

Our core is construction



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Every generation has a responsibility to maintain and develop its shared social infrastructure in order to create opportunities today and for the future. Construction, maintenance and development projects are initiated by our customers or by NCC. NCC's purpose is to utilize our expertise and competencies as the basis for taking the customer through the construction process in order to create a positive end result for all stakeholders.

NCC is a knowledge-based company whose core is the ability to manage the complexity of a construction process. Our operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production.

We need to be experts in the various aspects of the process, but we must also have the ability to get them to work together. NCC is currently pursuing development initiatives in the areas of skills development, digitization and an increased utilization of expertise and data from all parts of the company.



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About the report

NCC's Annual Report on 2021 is submitted by the Board and the President and CEO of NCC AB (publ). The statutory annual accounts are presented on pp. 12–67 and have been audited by NCC's external auditor. The Sustainability Report is presented on pp. 2–3, 8–11, 23–25 and 78–103 and has been prepared in accordance with Chapter 6 of the Swedish Annual Accounts Act. NCC reports according to GRI Standards, Core level.

ESEF report

NCC has prepared the Annual Report in a format that enables uniform electronic reporting according to 16 Chapter, Section 4 a of the Swedish Securities Market Act (2007:528)

Cover photo: Granåsen winter sport facility

The project consists of extensions, improvements and new construction close to both ski jumping hills, a new shooting range, a new ski bridge, a new judge tower, new grandstands, a new arena with a shooting range integrated with the grandstand, a new chairlift, and earth and groundworks in connection to the slopes and access roads. The entire winter sport facility is scheduled for completion by summer 2023.

The project has ambitious environmental targets, and the aim is to certify it in accordance with CEEQUAL, an international sustainability rating system for infrastructure projects.

Building for the future

NCC is one of the leading construction companies in the Nordics. Based on its expertise in managing complex construction processes, NCC facilitates construction that generates favorable results for the customers and has a positive impact on society in general. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production. In 2021, NCC had sales of SEK 53 billion, and 13,000 employees.

Construction and civil engineering

NCC Infrastructure

Builds, renovates and maintains infrastructure for travel, transportation, energy and water treatment, as well as facilities for basic industry, in Sweden, Norway and Denmark. With expertise encompassing the entire chain from counseling in early stages, project planning and design to production and maintenance, we realize, together with our customers, projects with a favorable impact on society.

NCC Building Sweden

Builds and renovates sustainable residential buildings, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Sweden. With advanced skills in sustainability, digitalization and partnering, NCC Building Sweden develops projects jointly with customers from the early stages.

NCC Building Nordics

Builds and renovates sustainable residential buildings, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Denmark, Finland and Norway. With advanced skills in sustainability, digitalization and partnering, NCC Building Nordics develops projects jointly with customers from the early stages.

Industry

NCC Industry

Develops, produces and sells sustainable stone materials and asphalt products for construction and infrastructure projects in Sweden, Norway, Denmark and Finland. The operations form a natural supply chain that is also well integrated into NCC's construction and civil engineering operations.

Development

NCC Property Development

Develops, lets and sells properties, with the focus on office properties. With extensive expertise encompassing the entire chain from conceptualization of individual projects to the development of city districts, and with a major focus on sustainability and cooperation, flexible and customized property solutions are created in growth markets in the Nordic region.

55,786

Orders received (SEK M)

53,414

Net sales (SEK M)

1,825

Operating profit (SEK M)

Våghuset, Gothenburg

Financial targets and outcome

Earnings per share

≥SEK 16 in earnings per share in 2023

Outcome 2021

SEK 14

Corporate net debt¹⁾

<2.5 x EBITDA

Outcome 2021

–0.3 x EBITDA

Dividend policy

≥40 percent of after-tax profit is to be distributed to shareholders

Outcome 2021

43 percent²⁾

1) Net debt excludes pension debt and lease liability.

2) The Board of Directors has proposed a dividend of SEK 6 per share for 2021.

Sustainability targets and outcome

Health and Safety

LTIF4

Target for 2022: 3.0

Work-related accidents resulting in more than four calendar days of absence per million working hours

Outcome 2021

3.7

Climate and energy

NCC will be climate neutral by 2045

Scope 1 & 2

60-percent reduction in CO₂e¹⁾ (Scope 1 and 2) by 2030 (base year 2015), measured as tons of CO₂e/SEK M

Outcome 2021

Emission intensity amounted to 3.5 CO₂e tons/SEK M, corresponding to a reduction of 41 percent compared with 2015

Scope 3

50-percent reduction in CO₂e (Scope 3) by 2030 (base year 2015), from concrete, steel, asphalt and transportation²⁾, measured as kilograms of CO₂e /purchased volume

Outcome 2021

See page 94.

1) Carbon dioxide equivalents, i.e. GHG emissions expressed as the equivalent amount of carbon dioxide.

2) Emissions from transports were not reported for 2021. Initially, emissions from ready-mixed concrete, steel reinforcement and internally purchased asphalt are reported.

Our **size** is our strength

2021 was confirmation that our change process has generated results and we enter 2022 in stronger shape with improved profitability and higher operating profit. Efforts according to our strategic plan for a stable and sustainable profitability improvement had a favorable impact. We have added to our position as a broad Nordic company with a local presence, where we leverage our collective knowledge and expertise, have data-informed work methods and behaviors that drive change.



“We aim to be the best employer in the industry for all who are attracted by the complexity of a construction process.”

Tomas Carlsson
President and CEO

NCC continues to develop in a positive direction. Our determined and systematic work for a stable and sustainable profitability improvement has paid off. Our customers also value the fact that we work closely with them in our projects, in order to achieve the best possible end result.

We divested a number of units that had been unprofitable or were not a good strategic fit. We are keeping a stable course through better cost management, controls and clearer processes.

The turnaround has occurred in all business areas apart from Industry, despite the fact that the year involved challenges, not least due to the pandemic. We are now well positioned for continued improvement.

Net profit for the year

In 2021, the Group's operating profit improved 34 percent to SEK 1,825 M and the operating margin was 3.4 percent. The contracting operations developed well. Operating profit and operating margins improved in Infrastructure, Building Sweden and Building Nordics.

In the Industry business area, we sold the Finnish asphalt operations at the end of the year, and we took additional actions in the asphalt operations to improve profitability. Stone materials operations had a stable development with favorable earnings.

We continued to invest in the activities of our Property Development business area and we see a keen interest in our office projects in the letting market and among investors.

Orders received were favorable and we had a healthy order backlog for contracting operations in all business areas. NCC had a strong cash flow throughout the year and we have a solid financial position. Earnings per share amounted to SEK 14.02, well on the way to the target of increasing earnings per share to at least SEK 16 by 2023. We are focusing intently on the profit margins of contracting operations, on profit margins and the return on capital employed for the industrial business, and on the return on capital employed for the property development business.

Strategy implementation

NCC's core competency is to manage the complexity of the construction process to achieve a positive end result for all stakeholders. This is the point of departure for the Group's strategic focus and our Group-wide operating model.

Our work is based on a number of strategic initiatives that enable us to gain strength from being a large Nordic company with a breadth of operating areas. We combine the competencies, experience and expertise of a major company with local presence and decision-making power.

Knowledge-based company with a strong position

Our well-established position is based on having employees with solid competencies, wide-ranging experience and strong technological know-how.

Since the complexity of construction projects is increasing, greater demands are being placed on proactivity, leadership, cooperative ability and customer understanding.

Our ambition is to have the most knowledgeable and experienced employees in the industry, and we continuously develop our employees to ensure that they have relevant expertise. Our strategic initiatives specifically include skills enhancement through training in, for example, project management and leadership, but also through knowledge sharing in networks, manager involvement and mentorship.

We conducted comprehensive work to raise the employees' competencies. In addition to regular training programs, the focus was on leadership development, with around 250 employees participating in NCC Academy's manager-training programs in 2021.

Data-informed work methods

Knowledge sharing within and between teams, projects and business areas is a key factor in benefiting from being a large company. Greater digitization of processes facilitates knowledge sharing and the ability to take data-informed decisions, which adds value, increases productivity and improves our competitiveness.

Shared values and behaviors

To continue implementing the change we want to attain, high employee engagement is also essential, as are shared core values and a shared culture. The corporate culture is based on shared values and behaviors, and is also a cornerstone in NCC's strategic focus.

During 2021, we worked on implementing our Star behaviors among employees. About three quarters of the employees participated in workshops and we integrated the Star behaviors into our HR processes, which will contribute to driving improvements and changes.

Attractive employer

NCC is a large employer in the Nordic markets where we operate. We create employment both for our own employees and for a large number of employees of our subcontractors. We aim to be the best employer in the industry for all who are attracted by the complexity of a construction process.

Successful competency supply is another precondition for succeeding in our strategic plan.

Create value through sustainability

NCC supports the UN's Global Compact and its ten principles, which are integrated into our business strategy, culture and daily operations. We also work to make a positive contribution to and reduce the negative impact on the Sustainable Development Goals (SDGs). This is supported by our sustainability strategy and our sustainability work, and we prioritize the measures that make the greatest difference.

Strong safety culture

Health and safety has the highest priority at NCC. We conduct structured work to eliminate accidents, and focus on strict procedures, safe behaviors and the use of technology to ensure that our worksites are safe. An example is a virtual solution to support the onboarding of new employees, in order to ensure that everyone who passes the gate to a production worksite has the right competencies, has completed the right training and has received information about the worksite they are going to work at, which is synchronized with the employee's access cards.

In 2021, we launched a new focus for Health and Safety. NCC's goal is to eliminate serious incidents and accidents and we measure this by such activities as tracking and setting targets for total absence for serious accidents resulting in more than four days of absence. During 2021, the accident frequency rate was 3.7 and the target for 2022 is to achieve 3.0. Two business areas are already below this figure of 3.0. Our improvement work at both Group level and in the business areas will continue in 2022.

Climate transition

Climate change places clear demands on a transition, and it necessitates that both public and private players assume their responsibility. We shall be a driving force in this transition, and engagement and collaboration with our stakeholders is a prerequisite for achieving results.

We have many good examples of collaboration. In the Centralen project, part of the West Link in Gothenburg, NCC cooperated with Volvo Trucks in developing a digital service for optimizing loads when removing excavation material. The trucks' capacity can be used to nearly 100 percent, compared with an average of 85 percent of the permitted load volume that is usually used. This means about 8,000 fewer truck transports for NCC, corresponding to a reduction in carbon emissions of 1,000 tons.

We have set a target of being climate neutral by 2045, and are working determinedly and systematically to make the change. In 2021, emission intensity from our own operations was 3.5 CO₂e tons/SEK M, down 41 percent compared with 2015.

Our work to minimize climate impact does not only involve our

own operations; we look at the entire value chain. During the year, we analyzed the emissions from asphalt, concrete and steel, and initiated an analysis of emissions from transportation. Our aim is to halve emissions from asphalt, concrete, steel and transportation by 2030 compared with 2015.

We were one of the pioneers of, and are pursuing, a focused effort to implement climate calculations in construction projects, whereby the assessment process is becoming increasingly digitalized in order to ensure high quality.

We are convinced of our ability to contribute data that will enable better results both now and in the future.

Another central feature is to continue to increase the energy efficiency of processes and production, such as replacing fossil energy sources with renewable ones in our asphalt plants.

In 2021, NCC took additional steps to analyze and report climate risks and opportunities according to the Task Force on Climate-related Financial Disclosures (TCFD) framework's recommendations.

Coronavirus pandemic

During the year, the operations fared well throughout the pandemic. We worked to ensure that we could continue to operate projects efficiently and, thanks to comprehensive measures, succeeded in minimizing the spread of infection and maintaining a high level of safety at worksites. I am proud of how well the employees managed to cope with these challenges.

Cement

In Sweden, when the permit for the predominant manufacturer expired, uncertainty arose concerning the supply of cement during the year. The long-term uncertainty regarding cement supply remains. Within the company, we worked intensely to prepare for a potential cement shortage by engaging in close dialogue with suppliers and through internal actions. This case involving Cementa highlights the need for faster and more predictable procedures to manage permit issues that entail complex conflicting objectives.

Business environment and market

The construction industry tracks the general economic trend relatively well. Society has a fundamental need for infrastructure, offices and housing, and the underlying market is favorable.

As a major Nordic player with solid experience, NCC is able to plan, construct and lead construction projects that can contribute to solving social challenges and complex social problems. An relevant example is water and sewage infrastructure, which is underinvested and requires upgrading in Sweden and in other Nordic countries. This is a field in which NCC has specialist competence, and cooperation and knowledge sharing will be required to achieve improvements.

A stronger NCC

We worked systematically during the year to develop and enhance NCC and to gain value from being a major and broad-based company. I am proud of the change process we implemented, where our objective is to be Europe's benchmark company as an expert in the construction process.

I would like to express my deep gratitude to all employees, customers, business partners and shareholders for the past year. We now stand stronger and, simultaneously, we are well positioned to create stable and sustainable profitability and growth. We are investing for the future and creating long-term value for our shareholders, customers, business partners and employees, and making a positive contribution to society.

Solna, March 2022

Tomas Carlsson
President and CEO

With **data** and **expertise** throughout the construction process

NCC has a strong and well-established position in the Nordic market, combined with a local presence. The foundation is the ability to manage construction processes that are complex for the customers. NCC's success factors include leveraging the Group's collective expertise and experiences, making data-informed decisions, and pursuing change through Star behaviors.

NCC is a knowledge-based company with the ability to manage the complexity of a construction process as its foundation. Our operations comprise building and infrastructure project contracting, asphalt and stone materials production and development of properties.

NCC constructs, maintains and develops the built environment that creates conditions for a better society. This development of the physical environment should occur as sustainably as possible, and have a favorable impact on society for both current and future generations.

The construction process is characterized by many stakeholders, the need for broad competency and expert knowledge, and coordination among a variety of operators. NCC's strengths include working proactively with customers prior to and during projects and using our data and knowledge to secure a positive end result for all stakeholders.

While we are proud of the end results of our projects and the contribution they make to society, our focus is on being experts in the process that leads us there. NCC aims to be the most skilled and trusted company in the market in terms of implementing construction projects. As a proactive construction expert, NCC assigns priority to early involvement with customers, proposing solutions and contributing ideas and new knowledge.

Group-wide operational model

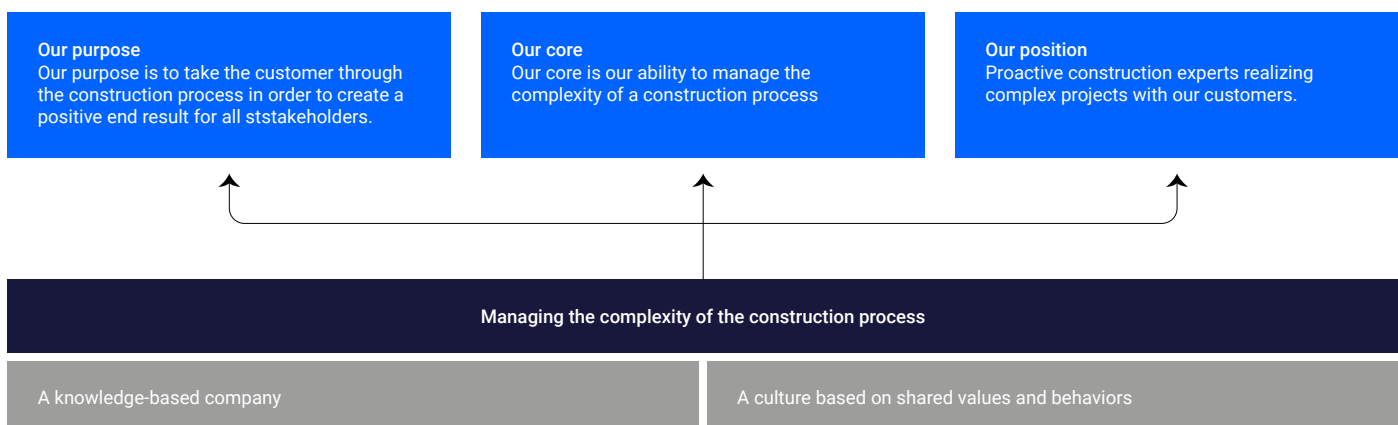
NCC's operational model describes how NCC pursues operations in line with its strategic orientation. NCC acts to optimally leverage the value created by a large Nordic company with a breadth of operating areas and a local presence, and to share these benefits with the customer.

What we require to achieve this is skills and expertise, data-informed work methods for supporting knowledge sharing, and behaviors that utilize the knowledge and drive change. Read more on p. 10 about how NCC works with knowledge and skills development, and drives change through Star behaviors.

NCC's development initiatives are collected in four focus areas:

- Build a knowledge-based company and a culture based on shared values and behaviors.
- Work in a data-informed manner, which requires that NCC invests in IT and digitization.
- Be proactive in relation to the customers in order to manage the complexity of the construction process and utilize and develop our expertise and experience.
- Leverage the Group's collective expertise in order to develop the construction process.

NCC is pursuing this as part of a number of strategic initiatives, including NCC Academy, the Group's training and education initiative.





Digitization and data-informed work methods

A group of NCC’s size creates enormous amount of data. For the knowledge to be shared efficiently, it is essential that the information is structured, easily available and simple to share. Knowledge sharing between projects and different business areas is facilitated by systematizing the data and through increased digitization of processes. This enables NCC to better leverage the Group’s collective knowledge and expertise, and enables the employees to make data-informed decisions, thus creating value, improving productivity and increasing competitiveness.

NCC participates actively in industry-wide collaborations in order to speed up and capitalize on the digital transformation. For example, NCC is a member of Combient, an industry collaboration aimed at accelerating the digital transformation. This membership serves as a tool for NCC to become more data-informed, learn from other companies and exchange knowledge over industry boundaries.

Knowledge sharing and exchange of best practices

Knowledge sharing is central to NCC’s ability to benefit from the Group’s collective expertise in the construction process and to further develop our ability to resolve our customers’ challenges.

By exchanging experiences and best practices between functions, business areas and countries, NCC ensures that all of its collective expertise, competency and capacity will be of benefit to the customers.

Build together

This is exemplified by the construction of Granåsen’s new winter sport facility in Trondheim, Norway; a partnership project between the Building Nordics and Infrastructure business areas. Working together, the business areas were able to meet the meticulous requirements, with associated ambitious environmental targets. Building Sweden and Infrastructure were also awarded the assignment to construct a train depot in Nässjö, where their combined experiences and the lessons learned from previously building train depots, as well as remediation projects, were success factors for securing the transaction.

An example of an effective transfer of knowledge is the assignment to build an office property in wood for the Danish Building and Property Agency in Odense, Denmark. NCC has built a number of wooden buildings in Sweden and Norway and, thanks to this collective knowledge and experience, NCC was awarded the project in Denmark.

Market

NCC conducts operations in Denmark, Finland, Norway and Sweden. The market is highly fragmented with a large number of participants.

NCC occupies a strong position in all of the Nordic countries where it is active. All business areas – Industry, Infrastructure, Building Sweden, Building Nordics and Property Development – are leaders in their respective markets

(Source: Bygghandelsrådet and Euroconstruct).

Market presence



The countries in which each business area conducts business.

Proactive climate efforts

Climate change places clear demands on a transition of society. NCC constructs, maintains and develops the built environment with a focus on how materials, methods and processes can reduce the environmental burden and contribute positively to society, taking the needs of current and future generations into account.

NCC takes a long-term responsibility and works actively to contribute to this transition and to reduce the climate impact from production of materials and throughout the entire construction process by reducing carbon emissions, increasing the efficiency of energy consumption, using resources responsibly, and increasing the recycling and reuse of materials. NCC provides data and expertise as well as extensive digital information about processes and products, thus contributing to a positive change.

Reduced climate footprint

NCC strives to minimize its own climate impact and eliminate carbon emissions from the entire value chain. NCC has set a target of becoming climate neutral by 2045, and works in a focused and determined manner with that transition.

Cooperation and dialogue with customers, suppliers and other stakeholders for the implementation of measures and changed work methods is of the utmost importance for reducing climate impact and reaching the objective of climate neutrality.

NCC's interim target is to reduce emissions from its own operations (Scope 1 and 2)¹⁾ by 60 percent by 2030 (base year 2015), measured as tons of carbon dioxide equivalents per SEK M of sales (emission intensity).

