Falck has received government aid in connection with the COVID-19 pandemic, the Board did not deem it appropriate that the Executive Committee receive Short-Term Incentive pay-out based on 2020 results in 2021.

During 2020 the Executive Committee carried Falck through the COVID-19 crisis, with a strong focus on contributing to the society around Falck and a consistent focus on the long-term value creation through working with the strategic direction and operational efficiency in Falck. This resolved in a stronger position for Falck at the end of 2020. As a result, the Board is, on a discretionary basis, awarding maximum Long-Term Incentive to the Executive Committee, to drive this focus on the long-term value creation. The actual pay-out of the Long-Term incentive will take place in 2023.

For 2020 the total remuneration of the Executive Committee ends up at just above target level, with no short-term incentive pay-out and full long-term incentive pay-out.

On 31 July Jakob Bomholt (EVP, Ambulance and Fire) left Falck receiving normal base salary during the severance period, but not any additional severance or incentive pay-out.

## 3.2 Remuneration package

In order to attract the right talent with the right competencies to create long-term value for Falck's owners and align with the Executive Committee interest, short and long term, the remuneration of the Executive Committee consist of the components and split set out in the overview table below.

### Remuneration overview table

	Policy	2020 Remuneration	Alignment with strategy, long-term interests and sustainability
<b>Fixed annual base salary</b>	<p>The base salary is a fixed cash compensation, taking into consideration the individual role, market conditions and the general remuneration conditions at Falck.</p> <p>Potential annual increases are typically aligned with those applicable to employees in general, but higher increases may be awarded where appropriate.</p>	Executive Committee did not receive adjustments in 2020, similarly to the wider leadership group and the non-unionised population of Falck.	The base salary is provided at a competitive level to ensure a focus on the long-term value creation of Falck and the balance between risk and opportunity.
<b>Pension</b>	Executive Committee members do not receive pension contributions from Falck.		

### 3. Remuneration of the Executive Committee

#### Remuneration overview table

– continued

	Policy	2020 Remuneration	Alignment with strategy, long-term interests and sustainability
<b>Short-term incentive programme</b>	<p>The short-term incentive programme is a variable one-year cash-based incentive, subject to the achievement of annual targets. Its role is to drive and reward exceptional performance of Falck.</p> <p>Targets are set at the beginning of the year and include determination of threshold, target and performance required to achieve maximum pay-out. The short-term incentive may have a maximum value up to 100% of the annual base salary for the CEO and up to 50% for the CFO.</p>	<p>No short-term incentive was awarded based on 2020 performance as Falck received government aid during 2020.</p>	<p>Designed to incentivise short-term performance in line with Falck's strategy and needs. Will typically include financial, operational, organisational and sustainability targets.</p> <p>When setting targets the Board shall consider budgets and long-term business plans supporting Falck's strategic goals and values.</p>
<b>Long-term incentive programme</b>	<p>The long-term incentive programme is a cash-based incentive designed to drive and reward the creation of long-term shareholder value at Falck. The long-term incentive will have up to a three-year performance period.</p> <p>The long-term incentive may have a maximum value of up to 100% of the annual base salary for the CEO and up to 67% for the CFO.</p>	<p>The 2020 Long-term incentive programme was evaluated at maximum level on a discretionary basis by the Board. This was due to the consistent focus on the long-term strategic direction of Falck and that Falck had a strong focus on contributing to the society around Falck in combating the pandemic.</p>	<p>Designed to align interests of the Executive Committee to the long-term value creation of Falck with focus on the Economic Profit but may also include organizational efficiency and sustainability measures.</p> <p>The long-term incentive programme shall be designed to promote the creation of long-term value and sustainability of Falck.</p>
<b>Non-monetary benefits</b>	<p>Executive Committee members receive non-monetary benefits such as a company car and healthcare insurance.</p> <p>Non-monetary benefits may have a value of up to 10% of the annual base salary.</p>		
<b>Severance payment</b>	<p>The total remuneration related to the termination period, including salary during the notice period and any severance pay, to a member of the Executive Committee shall not exceed two (2) years' total remuneration including all remuneration components.</p>	<p>Jacob Bomholt resigned in 2020, he received base salary in resignation period. No additional variable pay or severance pay was provided.</p>	

## 3. Remuneration of the Executive Committee

### 3.3

#### The short-term incentive programme

##### 3.3.1

Falck's short-term incentive programme is a cash based one-year programme with focus on financial, operational, commercial and people KPI's. The max pay-out is twice the level of the target pay-out for the Executive Committee.

##### 3.3.2

Design of the short-term incentive programme is shown in the below table.

	CEO	CFO
<b>Instrument</b>	Cash	Cash
<b>Performance period</b>	1 year	1 year
<b>Target cash</b> (% base salary)	50%	25%
<b>Max cash</b> (% base salary)	100%	50%
<b>KPIs</b>	<ul style="list-style-type: none"> <li>• Financial KPIs typically including EBITA and cash conversion</li> <li>• Operational KPIs relating to operational efficiency of the organization</li> <li>• Commercial KPIs relating to increasing subscriptions and the contract value portfolio</li> <li>• People KPIs relating to health and safety and sustainability.</li> </ul>	

### 3.4

#### The long-term incentive programme

##### 3.4.1

In 2020, the members of the Executive Committee participated in a cash-based long-term incentive programme. The granting of the long-term incentive programme is subject to Board approval. Falck first introduced the long-term incentive programme in 2018 and has phased the programme in during a turnaround of the company. The 2021 long-term incentive programme will have a three-year performance period with an Economic Profit target at the end of the three-year period. The design of the 2018 – 2020 long-term incentive programme is shown to the right.