Emission intensity in 2021 was 3.5 CO₂e tons/SEK M, down 41 percent compared with 2015. Carbon emissions related to purchases of electricity, district heating and district cooling declined during the year. This was largely due to energy efficiency improvements, and an increased use of electricity from renewable sources. The share of renewable fuels also increased during the year.

Carbon emissions related to fuel rose slightly due to an increase in the total amount of purchased fuels.

NCC is also working to reduce carbon emissions in the value chain. The interim target is a 50-percent reduction in CO₂e (Scope 3)²⁾ by 2030 (base year 2015), within the four areas where the climate impact is greatest: concrete, steel, asphalt and transportation²⁾, measured as kilograms of CO₂e /purchased volume. Read more on p. 91–94.

Thorough mapping of Scope 3 emissions

During the past year, NCC has focused on mapping and capturing the climate emissions related to the categories of concrete, steel, asphalt and transport. Collecting quality-assured data about purchased volumes of these product categories is a key jigsaw piece in the overall effort to reduce emissions.

Path to climate-neutral concrete-based construction

The use of concrete leads to one of the Group's largest scope 3 emissions. The climate impact of concrete structures is related to the amount and quality of the concrete and steel reinforcement that is used. More than 90 percent of the climate impact of concrete derives from the manufacture of cement, which is a component in concrete.

During the year, NCC formulated an internal roadmap for climate

neutral concrete-based construction, which includes reducing the proportion of cement in concrete, optimizing concrete recipes and reviewing the design of structures to reduce the amount of concrete, while ensuring the right strength and performance, and reducing waste from production.

Achieving climate neutral construction requires cooperation, product development, innovation, requirement specifications and knowledge sharing with suppliers, customers and other players in the industry, not least to reduce emissions from the use of concrete in general. An example of NCC working actively to reduce climate impact is the Kungsörnen project, which involves construction of 67 rental apartments, two eight-story buildings and two two-story buildings in Helsingborg. NCC has worked to optimize several features, such as the brick facade, steel reinforcement and concrete. The concrete has been optimized by reducing the volume of concrete, minimizing waste, using the right concrete at the right place and finally, using climate-improved concrete with about 40 percent of slag in large parts. Through this structured and target-oriented work, the climate impact was reduced to nearly half.

Transportation, asphalt and steel

NCC is also formulating a roadmap for reducing its climate impact from transportation. There are a large number of players in this sector and, to move climate efforts forward, it is crucial that work on data collection and the reduction of emissions is conducted in cooperation. Read more on p.92 about how NCC is working to optimize transportation.

Action plans will also be formulated for the targets set for asphalt and steel.

Climate adaptation

The impact of climate change is tangible and is expected to escalate in the future, and the expectations of society, customers and other stakeholders concerning a transition are unmistakable. The risks connected to climate change include rising temperatures, floods and extreme weather, at the same time as new opportunities are created through the use of innovative technologies.

NCC develops materials that help society to adapt to a changed climate, such as drainage products, while buildings and civil engineering projects are increasingly being designed to cope with future climate effects. An example is the Kalvebod Brygge Skybrudstunnel, NCC's assignment to construct a tunnel to deal with surface water and stormwater in Copenhagen.

Climate calculations

Customer interest in and demand for climate calculations is increasing. NCC has early on been involved in focused efforts to implement climate calculations in construction projects. Work is ongoing to ensure the calculation process is becoming increasingly digitalized in order to ensure high quality outcomes.

The purpose of climate calculations is to gain an overview and check the total climate impact of a project and including all of its

1) *Scope 1*: All direct emissions from an organization's operations or the ones it controls. This includes fuel combustion at the site; such as fuel for the company's own vehicles and fuel for production plants and construction sites. *Scope 2*: Indirect emissions from electricity, district heating and district cooling purchased and used by the organization. Emissions arise during the generation of energy and are included in data for the party that uses the energy. *Scope 3*: All indirect emissions from an organization's operations and from sources that it does not own or control, such as emissions from built-in materials and transport.

2) Emissions from transport were not reported for 2021. Initially, emissions from ready-mixed concrete, steel reinforcement and internally purchased asphalt are reported.

components. This enables decisions based on quality, cost and climate impact. A climate calculation can be used to reduce climate impact and encompasses data, including related carbon emissions, connected to such aspects as materials, transportation, the energy consumption in the use phase of the final structure and waste.

Energy

Central and key components of efforts to reduce the carbon footprint include energy efficiency of processes and production, as well as replacing fossil energy sources with renewable ones. The amount of fossil-based electricity in kWh has been reduced by 93 percent since 2015 and the use of fossil fuels by 27 percent. An important measure has been to convert asphalt plants to the use of biofuel, whereby fossil fuels have primarily been replaced by wood pellets. The wood pellets used are derived from industrial residue from Swedish sawmills. All asphalt plants in Sweden have been converted for the use of biofuel and one plant in Norway is operated on biofuel. The plan is to convert additional asphalt plants in Norway to use renewable instead of fossil fuels. NCC is also investigating the possibility to replace the use of natural gas with biogas at the two largest asphalt plants in Denmark.

Considerable work has also been devoted to reducing the number of starts and stops of asphalt plants.

NCC has also worked to keep the reused asphalt that is mixed into the asphalt dry, in order to reduce energy consumption in connection with asphalt production.

NCC is increasing the use of renewable energy and has set a target of only purchasing renewable electricity. In 2021, the proportion of renewable electricity was 95 percent.

NCC has continued the energy analysis of its own operations in Sweden in order to identify energy-saving potential in production. The energy analysis includes worksite visits, climate assessments and calculations at asphalt plants and quarries, as well as construction sites. On the basis of the analysis, further actions to reduce energy consumption can be identified and taken. See below for examples of how energy consumption is reduced at construction sites in Denmark.

Electrification

During the year, NCC implemented a major project containing several initiatives aimed at electrifying production worksites. Within the Industry business area, electrification of mobile crushing facilities has yielded major climate effects and reduced emissions.

Another example is Hercules, part of the Infrastructure business area, which put the world's first battery-powered pile driver into operation. As part of the Electric Worksite development project, the way electric machinery can function in real environments is being tested, with the ultimate aim of achieving fully electrified production worksites.

Increased demand for Environmental Product Declarations

An ever-increasing share of NCC's base materials, such as asphalt and stone materials, are covered by Environmental Product Declarations (EPDs). EPDs are third-party verified and include transparent and comparable environmental impact information throughout a product's lifecycle, from the extraction of stone and other raw materials up to delivery to the customer and in connection with future recycling.

The customers gain access to objective and reliable data, and can thus assess the products' environmental performance, making it easier for them to make environmentally conscious choices and reduce their climate impact.

NCC's EPDs are location and product specific, which means that NCC can also use the EPDs internally to make fact-based climate and environmental improvements in its production processes.

→ Read more on p. 86.



NCC Kielo – our living quarry

NCC works to promote biodiversity at places where gravel pit operations are conducted, both during the production phase and during post-processing in conjunction with pit closures. NCC has developed NCC Kielo, a method that promotes biodiversity in quarries, enabling NCC to work in a structured manner based on a number of criteria. An additional three quarries became Kielo quarries during the year, including Helle in Norway.



IoT solution reduces energy consumption at Danish construction sites

With the help of detailed data and an Internet of Things (IoT) solution involving sensors, NCC has reduced energy consumption at its construction sites in Denmark, which has led to a sharp reduction in carbon emissions and lower costs.

An analysis conducted by NCC showed that about half of the energy consumption at construction sites in Denmark occurred outside working hours. By working in a more data-informed manner, NCC was able to reduce this energy consumption by 50 percent.

Data-informed work methods

NCC installed an IoT solution using sensors on, for example, cranes, portacabins, lighting and containers, and collected data that was subsequently analyzed. NCC was thereby able to identify and eliminate unnecessary energy consumption.

Across an office area of 15,000 square meters, energy consumption outside working hours was reduced by 50 percent, equal to 41 tons of CO₂e annually.

Great potential

The IoT solution has been introduced at major construction sites in Denmark and further implementation will occur in 2022.

In addition to energy savings from its own projects, NCC also sees major potential for its customers to use this solution for finished construction projects or for other buildings that are already in use.

A culture based on shared values and behaviors

NCC's corporate culture is a cornerstone in the Group's strategic direction and contributes to the development of NCC as a knowledge-based company. NCC has well-established values and works actively to develop them.

NCC has four Star behaviors, which complement the Group's values of honesty, respect and trust. These connect the corporate culture with business value by pointing to the behaviors that drive successful and profitable operations for NCC. By clearly describing the behavior that NCC expects of its managers and employees, strong aspects of the culture can be developed, while desired cultural changes receive an extra boost.

Implementation 2021

In 2021, 75 percent of NCC's employees participated in workshops about how NCC's Star behaviors will drive improvements and change at an individual, team and company level. This work was led by NCC's managers with the support of facilitators – NCC employees who have undergone training in assisting in the change project. In parallel, all performance-driving processes and competence-development programs were updated. This encompassed such processes as employee dialogues, leadership training, recruitment and succession planning.

The implementation plan extends over several years and the reception has been highly favorable; NCC's Star behaviors have gained a foothold in the operations as a guide and a governance tool, from management work to start-up meetings. A new employee survey adapted to support continued work on the corporate culture is scheduled for 2022.

Health and Safety

A safe and healthy work environment always has the highest priority for NCC. NCC's employees must always be able to go to work in the knowledge that everyone at the workplace will do their utmost to create an environment without accidents. The same goes for all NCC's partners, subcontractors and suppliers.

Viewed over the past five years, NCC has succeeded in reducing the accident frequency rate at production worksites. During 2021, a minor increase was noted in accidents resulting in four days or more of absence. This serves as a clear signal that a continued decline cannot be taken for granted. The focused and systematic work that has encompassed initiatives in various areas, such as attitudes, behaviors and leadership, reporting and analysis, as well as improved work procedures and planning, must continue with undiminished intensity.

During 2021, NCC launched a new focus for its health and safety work, which will be implemented in 2022. The aim is to continue to reduce all types of accidents but with an increased focus on eliminating serious incidents and fatal accidents. Accordingly, NCC's occupational health and safety (OHS) work will take a decisive step from a vision zero to a concrete target of zero serious incidents and zero fatal accidents at NCC's workplaces.

As a result of a better basis from incident reporting and an improved analysis, knowledge within NCC has been raised about

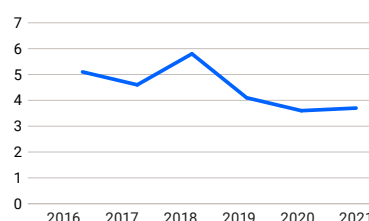
Star behaviors

- **Act with passion to perform:** We challenge ourselves and each other to constantly improve and outperform our targets and results
- **Build together:** We work actively to ensure effective collaboration internally, in and between units, and with our customers
- **Follow through and follow up:** We take data-informed decisions, communicate them clearly and always act on what's decided
- **Act with care:** We take responsibility for our actions and use of resources. We mitigate risk and act with integrity to ensure safe, high-quality sustainable operations

Accident frequency

NCC has a corporate OHS target for the number of work-related accidents resulting in more than four calendar days of absence per million working hours (Lost Time Injury Frequency, LTIF4). In 2021, this accident frequency rate was 3.7, somewhat higher than the 3.6 noted in 2020. The target for 2022 is to achieve an LTIF4 rate of 3.0.

Accident frequency rate¹⁾



1) Accident frequency rate: Worksite accidents resulting in more than four days of absence from work per million worked hours.

where, how and when serious incidents can occur. A fundamental part of NCC's work in the future is to create more effective safety barriers between potential risks and the employees in three identified high-risk areas – lifting by cranes, working at heights and work near heavy machinery. A safety barrier could be of an organizational, human or technical in nature, depending on what would be most effective to tackle risks in a certain situation.

Competence development and learning organization

NCC is a long-term and stable employer in all Nordic markets. Having and developing employees with relevant expertise is decisive to NCC's success. NCC's operations are knowledge intensive and the number of large-scale projects extending over several years is increasing. The increased specialization and complexity of construction projects, demands for proactivity and leadership, cooperative ability and customer understanding are factors influencing the type of competencies that NCC requires. The capacity to use the company's collective experiences, combined with the employees' individual skills, is the foundation for the company's long-term competitiveness. The ambition is to build a learning organization and develop the most skilled employees in the industry.

The NCC Academy initiative ensures that the employees have access to the best competence development in the industry, even for the very most experienced. Leadership training programs and networks ensure a stable succession of future managers, not least for the growing number of large-scale, complex projects. At the same time, clear career and development opportunities help to ensure that employees have job satisfaction and see the benefits of working for NCC.

This initiative encompasses a portfolio of seven different manager-training programs, which attracted around 250 participants during the year. A high number of participants was maintained during the corona pandemic through a rapid adjustment to digital solutions and continuous adaptations of the programs. In addition to raising the level of competence of the participants, the programs create effects in the form of active networks, knowledge sharing within NCC, mentorship and feedback – a culture where employees build each other.

Engagement and inclusion

NCC monitors its employees' engagement through employee surveys, from which it can note a steady improvement over the past three years. NCC is convinced that a high degree of inclusion, considerable employee engagement and pride in what NCC achieves contribute to better performance.

In 2021, all employees were involved in efforts to strengthen NCC's corporate culture through work on the Star behaviors. As a result of broad-based and open dialogues concerning expectations about the behavior of employees, managers and the team, they are provided with potential to influence their own ability to perform well, and to engage in the team's and NCC's development.

Updated diversity and inclusion targets were launched during the year. NCC needs to recruit, develop and retain the most competent people in the industry and, support the progress of high-performing teams and work actively so that no one is excluded unfairly or due to unconscious biases. The balance between women and men in NCC's management teams and inclusion are aspects that are monitored.

To strengthen its employer brand, NCC has defined a new Employer Value Proposition, which is intended to strengthen the image of NCC as an attractive company, in which people build each other in order to develop, while simultaneously contributing to NCC's performance. The Employer Value Proposition is based on the strategic focus, dialogue with employees and the strong results of recent years in the employee survey.

NCC Academy

NCC Academy is a strategic initiative at NCC with a portfolio of manager-training programs adapted to develop managers of the present and the future within the NCC Group. Some examples:

Mega Project Management Program.

Prepares senior project managers for taking on projects of a multi-billion kronor magnitude. The program has been developed and implemented with KTH Executive School and Copenhagen Business School.

Senior Executive Program.

Customized development program in leadership and business management for senior executive levels, such as department and division managers. The program is arranged jointly with the IMD Business School in Lausanne.

Practical leadership.

Development program targeted at site managers in order to strengthen them in their role as leaders at the construction work site. Includes the main areas of organization, communication and leadership skills.

Strategic Leadership Program.

Training program with a focus on leadership, strategy, finances, change and innovation. It is designed for senior managers with at least two years of experience and the potential to assume a greater management role.



Report of the Board of Directors

The Board of Directors and the President and CEO of NCC AB (publ), corporate identity number 556034-5174 and headquartered in Solna, Sweden, hereby submit the Annual Report and the consolidated financial statements for the 2021 fiscal year.

Unless otherwise indicated, amounts are stated in SEK millions (SEK M). The period referred to is January 1–December 31 for income statement items and December 31 for balance sheet items. Rounding-off differences may arise.

Group relationship

At the end of 2021, Nordstjernan AB had an ownership corresponding to 48 percent (48) of the voting rights in NCC AB, thus making NCC an associated company of Nordstjernan AB.

Operations

NCC is one of the leading construction companies in the Nordics. Based on its expertise in managing complex construction processes, NCC contributes to the positive impact of construction for its customers and society. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production.

Operations during the year

Market

The long-term market conditions for contracting operations, property development and industrial operations in the Nordic region are positive. There is an underlying stable demand for public buildings, such as schools, hospitals and retirement homes, and for residential units, driven by growth and development in the metropolitan regions and in other growth regions. This is also driving initiatives for infrastructure in city areas, including roads, public transport, water and wastewater, and energy solutions. In general, the market for renovation and refurbishment is also healthy. There is also substantial interest in property investments.

The countries in which NCC has infrastructure operations have ambitious and comprehensive infrastructure plans for long-term public investments in new construction, as well as refurbishment and maintenance of national and regional infrastructure. Demand for asphalt and stone materials is fueled by a healthy market for infrastructure and maintenance. In the main, NCC is impacted by the general economic situation and the GDP trend.

The coronavirus pandemic

Although 2021 was again characterized by the coronavirus pandemic, NCC's operations were able to function well throughout the year thanks to continued adaptations of operations. All projects were able to proceed. There is still some uncertainty concerning the pandemic's long-term implications for the global economy and NCC is impacted by the general economic situation and the GDP trend.

Changes among senior executives

As of January 1, 2021, NCC's Senior Management Team was expanded to also include members of the former extended management team. As of January 1, 2021, NCC's Senior Management Team comprises:

Tomas Carlsson, President and CEO; Susanne Lithander, Chief Financial Officer and Head of Finance and IT; Kenneth Nilsson, NCC Infrastructure; Henrik Landelius, NCC Building Sweden; Catarina Molén-Runnäs, NCC Building Nordics; Ylva Lagesson, NCC Industry; Joachim Holmberg, NCC Property Development; Ann-Marie Hedbeck, Senior Legal Counsel; Marie Reifeldt, Head of Human Resources; Maria Grimberg, Head of Communication; Klaus Kaae, Head of Purchasing (interim).

Johan Lindqvist took office as Head of Purchasing on November 1, 2021, replacing Klaus Kaae, who remains at NCC as senior advisor.

Orders received

Orders received amounted to SEK 55,786 M (51,199).

Compared with the preceding year, the increased orders received in Infrastructure, Building Sweden and Building Nordics was primarily driven by the operations in Norway. In the Industry

business area, orders received were lower in the Finnish asphalt operations, which was offset in part by higher orders received in the Norwegian operations.

Changes in exchange rates impacted orders received by SEK -314 M (-557).

Order backlog

The Group's order backlog amounted to SEK 55,763 M (50,945) at year-end. The increase in the order backlog was mainly due to the Infrastructure and Building Nordics business areas, but was offset slightly by a decline in Industry.

Changes in exchange rates impacted the order backlog by SEK 711 M (-1,256).

Net sales

Net sales amounted to SEK 53,414 M (53,922) during 2021. The decrease in net sales was due to lower sales in NCC Infrastructure, Building Nordics and NCC Industry. The lower sales in NCC Infrastructure was due to a combination of two factors. Firstly, lower orders received in 2020 and, secondly, the fact that orders received in 2021 have not yet given rise to major volumes of new projects. Both Property Development, with more projects recognized in profit than in 2020, and Building Sweden outperformed 2020.

Changes in exchange rates reduced sales by SEK -372 M (-789).

Net profit for the year

The NCC Group's operating profit for 2021 was SEK 1,825 M (1,360).

All business areas, apart from Industry, improved their operating profit during the year. The lower profit in Industry was due to the negative earnings trend in the asphalt division, and particularly to the Finnish operations. The negative effect of the divestment of the Finnish asphalt operations in Industry was offset by a positive effect from the sale of land. NCC Infrastructure's operating profit increased, as a result of higher project margins and lower overheads. NCC Building Sweden's increased earnings were due to higher volumes and better underlying profitability. Within NCC Building Nordics, operating profit increased in all countries, positively impacted by better project margins. The higher profit in Property Development was mainly due to the fact that more and larger projects were recognized in profit compared with 2020.

In 2020, the divestment of the Finnish subsidiary Optiplan made a positive contribution of about SEK 40 M to earnings and, in 2021, the sale of the operations of the Road Services division in Denmark was finalized, generating a gain of SEK 18 M.

Operating profit was also impacted positively by a one-off reimbursement of a surplus in the collectively agreed health insurance scheme with AGS in an amount of SEK 160 M, of which about SEK 29 M was recognized in the Industry business area, SEK 7 M in other business areas and the remaining SEK 124 M under other and eliminations.

Other and eliminations totaled SEK -130 M (-542), including the remaining SEK 124 M of the aforementioned one-off reimbursement. NCC's head office and results from minor subsidiaries were also included in an amount of SEK -49 M (-168). As of December 2020, Road Services is also recognized within Other and eliminations and reported a full-year result of SEK -9 M (-75).

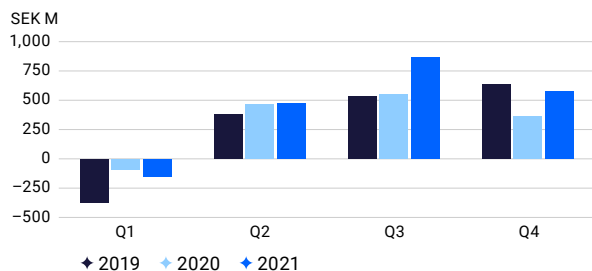
Net financial items amounted to SEK -60 M (-80). The improvement in net financial items was due to lower interest expense, attributable to a year-on-year decrease in average other net debt. Profit after financial items totaled SEK 1,765 M (1,281). Tax expenses for the year totaled SEK -257 M (-22), with the lower tax expense in 2020 mainly due to the tax-exempt sales of projects implemented by NCC Property Development during the year, primarily the K12. Profit after tax for the year amounted to SEK 1,508 M (1,259).

Comprehensive income for the year

Comprehensive income for the year totaled SEK 2,413 M (1,226). The change derived mainly from net profit for the year and from the remeasurement of defined-benefit pension plans, SEK 942 M (111), where the return on plan assets had a favorable effect during the year. Any tax effects from the above transactions are recognized separately; refer also to Note 23.

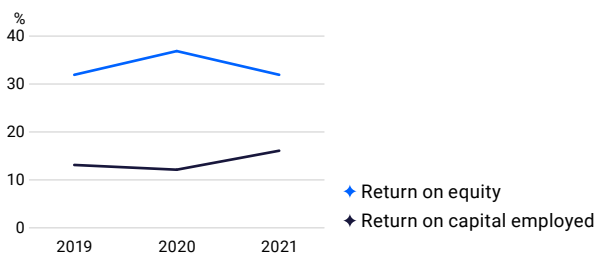
Profit after financial items

NCC Industry's operations and certain operations in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure are impacted by seasonal variations due to weather conditions. Earnings in the first quarter are normally weaker than the rest of the year.



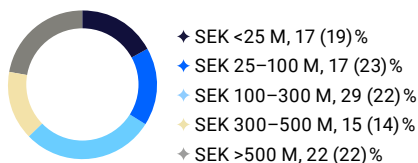
Profitability

The return on capital employed rose, primarily as a result of the higher earnings, while the return on equity declined somewhat, mainly due to the increase in shareholders' equity



Project size of orders received, Construction & Civil Engineering

(NCC Infrastructure, NCC Building Sweden, NCC Building Nordics) Orders received for projects worth less than SEK 100 M declined during the year while orders received for projects worth more than SEK 100 M increased. The diagram reflects SEK 46 billion of total orders received of SEK 56 billion. The Group's total orders received also include NCC Industry.



Net sales per country



- ◆ Sweden 58 (60)%
- ◆ Denmark 18 (15)%
- ◆ Norway 13 (12)%
- ◆ Finland 11 (13)%

Orders received per country



- ◆ Sweden 57 (63)%
- ◆ Denmark 16 (16)%
- ◆ Norway 16 (8)%
- ◆ Finland 11 (13)%

Major ongoing projects

Projects >SEK 500 M		NCC's share of order value	Completion rate Dec 31, 2021, %	Estimated year of completion
Railway tunnel, West Link/Central Station, Gothenburg	SE	5,991	57%	2026
Railway tunnel, West Link/Korsvägen, Gothenburg	SE	4,232	54%	2026
Tunnel construction, Faroe Islands	NO	3,009	83%	2024
Hospital, Hillerød	DK	2,573	43%	2024
Hospital building, Eskilstuna	SE	2,089	23%	2025
Railway section, Lund Arlöv	SE	2,021	76%	2023
Railway station, Drammen	NO	1,922	5%	2025
Railway section, Venjar–Eidsvoll Nord, Eidsvoll	NO	1,714	79%	2023
Residential buildings, hotel and restaurants, Copenhagen	DK	1,709	49%	2024
New island with residential buildings and parking facility, Copenhagen	DK	1,705	57%	2023
Residential and commercial premises, Aarhus	DK	1,389	70%	2022
Hospital project, phase 2, Oulu	FI	1,316	0%	2025
Hospital project, Oulu	FI	1,277	62%	2023
Subway station, Hagastaden, Stockholm	SE	1,200	2%	2026
Interchange, Häggvik	SE	1,157	88%	2022
Light Rail, Bybanen, Bergen	NO	1,118	77%	2023
Offices, Gothenburg	SE	1,113	2%	2025
Residential renovation, row houses, Albertslund	DK	1,057	57%	2023
Industrial buildings, Stockholm	SE	980	19%	2025
Hotel at Liseberg, Gothenburg	SE	954	71%	2023
University buildings, Uppsala University	SE	946	96%	2022
Offices, Trondheim	NO	941	3%	2025
Offices, Odense	DK	910	3%	2024
Interchange, Hjulsta	SE	827	98%	2022
Swimming complex/water park, Gothenburg	SE	770	25%	2024
Technical services buildings, Helsingborg	SE	750	96%	2022
Offices, Solna	SE	697	89%	2022
Residential buildings, Uppsala	SE	695	90%	2023
Quay structure, harbor, Norrköping	SE	694	59%	2026
Residential buildings, Copenhagen	DK	682	83%	2022
Residential buildings, Solna	SE	665	0%	2025
Offices, Helsefy, Oslo	NO	664	98%	2022
Residential renovation, Roskilde	DK	628	59%	2023
Offices, Helsinki	FI	603	16%	2024
Sewage treatment plant, Kristianstad	SE	568	35%	2023
Road/bridges, Umeå	SE	556	94%	2022
Retail building, Malmö	SE	548	18%	2024
Industrial buildings, Nässjö	SE	531	26%	2023
Offices, Oslo	NO	525	4%	2023

Orders received, order backlog, net sales and earnings per business area

SEK M	Orders received		Order backlog		Net sales		Operating profit/loss	
	2021	2020	2021	2020	2021	2020	2021	2020
NCC Infrastructure	18,377	14,080	18,923	16,200	16,339	18,271	391	357
NCC Building Sweden	14,369	14,484	18,046	17,670	13,868	13,375	457	381
NCC Building Nordics	13,297	11,877	17,271	14,856	11,324	12,134	410	343
NCC Industry	10,297	10,605	1,554	1,994	10,755	10,869	220	386
NCC Property Development					4,775	2,737	478	434
Total	56,339	51,047	55,794	50,720	57,062	57,387	1,956	1,902
Other and eliminations	-553	152	-32	224	-3,648	-3,465	-130	-542
Group	55,786	51,199	55,763	50,945	53,414	53,922	1,825	1,360



18,377
Orders received (SEK M)

16,339
Net sales (SEK M)

391
Operating profit (SEK M)

Forshuvud power plant, Borlänge, Sweden.

NCC Infrastructure

NCC Infrastructure's orders received amounted to SEK 18,377 M (14,080), with increases in orders received in all divisions, but mainly in the Norwegian operations, where higher orders received were reported by all departments.

The earth and groundworks segment accounted for the largest share of orders received, followed by roads, railways, energy & water treatment.

New projects secured during the year included Drammen Railway Station, Norway, worth approximately SEK 1,870 M. Another new project was Hagastaden Subway Station in Stockholm, worth approximately a total of SEK 1,200 M, whereof the major part within NCC Infrastructure.

The order backlog increased year-on-year to SEK 18,923 M (16,200) at year-end, due primarily to higher orders received in the Norwegian operations.

Net sales declined to SEK 16,339 M (18,271) during the year. The lower sales are explained by the lower orders received in 2020 combined with the fact that orders received in 2021 have not yet given rise to major volumes of new projects. Earth and groundworks, roads and railways accounted for 65 percent of NCC Infrastructure's net sales.

Sweden is NCC Infrastructure's largest market, accounting for 78 percent (74) of sales, while Norway and Denmark account for 14 and 8 percent of sales, respectively.

Operating profit improved to SEK 391 M (357). Profit improved, mainly because of higher margins on the projects due to a better project portfolio and lower overheads.

As of 2021, the Hercules division was transferred to the Infrastructure business area from Industry. Comparative figures for 2020 have been restated.

Net sales



- ◆ Sweden 78 (74)%
- ◆ Denmark 8 (9)%
- ◆ Norway 14 (17)%

Net sales



- ◆ Roads 18 (19)%
- ◆ Railway 17% (17)
- ◆ Energy & Water treatment 16% (17)
- ◆ Earth and groundworks 30% (28)
- ◆ Industry 4% (3)
- ◆ Foundation engineering 10% (9)
- ◆ Other 5% (7)

Orders received

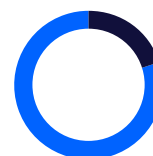


- ◆ Roads 12 (11)%
- ◆ Railway 19% (19)
- ◆ Energy & Water treatment 18% (20)
- ◆ Earth and groundworks 26% (31)
- ◆ Industry 6% (5)
- ◆ Foundation engineering 11% (12)
- ◆ Other 8% (7)

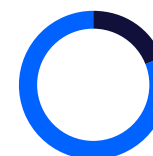
Share of NCC total



- ◆ Net sales 29% (32)



- ◆ Operating profit 20% (19)



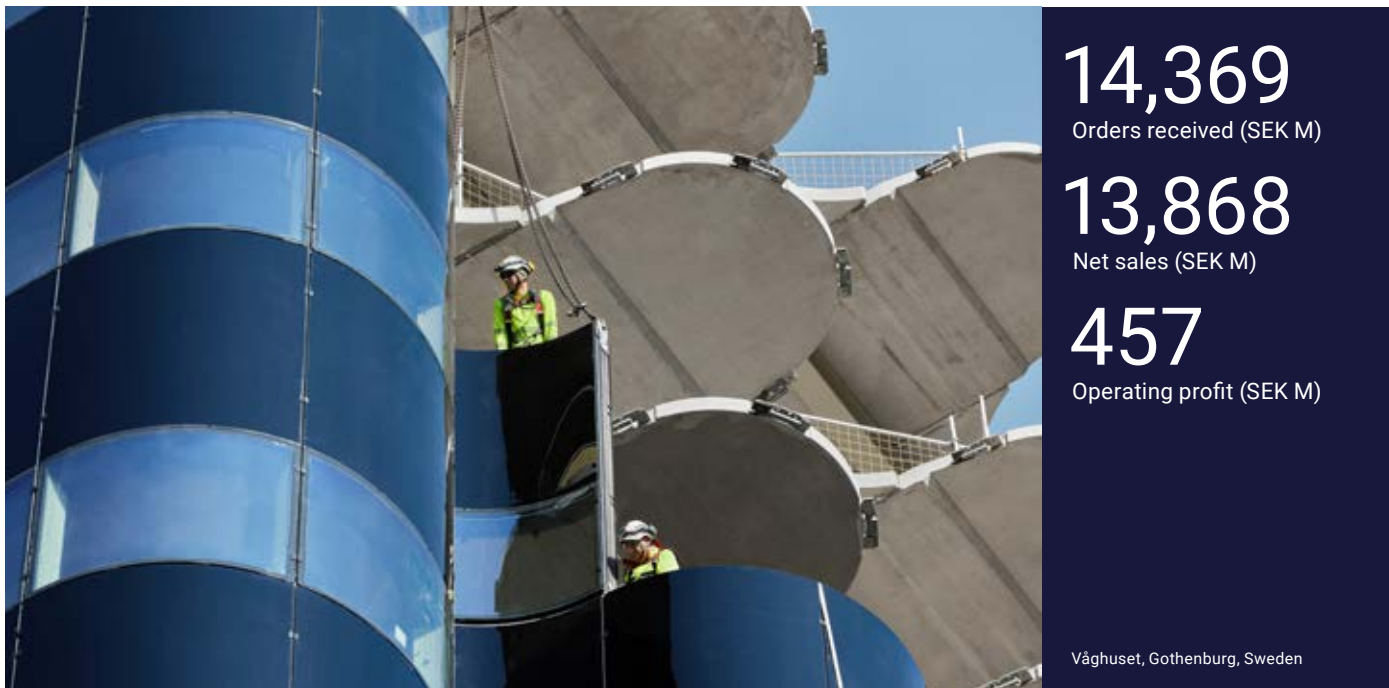
- ◆ Capital employed 19% (18)



- ◆ Average no. of employees 35% (33)

Key figures

SEK M	2021	2020
Orders received	18,377	14,080
Net sales	16,339	18,271
Operating profit	391	357
Operating margin, %	2.4	2.0
Average no. of employees	4,313	4,444
Cash flow before financing	88	584



NCC Building Sweden

Orders received by NCC Building Sweden in 2021 amounted to SEK 14,369 M (14,484). The share of residential buildings and offices increased year-on-year and corresponded to nearly 60 percent of total orders received during the year. Rental units accounted for nearly half of the number of residential units. During the year, the share of public buildings declined to 12 percent (30) of orders received. The share of refurbishment/conversion was in line with 2020. Major projects included in orders during the year were office buildings in Gothenburg at a value of about SEK 1,100 M, residential buildings in Bromstensstaden in Stockholm, at about SEK 670 M, assignments concerning refurbishment/conversion of a shopping area in Malmö, about SEK 510 M, and an office building in Umeå at about SEK 445 M.

The order backlog increased to SEK 18,046 M (17,670) at year-end.

Net sales in 2021 increased year-on-year to SEK 13,868 M (13,375). Residential buildings was the largest category in 2021, accounting for 27 percent, in line with 2020, followed by public buildings at 25 percent and thereafter refurbishment/conversion at 19 percent.

Operating profit improved year-on-year to SEK 457 M (381). Compared with 2020, earnings were positively affected by higher volumes and better underlying profitability. The operating margin also developed positively during the period.

Net sales



- ◆ Offices 15% (10)
- ◆ Residential 27% (26)
- ◆ Refurbishment/Conversion 19% (21)
- ◆ Public buildings 25% (29)
- ◆ Other 14% (14)

Orders received

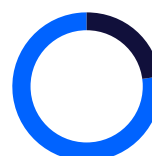


- ◆ Offices 21% (12)
- ◆ Residential 37% (26)
- ◆ Refurbishment/Conversion 19% (18)
- ◆ Public buildings 12% (30)
- ◆ Other 11% (14)

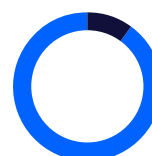
Share of NCC total



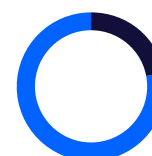
- ◆ Net sales 24% (23)



- ◆ Operating profit 23% (20)



- ◆ Capital employed 10% (11)



- ◆ Average no. of employees 22% (23)

Key figures

SEK M	2021	2020
Orders received	14,369	14,484
Net sales	13,868	13,375
Operating profit	457	381
Operating margin, %	3.3	2.9
Average no. of employees	2,736	3,066
Cash flow before financing	896	41



NCC Building Nordics

Orders received by NCC Building Nordics amounted to SEK 13,297 M (11,877). The year-on-year increase was driven by the Norwegian operations, with major orders for public buildings. Offices and residential buildings accounted for 40 percent of total orders received, followed by public buildings, whose share of orders received increased year-on-year.

Projects registered in orders in 2021 included a hospital in Oulu, Finland, at a value of about SEK 1,300 M, and offices in Helsinki of about SEK 600 M. In Denmark, projects registered in orders included add-on orders for the ongoing hospital project in Hillerød and office projects in Odense worth a combined total of about SEK 1,500 M. Major projects in Norway included the Teknobyen office building and Valle Vision at a total order value of about SEK 1,400 M.

The order backlog increased to SEK 17,271 M (14,856) at year-end. NCC Building Nordics' net sales declined during the year to SEK 11,324 M (12,134). The decline was mainly attributable to Finland and Norway. Residential buildings was the largest segment during the year at 31 percent of net sales, followed by public buildings and refurbishment/conversion. Residential buildings increased during the year, while refurbishment/conversion declined.

Operating profit improved to SEK 410 M (343). Year-on-year comparison is impacted by the divestment of Optiplan in the fourth quarter of 2020, which made a positive contribution of SEK 40 M to profit in 2020.

Operating profit increased in all countries and was favorably affected by better project margins. The operating margin improved year-on-year.

Net sales



- ◆ Denmark 45% (38)
- ◆ Norway 13% (14)
- ◆ Finland 42% (48)

Net sales



- ◆ Offices 17% (16)
- ◆ Residential 31% (26)
- ◆ Refurbishment/Conversion 22% (29)
- ◆ Public buildings 25% (24)
- ◆ Other 5% (5)

Orders received



- ◆ Offices 25% (30)
- ◆ Residential 15% (30)
- ◆ Refurbishment/Conversion 19% (13)
- ◆ Public buildings 37% (22)
- ◆ Other 4% (5)

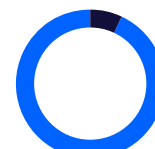
Share of NCC total



- ◆ Net sales 20% (21)



- ◆ Operating profit 21% (18)



- ◆ Capital employed 7% (6)



- ◆ Average no. of employees 19% (19)

Key figures

SEK M	2021	2020
Orders received	13,297	11,877
Net sales	11,324	12,134
Operating profit	410	343
Operating margin, %	3.6	2.8
Average no. of employees	2,372	2,545
Cash flow before financing	444	533



10,755

Net sales (SEK M)

220

Operating profit (SEK M)

Paving at Vestkapp, Norway

NCC Industry

NCC Industry’s orders received amounted to SEK 10,297 M (10,605) at year-end. Orders received declined in the Finnish asphalt operations, which were divested at the end of the year. The decline in orders received was partly offset by higher orders received in the Norwegian operations. Orders received by the stone materials operations increased from the Swedish and Danish operations.

NCC Industry’s net sales amounted to SEK 10,755 M (10,869). Asphalt operations noted slightly lower net sales, mainly related to the Finnish operations. In the stone materials operations, net sales increased for the Swedish and Danish operations.

Sold volumes of stone materials totaled 28,976 thousand tons (28,508). The increase resulted from higher volumes of stone materials in the Swedish and Danish operations. At the same time, materials received for recycling and reuse increased.

Sold volumes of asphalt totaled 6,096 thousand tons (6,219). Sold volumes declined in the Finnish and Danish operations, a trend that was largely offset by higher volumes in the Swedish and Norwegian operations.

Operating profit amounted to SEK 220 M (386). The Finnish asphalt operation had an impact of SEK –161 M (–45) on the full-year operating result. The earnings trend in the other asphalt operations was unsatisfactory in the fourth quarter, with lower operating profit than in the preceding year. As previously announced, operating profit was also impacted by negative non-recurring effects of the divestment of the Finnish asphalt operations. These were countered by a substantial positive effect from sales of land in the quarter. Operating profit increased in the stone materials operations, as a result of a favorable trend in the Swedish, Danish and Finnish operations. Operating profit in the business area was also impacted by a one-off reimbursement of a surplus of SEK 29 M in the collectively agreed health insurance scheme with AGS.

As of 2021, the Hercules division was transferred to the Infrastructure business area. Comparative figures for 2020 have been restated.

Net sales



- ◆ Sweden 54% (55)
- ◆ Denmark 19% (19)
- ◆ Norway 18% (16)
- ◆ Finland 9% (10)

Net sales



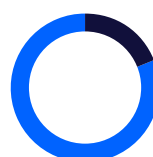
- ◆ Asphalt and paving 75% (76)
- ◆ Stone materials 25% (24)

Orders received

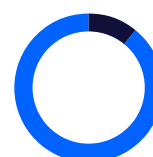


- ◆ Asphalt and paving 74% (75)
- ◆ Stone materials 26% (25)

Share of NCC total



- ◆ Net sales 19% (19)



- ◆ Operating profit 11% (20)



- ◆ Capital employed 27% (27)



- ◆ Average no. of employees 23% (24)

Key figures

SEK M	2021	2020
Net sales	10,755	10,869
Operating profit	220	386
Operating margin, %	2.0	3.5
Capital employed	4,772	4,465
Return on capital employed, %	4.4	7.8
Average no. of employees	2,826	3,321
Stone materials, 1,000 tons ¹⁾	28,976	28,508
Asphalt, 1,000 tons ¹⁾	6,096	6,219

¹⁾ Sold volume.