##### 3.4.2

#### 2018 – 2020 Long-term incentive programme design

	CEO	CFO
<b>Instrument</b>	Cash	Cash
<b>Performance period</b>	1 year	1 year
<b>Holding period</b>	2 years	2 years
<b>Target cash</b>	50%	33%
<b>Max cash</b>	100%	67%
<b>KPIs</b>	Financial KPIs typically Economic profit	
<b>Threshold</b>	The programme included a performance threshold at the end of the holding period. The threshold was based on an EBITA measure which had to be at a minimum level for a pay-out.	

### 3. Remuneration of the Executive Committee

#### 3.4.3

##### Long-Term Incentive programme overview

The current Long-Term Incentive programme has been in effect since 2018, the below table provides an overview of the current value of each programme at target level and the actual value

(estimated or actual if paid out) for each programme. There is no actual pay-out in the financial year 2021 as the 2018 long-term incentive programme was a two-year programme and the 2019 programme was a three-year programme.

DKKkM	Programme	Performance Period	Pay-out date	Target value	Estimated value
<b>CEO</b> Jakob Riis	2020	01-01-2020 – 31-12-2020	30-04-2023	4.0	8.0 (100% of max)
	2019	01-01-2019 – 31-12-2019	30-04-2022	4.0	3.2 (40% of max)
	2018	01-01-2018 – 31-12-2018	30-04-2020	4.0	6.7 (83.5% of max)
<b>CFO</b> Tor Magne Lønnum	2020	01-01-2020 – 31-12-2020	30-04-2023	1.8	3.6 (100% of max)
	2019	01-01-2019 – 31-12-2019	30-04-2022	1.7	1.4 (40% of max)
	2018	01-01-2018 – 31-12-2018	30-04-2020	1.7	2.9 (83.5% of max)
<b>EVP, Ambulance and Fire</b> Jakob Bomholt	2020	N/A	N/A	N/A	N/A
	2019	01-01-2019 – 31-12-2019	30-04-2022	1.4	0
	2018	01-01-2018 – 31-12-2018	30-04-2020	1.4	2.4 (83.5% of max)

### 3. Remuneration of the Executive Committee

#### 3.5 Remuneration overview of the Executive Committee

The table to the right shows an overview of the remuneration of the Executive Committee based on performance in 2020. The pay-out of variable remuneration has not occurred in 2020 but is the most representable of the 2020 performance.

DKKkm		CEO Jakob Riis		CFO Tor Magne Lønnum		EVP, Ambulance and Fire Jakob Bomholt	
		Amount	In %	Amount	In %	Amount	In %
<b>Fixed Remuneration</b>	Base Salary	8.0	50%	5.4	59%	2.5	100%
	Pension	0	0%	0	0%	0	0%
	Other benefits	0.2	1%	0.1	2%	0	0%
	<b>Total fixed remuneration</b>	<b>8.2</b>	<b>51%</b>	<b>5.5</b>	<b>61%</b>	<b>2.5</b>	<b>100%</b>
<b>Variable Remuneration<sup>1</sup></b>	2020 short-term incentive programme	0	0%	0	0%	0	0%
	2020 long-term incentive programme (estimated value)	8.0	49%	3.6	39%	0	0%
	Severance	0	0%	0	0%	0	0%
	<b>Total variable remuneration</b>	<b>8.0</b>	<b>49%</b>	<b>3.6</b>	<b>39%</b>	<b>0</b>	<b>0%</b>
<b>Total remuneration<sup>1</sup></b>		<b>16.2</b>	<b>100%</b>	<b>9.1</b>	<b>100%</b>	<b>2.5</b>	<b>100%</b>

1) Value is different from the value in the annual report note 2.3 due to that the note takes into account accruals for incentive programmes.

### 3. Remuneration of the Executive Committee

#### 3.5.1 Breakdown of CEO Remuneration

The remuneration paid to Falck's CEO; Jakob Riis based on the performance in 2020 totalled DKK 16.2 million. The fixed salary for the period was DKK 8 million being 50% of the total remuneration in 2020.

In 2020 there was no short-term incentive pay-out (scheme described in section 3.3 in more detail). The long-term incentive scheme was evaluated at maximum pay-out. Overall the total remuneration for the CEO based on 2020 performance was at about target level.

Other benefits were mainly car benefits.

#### 3.5.2 Breakdown of CFO Remuneration

The remuneration paid to Falck's CFO, Tor Magne Lønnum based on the performance in 2020 totalled DKK 9.1 million. The fixed salary for the period was DKK 5.4 million being 59% of the total remuneration in 2020.

In 2020 there was no short-term incentive pay-out (scheme described in section 3.3 in more detail). The long-term incentive scheme was evaluated at maximum pay-out. Overall the total remuneration for the CFO based on 2020 performance was at about target level.

Other benefits were mainly car benefits.



### 3. Remuneration of the Executive Committee

#### 3.6 2018 – 2020 Executive Committee Remuneration

The table to the right shows the development of the remuneration of the Executive Committee in the period from 2018 to 2020 compared to the company performance. The starting point of 2018 is chosen because all Executive Committee members started in 2017 and thereby 2018 was the first full year where all were employed.

DKKm	2020	2019	2018
<b>CEO</b>			
Jakob Riis (hire date: 01-05-2017)	16.2	14.6	20.2
<b>CFO</b>			
Tor Magne Lønnum (hire date: 01-09-2017)	9.1	7.9	10.1
<b>EVP, Ambulance and Fire</b>			
Jakob Bomholt (hire date: 01-01-2017)	2.5	6.9	9.1
<b>Revenue</b>	12,348	13,824	13,988
<b>EBITA</b>	675	729	239
<b>Economic Profit</b>	-52	-288	-309
<b>Average Employee Compensation (DKKt)</b>	375	359	324
<b>CEO ratio</b>	43,1	40.6	62.3

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