NCC Property Development

Net sales in 2021 for NCC Property Development increased to SEK 4,775 M (2,737). Operating profit increased year-on-year to SEK 478 M (434).

During the year, seven (five) projects were recognized in profit, of which three in Denmark, two in Finland, one in Sweden and one in Norway. Earnings from projects recognized in profit, sales of land, gains on previous sales, such as reversals of provisions made earlier for rental guarantees, and project costs made a positive contribution to earnings in 2021. The operating net in 2021 was SEK 4 M (6).

During the year, three (five) property projects were started, all of which were office projects. At the end of 2021, 11 projects (15) were ongoing or completed but not yet recognized in profit at a total project cost of SEK 5.9 billion (5.7). This corresponds to a completion rate of 57 percent (49), while the letting rate was 58 percent (57). During the year, 68 (47) leases were signed for some 56,900 square meters (67,900).

Net sales



- ◆ Sweden 23% (74)
- ◆ Denmark 24% (1)
- ◆ Norway 24% (1)
- ◆ Finland 29% (24)

Share of NCC total



- ◆ Net sales 8% (5)
- ◆ Operating profit 25% (23)
- ◆ Capital employed 37% (38)
- ◆ Average no. of employees 1% (1)

Key figures

SEK M	2021	2020
Net sales	4,775	2,737
Operating profit	478	434
Capital employed	6,567	6,433
Operating margin, %	10.0	15.9
Return on capital employed, %	7.5	8.0
Average no. of employees	106	107

Property development projects, Dec. 31, 2021

Ongoing property development projects¹⁾

Project	Type	City	Sold, expected to be recognized in profit	Completion rate, %	Lettable space, sqm	Letting rate, %
Kontorværket 1	Offices	Copenhagen		33	15,900	100
Total, Denmark				33	15,900	100
Fredriksberg D	Offices	Helsinki	Q3 2022	75	8,400	99
Kulma21	Offices	Helsinki		51	7,700	5
We Land	Offices	Helsinki		24	21,300	22
Total, Finland				41	37,400	36
Bromma Blocks	Offices	Stockholm		82	51,900	67
Kineum Gårda ²⁾	Offices	Gothenburg	Q4 2022	79	21,300	93
Brick Studios	Offices	Gothenburg		61	16,200	74
Våghuset	Offices	Gothenburg		60	11,100	64
MIMO ³⁾	Offices	Gothenburg	Q4 2024	26	31,800	31
Nova	Offices	Solna		24	9,800	0
Bettorp ⁴⁾	Other	Örebro	Q1 2022	81	6,900	100
Total, Sweden				64	149,000	61
Total				57	202,300	58

¹⁾ The tables pertain to ongoing or completed property projects that have yet to be recognized in profit. In addition to these projects, NCC works actively with letting (rental guarantees and supplementary purchase considerations) in 13 previously sold and profit-recognized property projects, equal to a maximum of about SEK 150 M.

²⁾ The project comprises lettable space in an existing approximately 16,000-square-meter building and additional development rights for about 30,000 square meters of offices. The project is being implemented jointly with Platzer, a Swedish listed property company, in an 50-50 owned company. The information included in the table pertains to NCC's share of the project.

³⁾ NCC communicated in the second quarter of 2017 that Platzer held an option to acquire the property in Mölndal in connection with its completion. During the third quarter, Platzer elected to exercise the option and the parties have signed a sales agreement. Access is contingent on a letting rate of 80 percent.

⁴⁾ Due to delayed occupancy, the Bettorp project will be recognized in profit during the first quarter of 2022 rather than the fourth quarter of 2021, as previously communicated.



Financial position

Profitability

The return on equity was 32 percent (37). The return on capital employed was 16 percent (12).

Capital employed

At December 31, 2021, capital employed amounted to SEK 12,055 M (11,375). The foremost explanation for the upswing is an increase in accounts receivable during the fourth quarter of the year in the Building Nordics business area.

Net debt

Total net debt was SEK -2,932 M (-4,823). The year-on-year change was due to a decrease in the pension and lease liability, as well as a decrease in corporate net debt. Corporate net debt was positive, meaning net cash of SEK 766 M (64) was reported at year-end. The increase in the company's net cash mainly results from an improved cash flow from property projects and also from an improved cash flow from working capital. The average maturity of interest-bearing liabilities, excluding the lease liability and pension debt, was 14 months (34) at year-end. NCC's unutilized committed lines of credit at year-end amounted to about SEK 3,100 M (2,900), with an average remaining maturity of 34 (22) months.

Equity/assets and debt/equity ratio

On December 31, 2021, the equity/assets ratio was 20 percent (14). The debt/equity ratio was a multiple of 0.5 (1.2).

Cash flow

Cash flow from operating activities amounted to SEK 2,260 M (1,569) in 2021, which resulted primarily from profit-recognized and paid-for projects in the Property Development business area and advance payments received in the Building Sweden business area. Cash flow from investing activities amounted to SEK -363 M (-463). The lower level of investing activities was mainly due to the receipt of purchase considerations from sold subsidiaries and operations.

Cash flow from financing activities was SEK -1,492 M (-1,322). The change was due primarily to a year-on-year increase in dividends paid to the shareholders in 2021.

Total liquid assets including short-term investments with a maturity exceeding three months amounted to SEK 3,048 M (2,330).

A new three-year credit facility of EUR 280 M with two one-year extension options was signed on December 30, 2021. This credit facility replaces the existing credit facility of EUR 260 M.

Seasonal effects

NCC Industry's operations and certain operations in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure are impacted by seasonal variations due to weather conditions. Earnings in the first quarter are normally weaker than the rest of the year.

Environmental impact

The Group conducts operations subject to permit obligations under the Environmental Code in the Swedish subsidiaries.

Of the Group operations subject to permit and reporting obligations, it is mainly the asphalt and gravel pit operations, plus a number of piling plants, conducted by NCC Industry that affect the external environment, as well as the construction and civil engineering operations conducted by NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. Within NCC Industry, quarries and harbors are subject to permit obligations, while asphalt and piling production is generally subject to reporting obligations. Permits for quarries are renewed continuously. NCC Industry also conducts recycling operations that are subject to permit obligations. Some of these include landfills, which are also subject to permit obligations. No significant injunctions according to the Environmental Code exist.

Statutory sustainability report

In accordance with Chapter 6, Section 11 and Chapter 7, Sections 31 a–c of the Swedish Annual Accounts Act, NCC has decided to prepare the Parent Company's and the Group's statutory sustainability report as a separate report that is not part of the official annual accounts. The Sustainability Report encompasses all subsidiaries and is defined on p. 100.

Personnel

The average number of employees in the NCC Group in 2021 was 13,002 (14,388). In all markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer.

Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are mainly used in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure.

Remuneration

A description of salary, compensation and terms of employment of the President and CEO and other employees in the company is presented in Note 4, Number of employees, personnel expenses and remuneration of senior executives, pp. 37–40. The guidelines proposed to the 2022 AGM largely comply with those resolved by the 2021 AGM; see below.

Guidelines for remuneration of senior executives in 2021

The Board has evaluated the application of the guidelines for salary and other remuneration of the CEO and other members of the company's Senior Management Team (SMT), as resolved by the 2021 AGM, and the applicable remuneration structures and remuneration levels in the company.

The Board has concluded that salary and other remuneration for the CEO and other senior executives have been applied in accordance with the guidelines.

Board of Directors' motion concerning guidelines for remuneration of senior executives

The guidelines encompass the CEO and other members of the Senior Management Team (SMT), currently totaling 11 people. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2022 AGM. These guidelines do not apply to any remuneration resolved or approved by the AGM. The Board's motions to the 2022 AGM are available at ncc.com.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer executive management competitive total remuneration.

Long-term performance-based incentive program

Long-term share-based incentive programs that are performance-based have been established in the company.

The programs encompass the SMT and other senior executives and key personnel within the NCC Group, currently approximately 180 persons.

These are three-year programs and have a distinct link to the business strategy and thus to the company's long-term value creation, including its sustainability. The performance requirements for LTI 2020 comprise the operating margin (EBIT) and the number of worksite accidents. For LTI 2021, the target is accumulated earnings per share (EPS) for the years 2021–2023. For more information on these programs, and the criteria on which outcomes are dependent, refer to Note 4 on pp. 37–40.

No new LTI program (LTI 2022) is planned for the period 2022–2024.

Types of remuneration

The 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 AGM may also – regardless of these guidelines – adopt remuneration based on, for example, share and share-price-related incentive schemes.

Fixed remuneration. When determining the fixed salary, the individual executive's sphere of responsibility, experience and achieved results are to be taken into account. The fixed salary is reviewed annually, but with the possibility to review for a period of two years at most.

Variable remuneration. The short-term variable remuneration must be capped and related to the fixed salary, and be based on the outcome in relation to established targets, which are measured annually.

The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term business strategy and interests. The criteria for paying variable cash remuneration thus essentially comply with the Group's long-term operational and financial objectives.

The variable cash remuneration is primarily based on a financial objective (EBIT), with a smaller portion based on the number of worksite accidents (resulting in more than four days of absence from regular work per one million worked hours), adapted functional targets or operational targets.

To which extent the criteria for awarding variable cash remuneration has been satisfied will be evaluated/determined when the measurement period has ended. The Board of Directors is responsible for assessing the variable cash remuneration paid to the CEO. The CEO is responsible for the assessment of variable cash remuneration paid to other senior executives. The assessment of the financial objectives is based on the annual accounts. The outcome in relation to established targets for variable remuneration is measured after the performance period; meaning following fiscal year-end.

The short-term variable remuneration for the CEO is capped at 75 percent of fixed salary. For other members of the SMT, it is capped at 50 percent of fixed salary. The variable short-term remuneration is to be revised annually.

It is estimated that full utilization of the company's commitments for short-term variable remuneration in relation to the executives concerned will cost the company a maximum of approximately SEK 29 M, including social security fees.

The short-term variable remuneration is pensionable, with the exception of remuneration paid to the CEO.

Pension and other benefits. NCC is endeavoring to move gradually toward defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's salary. The CEO has a defined-contribution pension with a premium pledge capped at 40 percent of contractual fixed salary. Other members of the SMT who are active in Sweden and have an employment contract subject to Swedish terms and conditions, are entitled, in addition to the ITP 2 plan (the collectively bargained agreement on pensions for white collar workers), to also receive a defined-contribution supplementary pension capped at 30 percent of pensionable salary increments exceeding 30 income base amounts. The definition of pensionable salary as stipulated in ITP2 is to be used for this supplementary pension. In other respects, variable salary and other benefits will not be pensionable unless this is a consequence of law or a collective agreement. Members of the SMT who have employment contracts under the terms and conditions of another country are covered by pension solutions in accordance with local practices, which must to the extent possible comply with the principles stated in these guidelines. ITP 1 is applied to new employment contracts where possible.

The retirement age for the SMT is 65 years.

Other benefits. NCC provides other benefits, such as medical insurance and a car benefit, to members of the SMT. The combined amount of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the benefits normally arising in the market, in total not more than 5 percent of annual cash salary.

Termination of employment

Periods of notice and severance pay. A member of the SMT who terminates employment at NCC's initiative normally has a six-month period of notice and is entitled to severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new employer. The period of notice is six months without any right to severance pay when termination is made by a member of the SMT.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development the CEO's remuneration, the remuneration of other employees and NCC's earnings over the past five years is presented in the remuneration report.

Decision-making process to determine, review and implement the guidelines

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the AGM. The guidelines shall be in force until new guidelines are adopted by the AGM. The Board of Directors is also mandated to monitor and evaluate variable remuneration programs for the SMT, the application of guidelines for executive remuneration and applicable remuneration structures and remuneration levels in the company. The CEO and other members of the SMT do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are themselves affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

NCC share

At December 31, 2021, NCC's registered share capital comprised 12,914,123 Series A shares and 95,521,699 Series B shares, of which 841,072 were held in treasury. The shares have a quotient value of SEK 8.00 each. Series A shares carry ten voting rights each and Series B shares one voting right. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. At the request of the holder, Series A shares can be converted into Series B shares. Such a request must be made in writing to the Board of Directors, which takes decisions on such matters on a continuous basis. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. During the year, 81,193 Series A shares were converted to Series B shares.

In 2021, NCC bought back 88,000 Series B shares at an average price of SEK 162.91, corresponding to 0.08 percent of the share capital, and sold 6,570 Series B shares at an average price of SEK 153.89, corresponding to 0.01 percent of the share capital. During the year, NCC also distributed 4,625 Series B shares at an average

price of SEK 159.10, corresponding to 0.00 percent of the share capital, to the participants of the long-term performance-based incentive program from 2018.

Thereafter, the company holds 841,072 Series B treasury shares at an average price of SEK 171.11.

The number of NCC shareholders at year-end was 39,484 (39,721), with Nordstjernan AB as the largest individual holder accounting for 17 percent (17) of the share capital and 48 percent (48) of the voting rights. No other shareholder accounts for more than 10 percent of the voting rights. The ten largest shareholders jointly accounted for 51 percent (51) of the share capital and 66 percent (66) of the voting rights.

To cover commitments according to the long-term performance-based incentive program LTI 2021, the AGM on March 30, 2021 authorized the Board, until the next AGM, to buy back a maximum of 560,000 Series B shares. The transfer of Series B shares for the allotment of Performance Shares to the participants is capped at 365,000, and the number of Series B shares that, if necessary, may be acquired and transferred for the administration of the participants' purchases of Savings Shares, may not exceed 100,000. The shares may be bought back on Nasdaq Stockholm at a price per share within the registered span of share prices at the particular time. It is also to be possible to transfer a maximum of 200,000 Series B shares via Nasdaq Stockholm to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2018, LTI 2019, LTI 2020) and LTI 2021.

Corporate Governance Report

The Corporate Governance Report is included as a separate section of NCC's 2021 Annual Report and does not constitute a feature of the formal annual report documentation; refer to the Corporate Governance section on pp. 104–113.

Dividend

The AGM on March 30, 2021 approved the Board's motion of a dividend of SEK 5.00 per share. The dividend was divided over two payment occasions. The first payment of SEK 2.50 per share occurred on April 6, 2021 and the second payment of SEK 2.50 per share occurred on November 12, 2021.

Events after the balance-sheet date

During the first months of 2022, there was extensive spread of infection and restrictions were imposed in all markets as a result of the coronavirus pandemic. This resulted in increased absence at NCC and among subcontractors, as well as some temporary production disruptions and delays. However, in general, the disruptions were small and most of the operations made good progress.

The war in Ukraine, which broke out at the end of February, entails risks in terms of the impact on the global economy, price increases for input materials and energy, and disruptions to supply chains. NCC has no operations in the countries affected. However, NCC could be affected, primarily by price movements and access to oil and oil-based products as well as by higher energy prices. To a lesser extent, access to labor could also be temporarily affected. In the long term, NCC is impacted by the global economic development.

Parent Company

The Parent Company's net sales pertain to charges to Group companies. The average number of employees was 51 (52). Write-downs of shares and participations totaled SEK –79 M (–97). Profit after financial items was SEK 1,052 M (921). Total dividends to the shareholders in 2021 amounted to SEK 538 M.

Appropriation of profits

The Board of Directors proposes that the profit will be appropriated as follows:

Profit brought forward	3,910,321,015
Be appropriated as follows:	
To be distributed to shareholders	645,568,500
To be carried forward	3,264,752,515
Total, SEK	3,910,321,015

The resolution concerning the proposed dividend will be made taking into account the company's future profits, financial position and capital requirements, as well as the macroeconomic conditions.

The Board's proposal for the 2021 fiscal year is a dividend of SEK 6.00 per share. The dividend will be divided into two payment occasions. April 7, 2022 is proposed as the record date for the first payment of SEK 3.00 and November 8, 2022 for the second payment of SEK 3.00. This corresponds to 43 percent of after-tax profit. If the AGM approves the Board's motion, it is estimated that the first dividend will be paid via Euroclear Sweden AB on April 12, 2022 and the second dividend on November 11, 2022. The Board's statement regarding the proposed dividend and the buyback of NCC's own shares will be available on the company's website and be distributed to shareholders at the AGM.

Material risks and uncertainties

Management of operational, strategic and financial risks is a key prerequisite for NCC's business and efficient risk management is a necessity for a stable and profitable company.

The aim of risk management is to identify risks, assess the efficiency of existing controls and strengthen and develop preventive measures.

NCC has conducted a measurement of the company's risks and describes below the risks regarded as most probable and that are estimated to have the greatest impact on NCC's potential to achieve its objectives in the long and the short term.

Operational and strategic risks

Risk area	Description	Control activities
Competency supply and leadership	<p>Since the foundation for NCC's strategic focus is to be a knowledge-based company, it is essential that we have the right people with the right attitudes and competencies. The successful recruitment, retention and development of necessary skills is crucial.</p> <p>Development of managers is essential, firstly to deliver quality in projects and, secondly, to retain personnel.</p>	<p>In order to improve the corporate culture workshops in Star behaviors have been arranged throughout the organization.</p> <p>Competency mapping and development plans are prepared for key positions. Group-wide skills-development programs are arranged for project management and leadership within the framework of NCC Academy.</p> <p>Structured succession planning occurs for all units.</p>
Project and operational control	<p>Within contracting operations, the main operating risks are project selection and project management.</p> <p>In the asphalt market, there is surplus capacity in the market and a limited season. Large volumes are supplied over a short time. This leads to risks of more unpredictable pricing. The operations are also volume driven, leading to a risk of higher costs per ton at lower volumes.</p>	<p>NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Various contract formats and partnerships with customers facilitate the management of different risks. These operating risks are counteracted through NCC's project selection, assessment of tenders and operational control systems.</p> <p>In the asphalt segment, NCC works to create a good business portfolio to ensure the right volume. The focus is also on cost control by utilizing the company's paving capacity, increasing recycled asphalt and green fuel solutions in production, and closing unprofitable units.</p>
Work environment	<p>Many operations in the Group feature risky elements that subject workers to considerable demands regarding correct training and safety equipment, as well as an established culture in which the safety and health of employees is the highest priority.</p>	<p>The aim of NCC's new strategic focus for OHS work is to reduce accidents in general, and to eliminate incidents and serious accidents in three high-risk areas: heavy lifting by cranes, working at heights and working close to and around heavy machinery. Work is focused on activities designed to prevent root causes, meaning good planning, safe behavior and technical safety barriers.</p> <p>To increase awareness, NCC works intensely on introductions to worksites in order to adapt and digitalize our safety requirements for NCC's worksites.</p> <p>At Group level, clear OHS directives and guidelines are established and instructions are formulated for each business area. All reported incidents are analyzed in order to improve the injury-prevention work, with a specific focus on creating a culture that contributes to a safe work environment</p>
Shortage of materials and price hikes	<p>Considerable risks are associated with a shortage of products or raw materials where few alternatives are available. In Sweden, a risk of a shortage of cement has arisen since there is uncertainty concerning the long-term permit for limestone mining at Slite in Gotland.</p> <p>Stone materials and asphalt operations are both highly dependent on access to raw materials, such as stone material reserves, bitumen and recycled asphalt.</p>	<p>NCC works continuously to prevent the consequences of shortage of materials. Activities are under way on site, such as close contact with suppliers and an analysis of forecasts of tangible needs in the projects.</p> <p>The Industry business area works systematically with a long-term raw material strategy designed to secure access to critical materials. The focus is on expanding the current supplier base, increasing the number of depots under NCC's control and reducing the number of special products to minimize dependency on a certain supplier.</p>
Supply chain	<p>The company is highly dependent on suppliers and subcontractors. The supply chains in the construction sector represent a risk of having inadequate control of, for example, the employment conditions of subcontractors and suppliers. The risk of both dishonest subcontractors and illicit labor has to be managed, as does quality assurance of materials from national and international suppliers.</p>	<p>NCC works systematically to assess and expand its control of the supply chain. The quality of suppliers is assured by signing central framework agreements that must be followed. Purchasing that transcends central agreements must also comply with established processes and use templates developed for quality control. NCC is also working to ensure traceability, for example, through logbooks and digital standardized identification of construction products (GTIN).</p> <p>NCC has a thorough process for evaluating suppliers in geographical risk areas in order to prevent human rights crimes.</p>
Compliance	<p>Since NCC is a player in society with a broad customer and supplier base, all employees are strictly required to act in accordance with the Group's Code of Conduct. There is a risk, for example, of fines and sanctions, and of being disqualified from public tender processes should employees breach internal rules, break the law or contravene issued permits.</p>	<p>For a number of years, NCC has been working continuously and actively on corporate values and training in the Group's Code of Conduct. During 2021, training in such areas as competition law was developed and introduced.</p> <p>In respect of permits, there is internal support for such matters as tender assessments and training.</p>
IT systems	<p>Updating and developing IT systems and applications is crucial for improving the efficiency of the company's processes. Over the coming years, the company will update a number of business-critical systems. Disruptions in this work risk impacting business-critical processes.</p>	<p>NCC monitors technical advances, and safeguards long-term management and control of the reliability of IT infrastructure, and its integration into processes for supporting and protecting the operations.</p>

IT security	Serious IT violations could lead to unauthorized access to sensitive corporate information. An IT violation could also result in manipulated information, inadequate access to critical IT systems or applications and a loss of information.	NCC's security strategy, combined with its development plan for the IT organization, stipulates necessary short-, medium- and long-term activities for managing information-security risks. NCC continues to establish a management system for information security and a Cyber Security Operation Center, which increases the ability to monitor threats and have the capacity to be resilient in the face of security incidents.
Climate impact	The climate issue is impacting the whole world and leading to changes in work methods and products. It is of the utmost importance that we participate in this change so that we continue to be competitive. With the sharper focus on the climate agenda among investors and customers, there is a business risk that we will not be able to adapt to new climate regulations and requirements within the allocated time. There are also physical risks associated with negative climate changes, such as extreme weather conditions.	As of 2021, NCC reports climate risks and opportunities according to the Task Force on Climate-related Financial Disclosures (TCFD) framework's recommendations. Read more about TCFD on pp. 84–85. NCC has clear objectives for reducing carbon emissions. NCC works continuously to integrate the climate issue into the project development process, and to innovatively find new climate-friendly solutions and reduce its carbon emissions. Read more about NCC's climate adaptation and work to reduce carbon emissions on pp. 91–94.

Financial risks & reporting

Risk area	Description	Control activities
Interest-rate risk	The interest-rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities.	NCC's Group Treasury Policy has been adopted by NCC's Board of Directors and constitutes a framework for risk mandates and limits in the NCC Group. The Group's financial activities are organized centrally, thus providing an adequate overview of financial positions and risks. Refer also to Note 36.
Exchange-rate risk	The exchange-rate risk is the risk that exchange rate changes will adversely affect NCC's income statement, balance sheet or cash flow statement.	
Refinancing risk	Refinancing risk is the risk that opportunities for financing will be limited and/or that the cost will be higher when loans that expire have to be refinanced, which could adversely impact NCC's operations, earnings and financial position.	
Liquidity risk	The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations.	
Credit and counterparty risks in financial operations	Credit and counterparty risks in financial operations refers to the risk that NCC's financial counterparties are unable to fulfill their obligations to NCC.	
Customer credit risk	Customer credit risk refers to the risk that NCC's customers are unable to honor payments to NCC for delivered goods and services.	At NCC, customer credit risks are managed through Group-wide procedures for identifying and assessing risks, both before agreements are reached with customers and continuously in operational follow-ups. NCC's credit risk in accounts receivable is highly diversified given the large number of projects of varying sizes and types in a multitude of customer categories.
Percentage-of-completion profit recognition	In assignments involving construction contracts, NCC applies percentage-of-completion profit recognition, whereby profit is recognized at the pace of completion. Should the anticipated profit from a project deteriorate during the project's production period, this could result in a need to reverse profit recognized earlier.	By means of project management, meaning continuous monitoring of production calculations, reconciliation of work completed, project forecasts, etc., it is possible to ascertain that the information is accurate.
Supplier risk	Risk that sub-suppliers enter bankruptcy and cannot deliver orders	Supplier controls and development of the supply chain.

Sensitivity and risk analysis

The figures are based on outcomes in 2021.

Change	Result effect after net financial items, SEK M (annual basis)	Effect on return on shareholders' equity (percentage points)	Effect on return on capital employed (percentage points)	Comments
NCC Infrastructure				
Volume ¹⁾	± 5%	61	1.0	For NCC Infrastructure, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/- 1 percentage point	163	2.7	
NCC Building Sweden				
Volume ¹⁾	± 5%	53	0.9	For NCC Building Sweden, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/- 1 percentage point	139	2.3	
NCC Building Nordics				
Volume ¹⁾	± 5%	52	0.9	For NCC Building Nordics, a one-percentage-point increase in the margin has a significantly larger impact on earnings than a 5-percent increase in volume. This reflects the importance of pursuing a selective tendering policy and focusing on risk management in early project stages.
Operating margin	+/- 1 percentage point	113	1.9	
NCC Industry				
Volume ¹⁾	± 5%	25	0.4	NCC Industry's operations are affected by such factors as price levels and the volume of produced and paved asphalt. An extended season due to favorable weather conditions increases volumes and, because the proportion of fixed costs is high, the impact on the margin is material.
Operating margin	+/- 1 percentage point	108	1.8	
Capital rationalization	± 10%	5	0.1	
NCC Property Development				
Sales volume, project	± 10%	79	1.3	NCC Property Development's earnings are predominantly determined by sales. The potential to sell property projects is largely dependent on the leases signed with tenants. An increased leasing rate facilitates a higher sales volume. The value of a property is also determined by the difference between operating expenses and rent levels, and thus a change in the rent levels or operating economy of ongoing projects could change the value of such projects.
Sales margin, project	+/- 1 percentage point	47	0.8	
Group				
Changed interest rate, net debt ²⁾	+/- 1 percentage point	9	0.2	

¹⁾ Given this change in volume, it is assumed that overhead costs will be unchanged.

²⁾ Excluding pension debt.

Consolidated income statement

SEK M	Note	2021	2020
	1, 3, 12, 19, 32		
Net sales	2	53,414	53,922
Production costs	4, 5, 9, 15, 16, 24, 33	-48,894	-49,589
Gross profit		4,520	4,333
Selling and administrative costs	4, 6, 15, 16	-2,808	-2,967
Capital gain/loss from sales of owner-occupied properties	16	165	-3
Impairment losses and reversal of impairment losses, fixed assets	7, 15, 16	-16	-24
Capital gain/loss from sales of Group companies	8	-46	9
Result from participations in associated companies and joint ventures		10	12
Operating profit		1,825	1,360
Financial income	11	20	30
Financial expenses	11	-80	-110
Net financial items		-60	-80
Profit after financial items		1,765	1,281
Tax on net profit for the year	23	-257	-22
Net profit for the year		1,508	1,259
Attributable to:			
NCC's shareholders		1,508	1,259
Net profit for the year		1,508	1,259
Earnings per share			
<i>Before and after dilution</i>			
Profit after tax, SEK		14.02	11.68
Number of shares, millions			
Total number of issued shares		108.4	108.4
Average number of shares outstanding before and after dilution during the year		107.6	107.8
Number of shares outstanding on Dec 31		107.6	107.7

Consolidated statement of comprehensive income

SEK M	Note	2021	2020
Net profit for the year		1,508	1,259
Items that have been recycled or can be recycled to net profit for the year	14		
Year's exchange differences on translating foreign operations		99	-127
Fair value changes for the year in cash flow hedges		56	-13
Year's fair value changes for cash flow hedges transferred to net profit for the year		18	21
Tax attributable to cash flow hedges	23	-15	-2
		157	-121
Items that cannot be recycled to net profit for the year			
Revaluation of defined-benefit pension plans	29	942	111
Tax relating to items that cannot be recycled to net profit for the year	23	-194	-23
		748	88
Other comprehensive income for the year		905	-32
Comprehensive income for the year		2,413	1,226
Attributable to:			
NCC's shareholders		2,413	1,226
Total comprehensive income during the year		2,413	1,226

Consolidated balance sheet

SEK M	Note	2021	2020
ASSETS	1, 19, 32, 36		
Fixed assets			
Goodwill	15	1,852	1,800
Other intangible assets	15	335	342
Right-of-use assets	33	1,600	1,952
Owner-occupied properties	16	790	875
Machinery and equipment	16	2,296	2,306
Long-term holdings of securities	18, 20	82	93
Long-term interest-bearing receivables	22	128	125
Other long-term receivables		23	19
Deferred tax assets	23	609	587
Total fixed assets		7,714	8,099
Current assets			
Right-of-use assets	33	2	11
Properties held for future development	24	1,005	1,492
Ongoing property projects	24	5,370	4,610
Completed property projects	24		496
Participations in associated companies	24	431	295
Materials and inventory	25	1,059	953
Tax receivables		70	58
Accounts receivable	36	7,748	7,084
Worked-up, non-invoiced revenues	2	1,367	1,349
Prepaid expenses and accrued income		952	907
Current interest-bearing receivables		103	126
Other receivables	22	552	740
Short-term investments ¹⁾	20, 35	487	174
Cash and cash equivalents	35	2,561	2,155
Total current assets		21,707	20,450
TOTAL ASSETS		29,421	28,549

¹⁾ Short-term investments with a maturity exceeding three months are included; refer to the cash flow statement.

SEK M	Note	2021	2020
EQUITY	1		
Share capital	26	867	867
Other capital contributions		1,844	1,844
Reserves	14	57	-144
Earnings brought forward including profit for the year		3,076	1,405
Shareholders' equity		5,844	3,972
Total equity		5,844	3,972
LIABILITIES	1, 19, 32, 36		
Long-term liabilities			
Long-term interest-bearing liabilities	27, 33	2,038	3,965
Other long-term liabilities	30	47	60
Provisions for pensions and similar obligations	29	1,997	2,832
Deferred tax liabilities	23	464	196
Other provisions	28	2,608	2,586
Total long-term liabilities		7,154	9,639
Current liabilities			
Current interest-bearing liabilities	27, 33	2,176	606
Accounts payable		4,567	4,487
Tax liabilities		22	66
Invoiced revenues not worked up	2	4,830	4,104
Accrued expenses and deferred income	31	3,588	3,727
Provisions	28	13	19
Other current liabilities	30	1,227	1,930
Total current liabilities		16,422	14,938
Total liabilities		23,577	24,577
TOTAL EQUITY AND LIABILITIES		29,421	28,549

Parent Company income statement

SEK M	Note	2021	2020
Net sales	1, 32	127	140
Gross profit		127	140
Selling and administrative costs	4, 5, 6, 7	-114	-263
Operating profit/loss		13	-123
Result from financial investments			
Result from participations in Group companies	7, 8	1,048	1,057
Result from other financial fixed assets		12	14
Result from financial current assets		1	3
Interest expense and similar items	10	-22	-30
Profit after financial items		1,052	921
Appropriations	13	452	153
Tax on net profit for the year	23	-90	20
NET PROFIT FOR THE YEAR		1,415	1,095

Parent Company statement of comprehensive income

SEK M	2021	2020
Net profit for the year	1,415	1,095
Items that have been recycled or can be recycled to net profit for the year		
Year's exchange differences on translating foreign operations	-1	2
Other comprehensive income for the year	-1	2
Total comprehensive income during the year	1,413	1,097

Parent Company balance sheet

SEK M	Note	2021	2020	SEK M	Note	2021	2020
ASSETS	1, 32, 36			EQUITY AND LIABILITIES	1, 32, 36		
<i>Fixed assets</i>				Equity			
<i>Tangible fixed assets</i>				<i>Restricted equity</i>			
Machinery and equipment	16			Share capital	26	867	867
Total tangible fixed assets		0	0	Statutory reserves		174	174
<i>Financial fixed assets</i>				Total restricted equity		1,041	1,041
Shares in Group companies	17	4,477	4,530	<i>Unrestricted equity</i>			
Other long-term holdings of securities		45	45	Profit brought forward		2,496	1,944
Deferred tax assets	23	30	25	Net profit for the year		1,415	1,095
Total financial fixed assets	21	4,552	4,600	Total unrestricted equity		3,910	3,039
Total fixed assets		4,553	4,600	Total equity		4,951	4,080
<i>Current assets</i>				<i>Provisions</i>			
<i>Current receivables</i>				Other provisions	28	6	6
Accounts receivable		1		Total provisions		6	6
Receivables from Group companies		689	781	<i>Long-term liabilities</i>			
Other current receivables		5	13	Long-term interest-bearing liabilities ¹⁾	27		800
Tax receivables		128	64	Other long-term liabilities		6	4
Prepaid expenses and accrued income		1	2	Total long-term liabilities		6	804
Total current receivables		824	859	<i>Current liabilities</i>			
Balance in NCC Treasury AB	35	721	259	Accounts payable		10	8
Total current assets		1,545	1,119	Liabilities to Group companies	27	147	765
TOTAL ASSETS		6,097	5,719	Tax liabilities		125	
				Current interest-bearing liabilities ¹⁾	27	800	
				Other liabilities		13	12
				Accrued expenses and deferred income	31	40	44
				Total current liabilities		1,135	829
				TOTAL EQUITY AND LIABILITIES		6,097	5,719

¹⁾ Pertains to loan from the NCC Group's Pension Foundation.

Changes in equity

Group

SEK M	Equity attributable to Parent Company shareholders					Total equity
	Share capital	Other capital contributions	Reserves	Profit brought forward	Total	
Opening equity, Jan 1, 2020	867	1,844	-23	357	3,044	3,044
Net profit for the year				1,259	1,259	1,259
Other comprehensive income			-121	88	-32	-32
Total comprehensive income			-121	1,347	1,226	1,226
Sale/Acquisition of company shares				-34	-34	-34
Performance-based incentive program				4	4	4
Dividend				-269	-269	-269
Total transactions with the Group's shareholders				-299	-299	-299
Equity on Dec 31, 2020	867	1,844	-144	1,405	3,972	3,972
Reclassifications			42	-42	0	0
Adjusted opening equity, Jan 1, 2021	867	1,844	-101	1,362	3,972	3,972
Net profit for the year				1,508	1,508	1,508
Other comprehensive income			157	748	905	905
Total comprehensive income			157	2,256	2,413	2,413
Sale/Acquisition of company shares				-13	-13	-13
Performance-based incentive program				10	10	10
Dividend				-538	-538	-538
Total transactions with the Group's shareholders				-542	-542	-542
Equity on Dec 31, 2021	867	1,844	57	3,076	5,844	5,844

Parent Company

SEK M	Restricted equity		Unrestricted equity		Total equity
	Share capital	Statutory reserves	Profit brought forward	Net profit for the year	
Opening equity, Jan 1, 2020	867	174	1,407	833	3,281
Appropriation of profits			833	-833	
Net profit for the year				1,095	1,095
Other comprehensive income			2		2
Total comprehensive income			2	1,095	1,097
Sale/Acquisition of company shares			-34		-34
Performance-based incentive program			4		4
Dividend			-269		-269
Equity on Dec 31, 2020	867	174	1,944	1,095	4,080
Appropriation of profits			1,095	-1,095	
Net profit for the year				1,415	1,415
Other comprehensive income			-1		-1
Total comprehensive income			-1	1,415	1,413
Sale/Acquisition of company shares			-13		-13
Performance-based incentive program			10		10
Dividend			-538		-538
Equity on Dec 31, 2021	867	174	2,496	1,415	4,951

Cash flow statements

SEK M	Note	Group		Parent Company	
		2021	2020	2021	2020
OPERATING ACTIVITIES					
Operating profit/loss		1,825	1,360	13	-123
Adjustments for items not included in cash flow:					
– Depreciation/amortization	5	1,307	1,412		
– Impairment losses and reversal of impairment losses	7	16	24		
– Result from sales of fixed assets		-178	64		
– Changes in provisions	28	90	19		-1
– Other		18	44	0	2
Total items not included in cash flow		1,253	1,564	0	1
Interest paid and received		-9	-79	-13	-21
Tax paid		-241	-188	-34	21
Cash flow from operating activities before changes in working capital		2,829	2,656	-35	-122
Cash flow from changes in working capital					
Sales of property projects	24	3,666	2,092		
Investments in property projects	24	-3,467	-3,353		
Other changes in working capital	35	-768	174	3	-89
Cash flow from changes in working capital		-570	-1,087	3	-89
Cash flow from operating activities		2,260	1,569	-32	-211
INVESTING ACTIVITIES					
Acquisition of subsidiaries/operations	35			-18	-111
Sale of subsidiaries/operations	35	189	-20		
Investment in tangible fixed assets	16	-710	-601		2
Sale of tangible fixed assets	16	168	145		
Investment in financial fixed assets		-2	-4		
Sale of financial fixed assets		50	39	12	14
Investment in intangible fixed assets	16	-59	-24		
Sale of intangible fixed assets	16	1	2		
Cash flow from investing activities		-363	-463	-6	-96
Cash flow before financing		1,896	1,106	-38	-307
FINANCING ACTIVITIES					
Dividend paid		-538	-269	-538	-269
Acquisition of company shares		-13	-34	-13	-34
Group contributions and dividends, received				1,807	1,853
Loans raised	36		639	141	526
Amortization of loans	36	-31	-216	-752	-1,230
Amortization of lease liabilities	33	-688	-1,355		
Increase (-) / Decrease (+) in long-term interest-bearing receivables		18	18		
Increase (-) / Decrease (+) in current interest-bearing receivables		-240	-105	-145	-440
Cash flow from financing activities	35	-1,492	-1,322	499	406
Cash flow for the year		404	-217	461	99
Cash and cash equivalents, Jan 1		2,155	2,416	259	164
Exchange-rate difference in cash and cash equivalents		2	-44		-3
Cash and cash equivalents, Dec 31	35	2,561	2,155	721	259
Short-term investments with a maturity exceeding three months		487	174		
Total liquid assets at year-end	35	3,048	2,330	721	259

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Note 1

Accounting policies

Basis for preparing the accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union (EU). The Group also complies with RFR 1 Supplementary Accounting Rules for Groups, the Swedish Annual Accounts Act and applicable statements (UFRs). The annual report is prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 10, 2022. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on April 5, 2022.

Important estimates and assessments

Preparing annual accounts in compliance with IFRS requires the use of a number of important accounting estimates and assessments. The estimates and assessments have been made on the basis of what is known when the Annual Report was issued. These estimates and assessments, by definition, will rarely correspond to the actual outcome. This needs to be specially considered in connection with uncertainty in the economic climate and the global financial market, as NCC is impacted to a normal degree by the general economic situation. The areas subject to a high degree of assessment, that are complex or those where assumptions and estimates are material to NCC are presented in the relevant note.

New IFRSs and amendments to IFRSs applied from 2021

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2021. For 2021, NCC is applying the amendments to IFRS 9 Financial instruments in respect of the relief rules regarding the reference rate reform. These relief rules apply to prospective criteria for hedge accounting so that they are not impacted misleadingly by any future change in reference rates. Other amendments of standards and interpretations had no material impact on the consolidated financial statements for the current year; nor are they expected to impact future periods or future transactions.

New IFRSs and amendments to IFRSs whose application has yet to commence

A small number of changes to existing standards and interpretations came into effect for fiscal years commencing after January 1, 2022. In connection with these changes, NCC has performed a review concerning the clarification of IAS 37 that becomes effective on January 1, 2022. The amendment clarifies which expenses must be included when assessing whether or not a loss-making contract exists. The review shows that this clarification will not have a material impact on the consolidated financial statements. Although the impact on the consolidated financial statements of other changes that come into effect on January 1, 2022 has yet to be established in detail, these changes are not expected to have an any material effect.

Parent Company accounts compared with consolidated financial statements

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554), recommendation RFR 2 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board. The Parent Company recognizes Group contributions received and granted as appropriations, which is in accordance with the alternative rule in RFR 2. The Swedish Financial Reporting Board has granted exemption from the requirement that listed parent companies must recognize certain financial instruments at fair value. NCC applies the exemption rules and has thus refrained from recognizing certain financial instruments at fair value.

Within the areas described below, the Parent Company's accounting policies differ from the Group's:

- Borrowing costs, refer to Note 10, Interest expense and similar items
- Subsidiaries, refer to Note 17, Participations in Group companies
- Associated companies, refer to Note 18, Investments in associated companies and joint ventures
- Joint arrangements, refer to Note 19, Participations in joint operations
- Income taxes, refer to Note 23, Tax on net profit for the year, deferred tax assets and deferred tax liabilities
- Pensions, refer to Note 29, Pensions
- Leasing, refer to Note 33, Leasing
- Financial instruments, refer to Note 36, Financial instruments and financial risk management

Consolidated financial statements

The consolidated financial statements include the Parent Company and the companies and operations in which the Parent Company, directly or indirectly, has a controlling interest, as well as joint arrangements and associated companies.

Purchase method

Business combinations are recognized in accordance with the purchase method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

In the event of a business combination in which transferred consideration, any non-controlling interests and the fair value of previously owned interests (in connection with gradual acquisitions) exceed the fair value of the acquired assets and assumed liabilities that are recognized separately, the difference is recognized as goodwill. When the difference is negative, what is known as a bargain acquisition, this is recognized directly in net profit for the year.

Acquired and divested companies are included in the consolidated income statement, balance sheet and cash flow statement during the holding period.

Non-controlling interests

In companies that are not wholly owned subsidiaries, non-controlling interests are recognized as the share of the subsidiaries' equity held by external shareholders. This item is recognized as part of the Group's equity. Non-controlling interests are recognized in profit or loss. Information about the share of profit attributable to non-controlling interests is disclosed in conjunction with the consolidated income statement.

The effects of transactions with non-controlling interests are recognized in equity if they do not give rise to a change in controlling interest.

Elimination of intra-Group transactions

Receivables, liabilities, revenue and costs, as well as unrealized gains and losses, that arise when a Group company sells goods or services to another Group company are eliminated in their entirety. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as there are no impairment requirements. This also applies to joint arrangements and associated companies, in an amount corresponding to the Group's holding. Refer to Note 32, Related-party transactions.

Transfer pricing

Market prices are applied for transactions between Group entities.

Foreign subsidiaries, associated companies and joint arrangements

Foreign subsidiaries, associated companies and joint arrangements are recognized using the functional currency and are translated to the reporting currency. For NCC, the functional currency is defined as the local currency used in the reporting entity's accounts. The Parent Company's functional currency is SEK. The reporting currency is defined as the currency in which the Group's overall accounting is conducted, in NCC's case SEK.

Tangible fixed assets

NCC's property holdings are recognized divided into: Owner-occupied properties, which are held for use in the company's own operations. Refer to Note 16, Tangible fixed assets.

Properties classified as current assets, which are held for development and sale as part of operations. Refer to Note 24, Properties classified as current assets.

Equity

Recognition of Group and shareholder contributions

Group contributions and shareholder contributions in the Parent Company are recognized in accordance with their financial impact. Group contributions received and granted are recognized as appropriations. Shareholder contributions granted are recognized as a part of the investment in the subsidiary and are thus subject to customary impairment testing.

Effects of amended accounting policies

No effects of amended accounting policies in 2021.

Note 2

Revenue recognition

	NCC Infrastructure	NCC Building Sweden	NCC Building construction and Nordics civil engineering	Subtotal, NCC Industry	NCC Property Development	Other and eliminations ¹⁾	Group
Order backlog, December 31, 2021	18,923	18,046	17,271	54,240	1,554	-32	55,763
<i>Of which, expected to be recognized as revenue:</i>							
Within one year	11,111	10,375	10,145	31,630	910	242	32,783
Within two years	4,542	6,453	5,289	16,285	633	123	17,041
More than two years ahead	3,270	1,218	1,837	6,325	11	-397	5,939
External net sales 2021 ²⁾	15,668	12,464	9,829	37,961	10,120	4,768	53,414
External net sales 2020	17,279	11,842	10,724	39,845	10,098	1,252	53,922

Point in time for revenue recognition

Over time (percentage-of-completion)	●	●	●	●	●	●	
Specific point in time					●	●	

¹⁾ Road Services is recognized in Other and eliminations and this unit's order backlog at Dec. 31, 2021 amounted to SEK 486 M. Also refer to other and eliminations on p. 36 under net profit for the year.

²⁾ For information on net sales per service/product, refer to Note 3.

Revenues from construction and civil engineering operations are recognized successively over time, on a percentage-of-completion basis (recognized costs in relation to estimated total project costs). Invoicing is conducted on an ongoing basis according to agreement over the course of the project. This also applies to parts of NCC Industry's operations, where percentage-of-completion revenue is recognized but usually during the same calendar year. A component of NCC Industry's revenues is recognized at a point in time connected to delivery of asphalt and stone materials to the customer, which is reflected in customer payments. For NCC Property Development too, revenues are normally recognized at a point in time (upon completion of the property), which normally coincides with the receipt of payment from the customer.

In all significant respects, the order backlog in construction and civil engineering operations is expected to be recognized as revenue over the coming 24 months, the majority of which within the coming year. In all significant respects, NCC Industry's order backlog is expected to be recognized as revenue during the coming year. For information regarding NCC Property Development's as yet unfulfilled performance obligations, see note 24, Properties classified as current assets. For information on orders received, see p. 13.

Worked-up, non-invoiced revenues

Group	2021	2020
Worked-up revenues from ongoing contracts	35,424	34,267
Invoicing for ongoing contracts	-34,057	-32,919
Total	1,367	1,349

Invoiced revenues not worked up

Group	2021	2020
Advance invoicing for ongoing contracts	54,183	50,425
Worked-up revenues from advance-invoiced contracts	-49,353	-46,321
Total	4,830	4,104

Worked-up revenues from ongoing projects including recognized gains less recognized loss reserves amounted to SEK 84,778 M (80,558) for 2021 and prior years. Revenues recognized in 2021 that emanate from work performed in 2020 or earlier are not estimated to amount to material sums.

In all significant respects, invoiced revenues, not worked up at December 31, 2020 or earlier are adjudged to have been recognized in 2021.

Accounting policies

NCC's revenues are recognized according to IFRS 15 Revenue from Contracts with Customers, meaning when the customer gains control over the sold goods or services. This can occur either by NCC's performance obligations being fulfilled over time (on a percentage-of-completion basis) or at a point in time. NCC's revenues essentially comprise:

- Revenues from construction contracts and similar projects
- Revenues from commercial property development
- Revenues from sales of asphalt, stone materials, etc.

Revenues from construction and similar projects

The construction contracts mean that NCC performs work on land belonging to the customer and thus creates an asset that is controlled by the customer in pace with the asset's completion. In turn this means that NCC recognizes revenues over time by applying percentage-of-completion profit recognition.

Application of the percentage-of-completion recognition of revenue and profit entails that profit is recognized in pace with completion of the project. To determine the amount of income worked up at a specific point in time, the following components are required:

- Project revenue: total revenues attributable to the construction contract. The revenues must be of such a character that the recipient can credit them to income in the form of actual payment received or another form of payment.

- Project cost: total costs attributable to the construction contract, which corresponds to project revenues.
- Completion rate (worked-up rate): recognized costs in relation to estimated total project costs.

The fundamental condition for percentage-of-completion profit recognition is that estimate-at-completion of total project revenues and costs can be quantified reliably. As a consequence of percentage-of-completion profit recognition, the trend of earnings in ongoing projects is reflected immediately in the financial statements. Percentage-of-completion profit recognition is subject to a component of uncertainty. Due to unforeseen events, the final profit of the projects may occasionally be higher or lower than expected. It is particularly difficult to anticipate profit at the beginning of the project period and for technologically complex projects or projects that extend over a long period. For projects that are difficult to forecast, revenue is recognized in an amount corresponding to the worked-up cost, meaning that zero earnings are entered until the profit can be reliably estimated. As soon as this is possible, the project switches to percentage-of-completion profit recognition.

Provisions posted for potential loss-making contracts are charged against profit for the relevant year. Provisions for losses are posted as soon as they become known.

Contract modifications covering change orders and contract claims for shortcomings in tender specifications and similar items are recognized when the modifications are enforceable. When assessing whether the modifications are enforceable, all relevant facts and circumstances are to be considered. If the parties fail to agree on the price, the revenue is only to be recognized insofar as it is highly probable that a material reversal of accumulated recognized revenues will not arise when the parties reach agreement. The same applies to revenue recognition of any bonuses, as well as sanctions, whereby revenue is only to be recognized insofar as it is highly probable that a material reversal of accumulated recognized revenues will not be necessary.

Balance-sheet items such as "worked-up, non-invoiced revenues" and "Invoiced revenues not worked up" are recognized in gross amounts on a project-by-project basis. Projects for which worked-up revenues exceed invoiced revenues are recognized as current assets, while projects for which invoiced revenues exceed worked-up revenues are recognized as a current interest-free liability. The customer is normally invoiced on account during the term of the project.

The following example illustrates how the percentage-of-completion profit recognition is applied. On January 1 of Year 1, NCC receives a contract regarding the construction of a building. The project is estimated to take two years to complete. The contract price is 100 and the anticipated profit from the project is 10. On December 31 of year 1, NCC's costs for the project amount to 45, in line with expectations. Since NCC has completed half of the work and the project is proceeding as planned, NCC recognizes half of the anticipated profit of 10, that is 5, in the accounts for Year 1. Profit recognition on completion means that profit is not recognized until the end of Year 2, or the beginning of Year 3, depending on when the final financial settlement with the client was agreed.

Profit	Year 1	Year 2
Profit recognition on completion	0	10
According to percentage-of-completion profit recognition	5	5

For agreements that contain both a contract and an operation and maintenance service, the revenue must be allocated to the various parts. The part of the agreement that pertains to the contract-related service is recognized on a percentage-of-completion basis.

Revenues from commercial property development

NCC's net sales include revenues from sales of properties classed as current assets. Sales include both land and the building constructed by NCC on the land.

Note 2 Revenue recognition, continued

Normally, the sale of land and construction of a building constitute a performance obligation and are recognized jointly. Payment is normally received in conjunction with date of occupancy. In rare cases, depending on the terms and conditions of the agreements, the sale of land (or land with construction under way) constitutes one performance obligation and construction of a building another.

Revenues are recognized at the point in time when control is transferred to the buyer. Control is transferred over time (on a percentage-of-completion basis) unless NCC has an alternative use for the sold property and NCC is entitled to payment from the customer for work completed to date, in which case the revenue is recognized by applying percentage-of-completion profit recognition. If one of the above criteria is not fulfilled, the revenue is to be recognized at a point in time – on completion and handover to the customer. Since NCC always contractually agrees on delivery of a certain property to the customer, and the property cannot be sold to anyone else, NCC never has an alternative use for the sold property. Concerning the question of whether NCC is entitled to payment, certain legislation contains factors that indicate that NCC has such an entitlement, while other legislation indicates that this is not the case. Moreover, legal praxis has not been developed in this context. NCC's overall assessment is that in normal cases the uncertainty concerning NCC's entitlement to payment is so great that the revenue should be recognized at a point in time, on completion of the property and handover to the customer.

It could also be the case that property projects are sold with guarantees of certain leasing to tenants or with a stipulation that a supplementary purchase consideration be paid when a certain letting rate has been achieved. In connection with the date of sale, any rental guarantees are recognized as prepaid income, which is then recognized as revenue as letting progresses.

The supplementary purchase consideration is recognized as revenue when the agreed leasing rate has been achieved.

Revenues from sales of asphalt, stone materials, etc.

Revenues from sales of asphalt, stone materials, etc. are recognized at the point in time of delivery to the customer.

Important estimates and assessments**Percentage-of-completion profit recognition**

A fundamental condition for being able to estimate percentage-of-completion profit recognition is that project revenues and project costs can be established reliably. This reliability is based on such factors as compliance with NCC's systems for project control and that project management has the necessary skills.

The assessment of project revenues and project costs is based on a number of estimates and assessments that depend on the experience and knowledge of project management in respect of project control, training and the prior management of projects. The assessment component means that the final result may differ from the profit accrued based on percentage-of-completion.

Revenue recognition of property development projects

Property sales are recognized at the point in time when control is transferred to the buyer. The point in time primarily depends on the assessment of which point in time NCC is entitled to payment. This normally does not occur until the project is completed and handed over to the customer, at which time the revenue is recognized in full. However, assessments are made on an agreement-by-agreement basis.

Note 3

Reporting by operating segment

NCC's business operations are divided into five operating segments based on the parts of the organization monitored by the President and CEO, who is the chief operating decision maker. Each operating segment has a president who is responsible for the daily operations and regularly reports on the results of the segment's performance to the Senior Management Team. The following segments were identified based on this reporting procedure:

NCC Infrastructure supplies entire infrastructure projects (such as tunnels, roads and railways), from design and construction to production and maintenance.

NCC Building Sweden and NCC Building Nordics primarily build residential buildings and offices, but also construct such public premises as schools and hospitals and such commercial premises as stores and warehouses.

NCC Industry's operations are based on production of stone materials and asphalt, as well as piling works and paving.

NCC Property Development develops and sells commercial properties in metropolitan regions in Sweden, Norway, Denmark and Finland.

All transactions between the various segments are conducted on a purely commercial basis.

The segment reporting also recognizes Swedish pension costs using Swedish accounting standards and adjustments of IFRS in "Other and eliminations." Occasionally, "Other and eliminations" may also include certain items, primarily impairment losses and provisions, attributable to the activities conducted in the segments. Other and eliminations also includes the Parent Company and Road Services' remaining operations.

Accounting policies

An operating segment is part of the Group that conducts business operations from which it generates revenues and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are followed up by the chief operating decision maker, who in NCC's case is the CEO, for evaluation of results and for allocating resources to the operating segment. The reporting of operating segments concurs with the reports presented to the CEO.

Group, 2021	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	15,668	12,464	9,829	10,120	4,768	52,849	566	53,414
Internal net sales	672	1,404	1,496	635	8	4,214	-4,214	0
Total net sales	16,339	13,868	11,324	10,755	4,775	57,062	-3,648	53,414
Depreciation/amortization	-343	-71	-87	-668	-13	-1,183	-125	-1,307
Impairment losses and reversal of impairment losses				4	-29	-25		-25
Share in associated company profits				6	4	10		10
Operating profit/loss	391	457	410	220	478	1,956	-130	1,825
Net financial items								-60
Profit after financial items								1,765
Capital employed				4,772	6,567			12,055

Group, 2020	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry	NCC Property Development	Total segments	Other and eliminations	Group
External net sales	17,279	11,842	10,724	10,098	2,728	52,671	1,252	53,922
Internal net sales	992	1,533	1,410	771	10	4,716	-4,716	0
Total net sales	18,271	13,375	12,134	10,870	2,737	57,387	-3,465	53,922
Depreciation/amortization	-359	-64	-125	-653	-25	-1,226	-186	-1,412
Impairment losses and reversal of impairment losses			0	-24		-24		-24
Share in associated company profits	-1	-8		4	17	12		12
Operating profit/loss	357	381	343	386	434	1,902	-542	1,360
Net financial items								-80
Profit after financial items								1,281
Capital employed				4,465	6,433			11,375

The comparative figures for 2020 have been restated due to the transfer of the Hercules division from NCC Industry to NCC Infrastructure.

Note 3 Reporting by operating segments, cont'd.

Revenue per product 2021

	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry
Road	2,953			
Railway	2,860			
Energy & Water treatment	2,565			
Earth and groundworks	4,873			
Industry	646			
Offices		2,043	1,901	
Residential		3,821	3,518	
Refurbishment/conversion		2,604	2,537	
Public buildings		3,504	2,782	
Asphalt & Paving				8,047
Stone materials				2,709
Foundation engineering	1,659			
Other	784	1,895	587	
TOTAL	16,339	13,868	11,324	10,755

Revenue per product 2020

	NCC Infrastructure	NCC Building Sweden	NCC Building Nordics	NCC Industry
Road	3,520			
Railway	3,135			
Energy & Water treatment	3,097			
Earth and groundworks	5,029			
Industry	601			
Offices		1,364	1,912	
Residential		3,515	3,198	
Refurbishment/conversion		2,843	3,539	
Public buildings		3,820	2,874	
Asphalt & Paving				8,233
Stone materials				2,637
Foundation engineering	1,659			
Other	1,231	1,834	611	
TOTAL	18,271	13,375	12,134	10,870

Other and eliminations

	External net sales		Operating profit/loss	
	2021	2020	2021	2020
NCC's Head Office, results from minor subsidiaries and associated companies			-49	-168
Road Services, remaining operations	564	1,764	-9	-75
Eliminations of inter-company gains			34	-64
Other Group adjustments (essentially comprising the difference in accounting policies between segments and the Group, such items as pensions and sale and leaseback)	2	-513	-107	-235
Total	566	1,252	-131	-542

Geographical areas

	Orders received		Order backlog		Net sales		Fixed assets ¹⁾	
	2021	2020	2021	2020	2021	2020	2021	2020
Sweden	31,940	32,120	32,197	31,557	31,122	32,199	3,166	3,299
Denmark	8,613	8,014	9,504	9,380	9,068	8,070	1,820	1,847
Norway	8,888	4,327	7,257	3,987	7,129	6,657	1,667	1,674
Finland	6,344	6,738	6,805	6,020	6,095	6,996	219	455

¹⁾ Pertains to fixed assets (incl. right-of-use assets according to Note 33) that are not financial instruments, deferred tax assets, assets pertaining to post-employment remuneration and rights arising in accordance with insurance agreements.

Note 4

Number of employees, personnel expenses and remuneration of senior executives

Average number of employees¹⁾

	2021					2020				
	Number of employees	of whom, men	%	of whom, women	%	Number of employees	of whom, men	%	of whom, women	%
Parent Company										
Sweden	51	18	35%	33	65%	52	21	40%	31	60%
Subsidiaries										
Sweden	7,813	6,563	84%	1,250	16%	8,550	7,243	85%	1,307	15%
Norway	1,806	1,617	90%	189	10%	1,950	1,764	90%	186	10%
Finland	1,327	1,067	80%	260	20%	1,537	1,235	80%	302	20%
Denmark	1,955	1,692	87%	263	13%	2,209	1,939	88%	270	12%
Other countries	50	38	76%	12	24%	90	73	81%	17	19%
Total in subsidiaries	12,951	10,977	85%	1,974	15%	14,336	12,254	85%	2,082	15%
Group total	13,002	10,995	85%	2,007	15%	14,388	12,275	85%	2,113	15%

¹⁾ The average number of employees is based on the average number of employees during the period January 1 to December 31, calculated on the basis of the number of salaried employees, recalculated to full-year positions.

Men and women in the Board of Directors and Senior Management Team on balance-sheet date

	DEC 31, 2021		DEC 31, 2020	
	men, %	women, %	men, %	women, %
Board of Directors	70	30	70	30
AGM-elected Board members	57	43	57	43
Senior Management Team	45	55	57	43
Senior Management Team, employed in the Parent Company	33	67	50	50

Salaries and other remuneration distributed between members of the Board and senior executives¹⁾ and other employees

	2021			2020		
	Board of Directors and senior executives	Other employees	Total	Board of Directors and senior executives	Other employees	Total
Parent Company, Sweden						
Salaries and other remuneration	32	52	83	26	56	81
Social security expenses			52			55
– of which, pension costs	6	15	21	6	26	32
Pension commitment	5			3		
Group						
Salaries and other remuneration	62	8,237	8,299	58	8,613	8,671
– of which, bonus and similar	4.8			3.7		
Social security expenses			2,940			2,817
– of which, pension costs	11		935	11		784
Pension commitment	15			5		

¹⁾ The senior executives category comprises 6 individuals (3) in the Parent Company and 5 individuals (6) in subsidiaries. The definition senior executive applies to the Parent Company's Board of Directors and the Senior Management Team, incl. the CEO.

Employment conditions and remuneration of senior executives

The Chairman of the Board and other AGM-elected Board members receive director fees according to an AGM resolution for work on the Board of Directors and committees. No pensions are paid to Board members. No special fee is paid to the Nomination Committee.

Remuneration for the CEO is proposed by the Chairman of the Board and decided by the Board. Remuneration of other senior executives in the Senior Management Team (SMT) is proposed by the CEO and approved by the Chairman of the Board.

Remuneration of the CEO and other senior executives consists of fixed and variable remuneration, other benefits and pensions. The term "other senior executives" refers to the people who together with the CEO constitute the SMT.

Fixed remuneration of the CEO

President and CEO Tomas Carlsson receives a fixed monthly salary of SEK 787,500.

Variable remuneration

For the CEO, the short-term variable remuneration is capped at 75 percent of fixed remuneration and based on the outcome of established targets, which are mainly financial. Short-term variable remuneration for other senior executives in 2021 is capped at 50 percent of fixed remuneration.

Pension conditions for the CEO

In 2021, the CEO was covered by a defined-contribution pension plan with a premium limit capped at 40 percent of his contractual fixed salary. The CEO's retirement age is 65 years.

Pension conditions for other senior executives

Other senior executives employed in Sweden are covered by a defined-benefit ITP plan with a retirement age of 65, and, in accordance with the current policy, of a supplementary defined-contribution pension commitment capped at 30 percent of pensionable remuneration exceeding 30 income base amounts. For other senior executives employed outside Sweden, the various pension conditions in those countries of employment will apply.

Note 4 cont'd. Number of employees, personnel expenses and remuneration of senior executives, cont'd

Termination terms

The CEO has a period of notice of six months from NCC and six months should he resign at his own request. If employment is terminated by NCC, severance pay is payable for 18 months. The severance pay is not pensionable and does not carry entitlement to vacation pay or other benefits. For a period of six months following the period of notice, the CEO, should NCC so demand, is required to observe a ban on working for competitors. During such a period, the CEO receives remuneration corresponding to basic monthly salary. Remuneration is not payable for periods when the CEO receives severance pay. Other senior executives are subject to six to 12 months' period of notice from NCC, or six months' notice if the senior executive resigns of his/her own accord.

If employment is terminated by NCC, severance pay is normally payable for 12 months. The severance pay will, with one exception, be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without NCC's written consent.

Share-based remuneration

The prerequisites and conditions for allotment are listed below.

Long-term incentive programs

The AGM in March 2021 resolved, in accordance with the Board's motion, to establish a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (LTI 2021). The purpose of LTI 2021 is to ensure a continued focus on the company's long-term profitability and value growth, create prerequisites for retaining and recruiting key personnel and provide competitive remuneration.

LTI 2021 is a three-year performance-based plan entailing that the participants themselves invest in company shares, Savings Shares. After the period expires, each Savings Share provides entitlement, depending on how the targets have been achieved, to the receipt of 3–6 Performance Shares free of charge. The program does not include any synthetic shares. The maximum short-term variable remuneration for the participants will not be adjusted.

Performance targets

The number of shares that will finally be allotted/disbursed depends on the extent to which certain predetermined targets are achieved in the performance period (January 1, 2021 through December 31, 2023).

The fundamental prerequisite for an outcome from LTI 2021 is that the NCC Group reports a pretax profit during the program period of 2021–2023 and during the final year of the program (meaning 2023).

The LTI 2021 target set comprises earnings per share (EPS). The allotment of Performance Shares is based on the minimum and maximum target levels established by the Board concerning the accumulated EPS performance during the period 2021–2023. If the minimum level is not achieved, no Performance Shares will be awarded. If the maximum level is achieved or exceeded, Performance Shares will be awarded at a rate of 100 percent. If the minimum level is exceeded but the maximum level is not achieved, allotment will occur linearly within the span. The Board of Directors intends to present the established performance target in the Annual Report or remuneration report for 2023.

Allotment

The participants are divided into four categories.

The CEO (one person) is entitled to acquire Savings Shares for an amount corresponding to not more than 10 percent of his Basic Salary and may receive a maximum of six Performance Shares for each Savings Share held.

Members of the SMT (ten persons) are entitled to acquire Savings Shares for an amount corresponding to not more than 7.5 percent of their particular Basic Salary and may receive a maximum of five Performance Shares for each Savings Share held.

Members of business area management (about 40 persons) are entitled to acquire Savings Shares for an amount corresponding to not more than 5 percent of their particular Basic Salary and may receive a maximum of four Performance Shares for each Savings Share held.

Key people Line/Staff units (about 125 persons) are entitled to acquire Savings Shares for an amount corresponding to not more than 5 percent of their particular Basic Salary and may receive a maximum of three Performance Shares for each Savings Share held.

The share price that is to form the basis for calculating the maximum number of Savings Shares that each participant may acquire corresponds to the average last price paid during a period of the first ten trading days after the AGM.

Scope and costs of the program

Assuming a share price of SEK 150 and the maximum outcome, meaning full achievement of the performance targets, it is estimated that the cost of LTI 2021, including costs for social security fees, will be approximately SEK 68.3 M, corresponding to the value of about 0.42 percent of the total number of shares in the company.

The value that a participant may receive at maximum allotment of Series B shares and cash payment is capped at an amount per share that corresponds to 400 percent of the share price, calculated on the basis of the average price paid during a period of the first ten trading days after the AGM.

Buyback of company shares

In order to cover commitments in accordance with LTI 2021, meaning to cover costs for securing delivery of Series B shares, including costs for social security fees, the AGM resolved to authorize the Board to make decisions on one or several occasions during the period up to the following AGM to buy back a maximum of 560,000 Series B shares. The shares are to be acquired on Nasdaq Stockholm and may only be acquired at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price. The shares are to be paid for in cash. The Board decided to buy back Series B shares to cover commitments under the company's long-term incentive program and 88,000 Series B shares were bought back in the second quarter of 2021.

Transfer of treasury shares

To secure delivery of Series B shares under LTI 2021, the AGM resolved to permit the transfer of no more than 365,000 Series B shares to the participants of LTI 2021. The prerequisites and conditions for allotment are listed above, according to which all share awards are regulated through physical delivery of the shares. The AGM also resolved to permit the transfer of a maximum of 200,000 Series B shares to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, arising from previously outstanding long-term performance-based incentive programs (LTI 2018, LTI 2019 and LTI 2020) as well as LTI 2021. 14,300 Series B shares were transferred within the framework of LTI 2018 during the second quarter of 2021.

LTI 2018

The performance period for LTI 2018 expired on December 31, 2020. The financial performance objective was not achieved and the OHS target was only partly achieved. Shares and synthetic shares were delivered in June 2021 to remaining participants in the program. In total, delivery/payment was made for 4,625 shares and 4,625 synthetic shares. SEK 231,332 was disbursed in cash remuneration to the participants in Denmark who do not receive shares but solely cash remuneration, as well as SEK 16,604 in cash remuneration in compensation for dividends. The amounts were delivered to 140 participants. The share price on the redemption date was SEK 159.10.

LTI 2019

A new LTI program was launched in 2019 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The performance period for LTI 2019 expired on December 31, 2021. The overall operating margin for the year is used as the financial performance objective, and the OHS target is the number of worksite accidents resulting in four days of absence or more from ordinary work per million working hours. Both the financial performance objective and the OHS target were achieved in part, which means that dividends/payments will be defrayed in part in May/June 2022.

LTI 2020

A new LTI program was launched in 2020 in accordance with an AGM resolution. The program is essentially the same as previous LTI programs. The performance period for LTI 2020 is from January 1, 2020 through December 31, 2022. The performance in respect of predetermined targets will be evaluated and reported in conjunction with the 2023 AGM.

Note 4 cont'd. Number of employees, personnel expenses and remuneration of senior executives, cont'd

Remuneration, provisions and other benefits in 2021

SEK 000s	Basic salary ¹⁾²⁾	Variable remuneration ³⁾	Share-based remuneration ⁴⁾	Other benefits	Pension costs	Pension commitment
Chairman of the Board Alf Göransson	1,225					
<i>Other Board members</i>						
Viveca Ax:son Johnson	500					
Geir Magne Aarstad	600					
Simon de Château	500					
Mats Jönsson	625					
Birgit Nørgaard	625					
Angela Langemar Olsson	675					
Total Board of Directors	4,750					
CEO Tomas Carlsson	9,597	607	1,690	129	3,776	1,211
Other senior executives ⁵⁾	13,613	760	229	253	2,260	4,416
Total Parent Company	27,960	1,367	1,919	382	6,036	5,627
Other senior executives in subsidiaries ⁶⁾	25,197	3,412	1,369	425	5,411	9,211
Total senior executives	53,157	4,779	3,288	807	11,447	14,838

¹⁾ For the Board of Directors, basic salary includes fees for Board and committee membership and for others, in addition to salary, also vacation compensation, reduced working hours and, where appropriate, severance pay.

²⁾ Of fees paid to Board members, about three months are attributable to fees adopted by the 2020 AGM and about nine months to resolutions adopted at the 2021 AGM.

³⁾ Variable remuneration pertains to the amounts paid for each fiscal year.

⁴⁾ Amounts pertain to amounts reserved/reversed for the ongoing LTI programs 2019, 2020 and 2021. The amount also includes compensation paid concerning the closed LTI program 2018.

⁵⁾ This includes the positions CFO and Head of Finance & IT, Head of Communication and Senior Legal Counsel for full-year 2021 and Head of Human Resources as of June 1, 2021 and Head of Purchasing as of November 1, 2021.

⁶⁾ This includes the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry and NCC Property Development for the whole of 2021 and the Head of Human Resources up to May 31, 2021 and the acting Head of Purchasing up to October 31, 2021.

Remuneration, provisions and other benefits in 2020

SEK 000s	Basic salary ¹⁾²⁾	Variable remuneration ³⁾	Share-based remuneration, reserved/reversed ⁴⁾	Other benefits	Pension costs	Pension commitment
Chairman of the Board Alf Göransson	1,061					
<i>Other Board members</i>						
Viveca Ax:son Johnson	500					
Geir Magne Aarstad	600					
Tomas Billing ⁵⁾	301					
Simon de Château ⁶⁾	363					
Mats Jönsson	625					
Birgit Nørgaard	591					
Ulla Litzén ⁵⁾	185					
Angela Langemar Olsson	661					
Total Board of Directors	4,887					
CEO Tomas Carlsson ⁷⁾	11,102	1,755	450	115	3,780	829
Other senior executives ⁸⁾	6,338	229	514	145	2,033	1,787
Total Parent Company	22,327	1,984	964	260	5,813	2,616
Other senior executives in subsidiaries ⁹⁾	30,112	1,716	179	338	5,530	2,789
Total senior executives	52,439	3,700	1,143	597	11,343	5,405

¹⁾ For the Board of Directors, basic salary includes fees for Board and committee membership and for others, in addition to salary, also vacation compensation, reduced working hours and, where appropriate, severance pay. The amount includes severance pay of SEK 4,205,688 for one other senior executive in subsidiaries, as well as salary and remuneration during the period of notice.

²⁾ Of fees paid to Board members, about three months are attributable to fees adopted by the 2019 AGM and about nine months to resolutions adopted at the 2020 AGM.

³⁾ Variable remuneration pertains to the amounts paid for each fiscal year.

⁴⁾ Amounts reserved/reversed during the year for the closed LTI program 2017, and the ongoing LTI programs 2018, 2019 and 2020.

⁵⁾ Tomas Billing and Ulla Litzén stepped down from the Board at the AGM on April 1, 2020.

⁶⁾ Simon de Château was elected (new election) at the AGM on April 1, 2020.

⁷⁾ In 2020, new guidelines were introduced concerning saved vacation, which was settled through payments to the employees concerned, including the CEO. This settlement is reflected in basic salary.

⁸⁾ This includes the positions of CFO for all of 2020, and Head of DOS (Development & Operations Services) up to October 31, 2020.

⁹⁾ This includes the Heads of NCC Infrastructure, NCC Building Sweden and NCC Property Development for the whole of the year. The current Head of NCC Building Nordics has been included since January 13, 2020. The former Head of NCC Industry, Jyri Salonen, is included through October 31, 2020 and the current Head of NCC Industry is included as of November 1, 2020.

Note 4 cont'd. Number of employees, personnel expenses and remuneration of senior executives, cont'd

NUMBER OF	Group		Parent Company	
	Share rights	Synthetic shares	Share rights	Synthetic shares
Outstanding at the beginning of the period	572,594	446,563	92,264	92,264
Allocated during the period	317,116		69,276	
Expired, unallocated	-121,939	-121,939	-24,302	-24,302
Transferred from Group companies			4,379	4,379
Compensation shares allotted LTI 2018	-4,625	-4,625	-794	-794
Forfeited during the period	-19,095	-10,399	-5,379	-5,379
Outstanding at the end of the period	744,051	309,600	135,444	66,168
Puttable at the end of the period	0	0	0	0

All share rights and synthetic shares have an exercise price of SEK 0.

Share rights and synthetic shares outstanding have a remaining maturity of two and a half years to a half year, respectively. The share price for exercised shares on the exercise date was SEK 159.10.

Fair value and assumptions for share rights

	LTI 2019		LTI 2020		LTI 2021	
	Group	Parent Company	Group	Parent Company	Group	Parent Company
Fair value on date of valuation, SEK 000s	8,076	1,294	7,960	1,207	8,219	1,800
Share price, SEK	134.07	134.07	122.71	122.71	132.49	132.49
Redemption price, SEK	0	0	0	0	0	0
Option maturity, years	0.5	0.5	1.5	1.5	2.5	2.5
Risk-free interest rate, %	1.67	1.67	1.77	1.77	1.90	1.90

Dividend has been calculated as a three-year average of NCC AB's dividends. All fair values and assumptions are the same for all participants in the program.

Accounting policies

Share-based remuneration

Instrument issued under the NCC Group's share-based remuneration plan comprise share rights and synthetic (cash-settled) shares.

The fair value of allotted share awards is recognized as a personnel cost accompanied by a corresponding increase in shareholders' equity. The fair value is estimated at the date of allotment by means of an adjustment of the discounted value of the future dividends for which the plan participants will not qualify.

Synthetic shares give rise to an undertaking to the employee, which is measured at fair value and recognized as a cost accompanied by a corresponding increase in liabilities. The fair value of the synthetic shares comprises the market price of the Series B NCC share at the particular financial report occasion adjusted by the discounted value of the future dividends for which the plan participants will not qualify.

At each financial report occasion, the Parent Company makes an assessment of the probability of whether the performance targets will be achieved. Costs are calculated on the basis of the number of shares and synthetic shares that are estimated to be settled at the close of the vesting period.

When settlement of the share rights and synthetic shares occurs, social security fees must be paid for the value of the employees' benefit. These vary in the different countries in which NCC is active. During the period in which the services are performed, provisions are also posted for these calculated social security fees based on the fair value of the share rights and the synthetic shares, respectively, on the reporting date.

To satisfy NCC AB's undertakings in accordance with the long-term incentive programs, NCC AB has bought back Series B shares. These are recognized as shares held in treasury and thus reduce equity.

Severance payments

In conjunction with notice of employment termination, a provision is recognized only if the company is contractually obliged to terminate an employment position before the normal time, or when payments are made as an offering to encourage voluntary redundancy. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and remuneration for every personnel category or position, as is a time schedule for the plan's implementation.

Personnel expenses for share-based remuneration

	2021		2020	
	Group	Parent Company	Group	Parent Company
Share rights	4	0	4	0
Synthetic shares	3	1	3	1
Social security expenses	4	1	2	0
Total personnel costs for share-based remunerations	11	2	9	1
Total carrying amount pertaining to liability for synthetic shares	14	3	11	2
Total real value of the liability pertaining to vested benefits	14	3	11	2

Note 5

Depreciation/amortization

	Group	
	2021	2020
Intangible assets	-46	-75
Owner-occupied properties	-61	-54
Owner-occupied properties, right-of-use assets	-261	-290
Machinery and equipment	-554	-558
Machinery and equipment, right-of-use assets	-385	-435
Total depreciation/amortization	-1,307	-1,412

Accounting policies

Straight-line depreciation based on estimated useful life, or on utilization rate, is applied with due consideration for any residual values at the close of the period. Goodwill and other assets that have an indefinite life are not amortized but subject to systematic impairment testing. NCC applies so-called component depreciation, whereby each asset with a considerable value is divided into a number of components that are depreciated on the basis of their particular useful life.

Depreciation/amortization rates vary in accordance with the table below:

Intangible fixed assets	
Rights-of-use	In pace with confirmed depletion of net asset value
Software	10–33 percent
Other intangible assets	10–33 percent
Tangible fixed assets	
Owner-occupied properties	1.4–10 percent
Land improvements	3.7–5 percent
Pits and quarries	In pace with confirmed depletion of net asset value
Fittings in let premises	14–20 percent
Machinery and equipment, right-of-use assets	5–33 percent

Note 6 Fees and remuneration to audit firms

	Group		Parent Company	
	2021	2020	2021	2020
Audit firms				
<i>PwC</i>				
Auditing assignments	18	18	5	4
Audit in addition to the audit assignment	1	1	1	1
Tax consultations				
Other services	1	1	1	1
<i>Other auditors</i>				
Auditing assignments	0	0		
Audit in addition to the audit assignment				
Tax consultations				
Total fees and remuneration to auditors and audit firms	20	20	6	7

During 2021, PwC received approximately SEK 1 M for non-audit services. The services primarily comprised various types of consultation involving accounting and sustainability issues, but no valuation services.

Audit assignments amounted to SEK 18 M, of which SEK 11 M to PwC Sweden. Accounting activities in addition to the audit assignment amounted to SEK 1 M, of which SEK 1 M to PwC Sweden. PwC Sweden did not perform any tax consultancy for NCC. Other services assignments amounted to SEK 1 M, of which SEK 1 M to PwC Sweden.

Note 7 Impairment losses

	Group		Parent Company	
	2021	2020	2021	2020
Impairment losses on current assets				
Properties held for future development	-10			
Total impairment losses on current assets	-10			
Impairment losses on participations in subsidiaries				
Shares in subsidiaries			-79	-97
Total impairment losses on participations in subsidiaries			-79	-97
Impairment losses on other fixed assets				
Owner-occupied properties	-19	-8		
Machinery and equipment	4	-16		
Total impairment losses and reversed impairment losses for other fixed assets	-16	-24		
Total impairment losses	-25	-24	-79	-97

Accounting policies

When necessary, although at least once a year, NCC conducts impairment testing of the assets' carrying amounts. An impairment requirement arises when the recoverable amount is less than the carrying amount.

Note 8 Result from participations in Group companies

	Group		Parent Company	
	2021	2020	2021	2020
Dividend			1,127	1,154
Capital gain/loss on sale	-46	9		
Impairment losses			-79	-97
Total	-46	9	1,048	1,057

Note 9 Operating expenses by type of cost

Group	2021	2020
Production-related goods and services, plus raw materials and supplies	-39,026	-39,687
Change in inventory	-106	54
Personnel expenses	-11,238	-11,488
Depreciation/amortization	-1,307	-1,412
Impairment losses	-25	-24
Total production costs, and selling and administrative costs	-51,703	-52,557

Note 10 Interest expense and similar items

Parent Company	2021	2020
Interest expense, Group companies	-2	-9
Interest expense to credit institutions	-12	-10
Financial portion of pension cost	-4	-4
Exchange-rate differences		-3
Other financial items	-4	-4
Total	-22	-30

Accounting policies

Borrowing costs attributable to qualifying assets are capitalized as a portion of the capitalized asset's cost when the borrowing costs total a significant amount. A qualifying asset is an asset that takes a significant period of time to get ready for its intended use or sale, which in NCC's case is more than a year. For NCC, the capitalization of borrowing costs is most relevant in the construction of property projects. Other borrowing costs are expensed on a continuous basis in the period in which they are incurred. In the Parent Company, borrowing costs are expensed in their entirety in the period in which they are incurred.

Note 11 Net financial items

Group	2021	2020
Interest income and financial assets measured at fair value	1	3
Interest income on financial assets measured at amortized cost	5	6
Interest income on bank balances	1	2
Net gain on financial assets/liabilities measured at fair value	13	14
Net exchange-rate changes	0	2
Other financial income	1	4
Financial income	20	30
Interest expense on financial liabilities measured at amortized cost	-42	-91
Other financial expenses	-38	-18
Financial expenses¹⁾	-80	-110
Net financial items	-60	-80
Of which, changes in value calculated using valuation techniques	-1	2

¹⁾ Refer to Note 24, Properties classified as current assets, for more information concerning capitalized interest.

Note 12 Effects on profit or loss of exchange-rate changes

Group	2021		Ex-change-rate effect
	exchange rates 2020 ¹⁾	2021	
Net sales	53,787	53,414	-372
Operating profit/loss	1,842	1,825	-17
Profit after financial items	1,783	1,765	-17
Net profit for the year	1,521	1,508	-13

¹⁾ Figures for 2021 converted at 2020 exchange rates.

Country	SEK	Currency	Average exchange rate Jan-Dec		Year-end rate, Dec 31	
			2021	2020	2021	2020
Denmark	100	DKK	136.41	140.68	138.04	134.98
Euro countries	1	EUR	10.14	10.49	10.27	10.04
Norway	100	NOK	99.80	97.86	102.76	95.46

Note 13 Appropriations

Parent Company	Appropriations	
	2021	2020
Group contributions received	593	681
Group contributions granted	-141	-527
Total	452	153

Note 14 Equity

Specification of the item Reserves in equity

Group	2021	2020
Translation reserve		
Translation reserve, January 1	-127	
Reclassifications	42	
Adjusted opening balance, January 1	-86	
Year's exchange differences on translating foreign operations	101	-124
Translation difference attributable to divested operations	-2	-3
Translation reserve, December 31	14	-127
Fair value reserve		
Fair value reserve, January 1		
Fair value reserve, December 31	0	0
Hedging reserve		
Hedging reserve, January 1	-17	-23
Fair value changes for the year in cash flow hedges	56	-13
Fair value changes in cash flow hedges transferred to net profit/loss for the year	18	21
Tax attributable to cash flow hedges	-15	-2
Hedging reserve, December 31	42	-17
Revaluation reserve		
Revaluation reserve, January 1	1	1
Revaluation reserve, December 31	1	1
Total reserves		
Reserves, January 1	-144	-23
Reclassifications	42	
Adjusted opening balance, January 1	-101	
Change in reserves during the year		
- Translation reserve	99	-127
- Hedging reserve	59	6
Reserves, December 31	57	-144

Translation reserve

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign operations that have compiled their reports in a currency other than that in which the consolidated financial statements are presented, in NCC's case, SEK. The translation reserve also includes exchange-rate differences that arise from the remeasurement of liabilities and currency forward contracts entered into as instruments to hedge net investments in foreign operations.

Fair value reserve

The fair value reserve includes the accumulated net change in the fair value of financial assets measured at fair value through other comprehensive income.

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

Revaluation reserve

The revaluation reserve arises from step acquisitions, multi-stage acquisitions, meaning an increase in the fair value of previously owned portions of net assets resulting from step acquisitions.

Note 15 Intangible fixed assets

2021	Group			
	Acquired intangible assets			Total other
	Goodwill	Rights-of-use	Other	
Recognized cost on January 1	2,020	254	639	893
Investments		11	6	16
Divestment and scrappage		-10	-5	-15
Reclassifications		-2	18	16
Translation differences during the year	58	6	7	13
Recognized cost on December 31	2,078	258	665	923
Accumulated amortization on January 1		-137	-395	-532
Divestment and scrappage		9	5	14
Translation differences during the year	-1	-3	-6	-9
Amortization according to plan during the year		-11	-34	-46
Accumulated amortization on December 31	-1	-143	-430	-573
Accumulated impairment losses on January 1	-221	-16	-2	-18
Divestment and scrappage				
Reclassifications				
Translation differences during the year	-3	1	2	3
Impairment losses for the year				
Accumulated impairment losses on December 31	-225	-15	0	-15
Residual value on January 1	1,800	102	241	342
Residual value on December 31	1,852	100	235	335

As of 2021, the Parent Company has no intangible fixed assets; all investments of these are done in the Group's subsidiaries.

2020	Group				Parent Company
	Acquired intangible assets			Total other	Development expenses
	Goodwill	Rights-of-use	Other		
Recognized cost on January 1	2,127	282	665	947	38
Investments		18	6	24	
Divestment and scrappage	-19	-50	-9	-59	
Reclassifications		12	-11	1	-38
Translation differences during the year	-88	-8	-13	-21	
Recognized cost on December 31	2,020	254	639	893	0
Accumulated amortization on January 1	-2	-177	-344	-522	
Divestment and scrappage		47	8	55	
Translation differences during the year	2	5	4	9	
Amortization according to plan during the year		-11	-64	-75	
Accumulated amortization on December 31	0	-137	-395	-532	
Accumulated impairment losses on January 1	-232	-16	-40	-57	-38
Divestment and scrappage	5				
Reclassifications			38	38	38
Translation differences during the year	6				
Impairment losses for the year					
Accumulated impairment losses on December 31	-221	-16	-2	-18	0
Residual value on January 1	1,893	89	280	368	0
Residual value on December 31	1,800	102	241	342	0

Goodwill per operating segment

Operating segments	2021	2020
NCC Infrastructure	256	252
NCC Building Sweden	233	233
NCC Building Nordics	321	304
NCC Industry	1,042	1,010
Total, NCC Group	1,852	1,800

Note 15 Intangible assets, cont'd

Impairment testing of goodwill in cash-generating units

Impairment testing of goodwill in the Group occurs annually and at any point when indications of a value decline have been identified. The Group has five cash-generating units, which correspond to business areas and similarly to operating segments.

Annual impairment testing is conducted in conjunction with the third quarter based on the future cash flow of the units, taking into account the market's yield requirement and the units' risk profile. In most cases, the impairment risk is adjudged to be low and, in these cases, testing occurs using a simplified model. The following critical assumptions have been used in the model:

Long-term growth: In all cases, a long-term sustainable growth rate of 2.0 (2.0) percent has been assumed when the forecast period is over, which reflects anticipated long-term growth in the market.

Operating margin: Expected operating margin has been set at a three-year average. The assumption has been based on previous experience.

Working capital and reinvestment requirement: The requirement has been assumed to match the figure for 2021, with a growth rate equal to the sustainable long-term growth rate. The assumption has been based on previous experience and estimates of future requirements.

Discount rate: The weighted average cost of capital (WACC) is calculated for the various units on the basis of beta value, and local conditions in respect of market rates and tax, as well as a market-based capital structure for the various operations. The latter is based on the operational risk and the opportunities to leverage the operation. The discount rates for the various cash-generating units are as follows: Infrastructure 8.8 (8.5), Building Sweden 8.8 (8.3), Building Nordics 8.8 (8.5) and Industry 5.1 (5.2). The WACC for the Industry segment is lower than for other segments due to the segment's capital structure, which enables a larger degree of indebtedness than for other segments, which thus reduces their weighted cost of capital. The discount rate for the Group as a whole is 8.8 (8.3) percent after tax.

Impairment and risk analyses

The year's impairment testing was based on cash flow forecasts for 2022-2025. The average growth rate during the forecast period corresponds to about 2 percent for all business areas.

The anticipated operating margin is based on the latest available forecast for each of the business areas.

The year's impairment testing showed that there was no impairment requirement for any of the segments in the event of an increase in the discount rate by half of a percentage point. Nor was there any impairment requirement in the event of a decrease in the operating margin by half of a percentage point or a decrease in the long-term growth rate by one percentage point.

Other intangible assets

Rights-of-use include the right to use gravel and rock pits for a determined period. The periods may vary but the rights normally pertain to longer periods.

Amortization of quarries occurs in pace with confirmed depletion of net asset value, based on the volume of extracted rock and gravel. The other intangible assets consist mainly of software and licenses.

The periods of use range from three to five years and amortization is applied on a straight-line basis.

Accounting policies

Intangible fixed assets are recognized at cost less accumulated impairment losses and amortization.

Goodwill arises from acquisitions of companies and operations. Goodwill is not amortized but is impairment tested annually. Goodwill in foreign operations is valued in the particular functional currency and is converted from this functional currency to the Group's reporting currency at the exchange rates prevailing on the balance-sheet date.

Usufructs consist primarily of the right to utilize rock pits and gravel quarries, which are depreciated in parallel with confirmed depletion of net asset value based on volumes of extracted stone and gravel. This type of usufructs is not covered by IFRS 16, Leases. For amortization periods for intangible assets, refer to Note 5.

Impairment losses

When necessary, although at least once a year, NCC conducts impairment testing of the assets' carrying amounts. An impairment requirement arises when the recoverable amount is less than the carrying amount.

Important estimates and assessments**Measurement of goodwill**

Goodwill is measured at the lower of cost and recoverable amount.

Several assumptions and estimates are made concerning future conditions, which are taken into account when calculating the discounted cash flow upon which the estimated recoverable amount has been based. Important assumptions include expected growth, margins and the discount rate. If these assumptions change, the value of the remaining goodwill could be affected.

Note 16

Tangible fixed assets

2021	Group		
	Owner-occupied properties	Machinery and equipment	Total
Recognized cost on January 1	1,506	7,341	8,847
Investments	45	720	766
Divestment and scrappage	-89	-1,059	-1,148
Reclassifications	-9	-114	-124
Translation differences during the year	29	178	207
Recognized cost on December 31	1,482	7,067	8,548
Accumulated impairment losses and depreciation on January 1	-631	-5,056	-5,687
Divestment and scrappage	33	821	854
Discontinued operations		1	1
Reclassifications		108	108
Translation differences during the year	-13	-116	-129
Impairment losses for the year ¹⁾	-19		-19
Reversed impairment losses		4	4
Depreciation during the year	-61	-554	-615
Accumulated impairment losses and depreciation on December 31	-692	-4,792	-5,484
Accumulated write-ups on January 1		21	21
Accumulated write-ups on December 31		21	21
Residual value on January 1	875	2,306	3,181
Residual value on December 31	790	2,296	3,086
1) Accumulated impairment losses on December 31	-64	-65	-129

Note 16 Tangible fixed assets, cont'd

As of 2021, the Parent Company has essentially no tangible fixed assets, since all investments of these occur in the Group's subsidiaries.

2020	Group			Parent Company
	Owner-occupied properties	Machinery and equipment	Total	Machinery and equipment
Recognized cost on January 1	1,575	7,853	9,428	62
Investments	46	555	601	
Divestment and scrapping	-118	-640	-757	-62
Discontinued operations	-3	-47	-50	
Reclassifications	52	-97	-45	
Translation differences during the year	-46	-283	-329	
Recognized cost on December 31	1,506	7,341	8,847	0
Accumulated impairment losses and depreciation on January 1	-677	-5,262	-5,938	-59
Divestment and scrapping	90	571	661	59
Discontinued operations		22	22	
Reclassifications		6	6	
Translation differences during the year	17	181	198	
Impairment losses for the year ¹⁾	-8	-16	-24	
Depreciation during the year	-54	-558	-612	
Accumulated impairment losses and depreciation on December 31	-631	-5,056	-5,687	0
Accumulated write-ups on January 1		21	21	
Accumulated write-ups on December 31		21	21	
Residual value on January 1	899	2,611	3,510	3
Residual value on December 31	875	2,306	3,181	0
¹⁾ Accumulated impairment losses on December 31	-42	-67	-109	

Accounting policies**Owner-occupied properties**

Owner-occupied properties are held for use in the company's own operations for the purpose of production, the provision of services or administration and are recognized in accordance with IAS 16 Tangible fixed assets. They are recognized at cost, based on an external valuation conducted in connection with the acquisition, less accumulated depreciation and any impairment losses. Land is not depreciated.

Machinery and equipment

Machinery and equipment are recognized, according to IAS 16 Tangible fixed assets, at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to the asset for bringing it to the place and condition for use according to the purpose of the acquisition. For all depreciation periods, refer to Note 5.

Important estimates and assumptions

Additional expenses are added to carrying amount of the asset only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. All other types of maintenance of tangible fixed assets is expensed in the income statement.

Note 17

Participations in Group companies

Parent Company	Name of company, Corp. ID No., Registered office	Own-ership share, % ¹⁾	No. of participations ²⁾	Carrying amount	
				2021	2020
Property companies:					
	NCC Property Development Nordic AB, 556743-6232, Solna	100	1	963	963
	Total participations in property companies			963	963
Other companies:					
	NCC Danmark A/S, 69 89 40 11, Denmark	100	400	134	133
	NCC Norge AS, 911 274 426, Norway	100	17,500	1,120	1,119
	NCC Sverige AB, 556613-4929, Solna	100	500	418	414
	NCC Försäkringsaktiebolag, 516401-8151, Solna	100	500	78	78
	NCC International AB, 556033-5100, Solna	100	1,000	4	4
	NCC Purchasing Group AB, 556104-9932, Solna	100	2	7	1
	NCC Suomi Oy, 1765514-2, Finland	100	4	95	94
	NCC Industry Nordic AB, 556144-6732, Solna	100	275	1,642	1,641
	NCC Treasury AB, 556030-7091, Solna	100	120	16	16
	Nordic Road Services Holding AB, 559172-2227, Stockholm	100	50		67
	8Industries AB, 559149-5550, Solna ³⁾				
	Total shares in other companies			3,514	3,567
	Total participations in Group companies			4,477	4,530

¹⁾ Ownership share corresponds to the shareholding. ²⁾ Number of shares in thousands. ³⁾ Merged into NCC Sverige AB in 2021

NCC essentially owns 100 percent of all subsidiaries, whereby these are consolidated in their entirety according to the purchase method. NCC's assessment is that it has no controlling interest in any holdings in which the ownership share amounts to 50 percent or less.

Only directly owned subsidiaries have been specified. The number of indirectly owned subsidiaries is 130 (142). Companies for which ownership shares and number of shares have not been specified were divested, merged or liquidated during the year, or alternatively became indirectly owned subsidiaries in NCC's current structure.

Accounting policies

Companies in which the Parent Company has a controlling interest, normally through a direct or indirect holding carrying more than 50 percent of the voting rights, are consolidated in their entirety. Controlling interest is defined as power over the investee, exposure or the right to variable returns from its involvement with the investee and the ability to exercise its power over the investee to affect the investor's returns. Participations in subsidiaries are recognized in the Parent Company at cost. Should the recoverable amount of shares in subsidiaries fall below the fair value, an impairment loss is recognized. Dividends received are recognized as revenue.

Note 18 Investments in associated companies and joint ventures

Group	Own- ership share, % ¹⁾	No. of participa- tions ²⁾	Carrying amount	
			2021	2020
Name of company, Corp. ID No., Registered office				
Asfalt & Maskin AS, 960 585 593, Norway				5
Hercules-Trevi Foundation AB, 556185-3788, Stockholm	50	1	1	1
Oraser AB, 556293-2722, Stockholm	50	1	5	5
Sjællands Emulsionsfabrik I/S, 18004968, Denmark	50		7	6
Östhammarkrossen KB, 916673-1365, Uppsala				7
Other NCC-owned associated companies 9 (10)			1	1
Total			14	25

¹⁾ The ownership share corresponds to the proportion of votes for the total number of shares.

²⁾ Number of shares in thousands.

Accounting policies

Associated companies are defined as companies in which the Group controls 20–50 percent of the voting rights. Companies in which the Group owns less than 20 percent of voting rights but exercises a significant influence are also classified as associated companies. In accordance IFRS 11 Joint Arrangements, what we recognize as joint ventures are those joint arrangements in which the parties involved have a joint influence and the parties have the right to the net assets.

Participations in associated companies and joint ventures are consolidated in accordance with the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

NCC's share in associated companies relates to their operations and its share in the results of associated companies is recognized in profit or loss as "Result from participations in associated companies," which is part of operating profit. Amounts are recognized net after taxes.

In the Parent Company, associated companies are recognized at cost less any impairment losses. Dividends received are recognized as revenue.

Note 19 Joint operations

The consolidated financial statements include the items below that constitute the Group's interests in the joint operations' net sales, costs, assets and liabilities.

Group	2021	2020
Revenue	1,447	1,271
Expenses	-1,410	-1,241
Profit	38	30
Fixed assets	36	33
Current assets	4,269	2,880
Total assets	4,305	2,913
Long-term liabilities	34	22
Current liabilities	4,044	2,728
Total liabilities	4,078	2,750
Net assets	227	163

The joint operations category also includes partly owned construction contracts, for which NCC has a contractual joint influence together with the other partners.

Specification of joint operations

Group	Shareholding, %
Arandur OY	33
ARC-Konsortiet I/S	50
Handelsbolag NCC-DPR Data Centre Contractors	50
HNB Fjernvarme I/S	70
Holding Big Apple Housing Oy	50
Kiinteistö Oy Polaristontti 2	50
Kiinteistö Oy Polaristontti 3	50
Konsortium NCC - Brøndum I/S	70
Konsortiet Nyt Assens Renseanlæg I/S	50
Miljöfabriken 2000 AB	50
Milman Miljömuddring	50
NCC-LHR Gentofte Konsortiet I/S	65
NCC-OHL Lund-Arlöv, fyra spår HB	50
NCC/SMET Konsortiet I/S	50
NCC/SMET Østerbro Tunnel Konsortiet I/S	50
NCC-W&F West Link Contractors HB	60
NCC SMET Kalvebod Konsortiet IS	77
Polaris Business Park Oy	50
Ørestad Down Town P/S	60

Accounting policies

Joint arrangements are defined by NCC as projects conducted in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. Joint arrangements are divided into joint ventures, which are consolidated according to the equity method, or into joint operations, which are consolidated according to the proportional method. For information on joint ventures, refer to Note 18, Investments in associated companies and joint ventures. A joint arrangement is recognized as a joint operation in accordance IFRS 11 Joint Arrangements when NCC has a right to the assets and also has obligations related to the liabilities that the arrangement entails.

In the Parent Company, joint arrangements are recognized at cost less any impairment losses. Dividends received are recognized as revenue.

Note 20

Financial investments

Group	2021	2020
Financial investments classified as fixed assets		
<i>Fair value through other comprehensive income, equity instruments</i>		
Unlisted securities	68	68
Total	68	68
Short-term investments classified as current assets		
<i>Financial assets measured at amortized cost</i>		
Interest-bearing securities	401	104
<i>Investments measured at amortized cost</i>		
Interest-bearing securities	86	70
Total	487	174

Investments measured at amortized cost had an established interest rate ranging from –0.4 percent (–0.4) to 0.7 percent (0.7), and had due dates ranging from three months to three years and 11 months.

During the year, financial fixed assets were impaired by SEK 0 M (0).

Note 21

Financial fixed assets

Parent Company, 2021	Participations in Group companies	Other long-term securities	Other long-term receivables ¹⁾	Total
Recognized cost on January 1	6,664	45	25	6,734
Assets added	27		5	31
Recognized cost on December 31	6,690	45	30	6,766
Accumulated impairment losses on January 1	–2,134			–2,134
Impairment losses for the year	–79			–79
Accumulated impairment losses on December 31	–2,213			–2,213
Residual value on December 31	4,477	45	30	4,552

Parent Company, 2020	Participations in Group companies	Other long-term securities	Other long-term receivables ¹⁾	Total
Recognized cost on January 1	6,548	45	5	6,599
Assets added	115		20	135
Recognized cost on December 31	6,664	45	25	6,734
Accumulated impairment losses on January 1	–2,037			–2,037
Impairment losses for the year	–97			–97
Accumulated impairment losses on December 31	–2,134			–2,134
Residual value on December 31	4,530	45	25	4,600

¹⁾ The item also includes deferred tax assets.

Accounting policies

Financial fixed assets are recognized at fair value or amortized cost. Impairment losses are posted if the fair value is less than the cost. The Parent Company recognizes participations in subsidiaries at cost and, where applicable, taking into account write-ups or impairment losses.

Note 22

Long-term interest-bearing receivables and other receivables

Group	2021	2020
Long-term interest-bearing receivables classified as fixed assets		
Receivables from associated companies and joint ventures	11	6
Interest-bearing securities ¹⁾	107	109
Other long-term interest-bearing receivables	11	11
Long-term interest-bearing receivables classified as fixed assets	128	125
Other receivables classified as current assets		
Receivables from associated companies and joint ventures	9	5
Receivables from divested property and residential projects	26	53
Advance payments to suppliers	2	4
Derivative instruments held for hedging	62	18
Other current receivables	454	660
Other receivables classified as current assets	552	740

¹⁾ Carrying amount is a reasonable estimation of fair value. For due dates, refer to Note 20, Financial investments.

NCC's subsidiary, NCC Försäkringsaktiebolag, as an insurance company, must have investment assets that cover technical liabilities for own account. In 2021 and 2020, these requirements were fulfilled. These investment assets pertain to interest-bearing securities, as specified in the table.

Note 23

Tax on net profit for the year, deferred tax assets and deferred tax liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Tax on net profit for the year				
Current tax cost	-183	-97	-95	
Deferred tax revenue/cost	-74	75	5	20
Total recognized tax on net profit for the year	-257	-22	-90	20

	Group				Parent Company			
	2021		2020		2021		2020	
	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit	Tax, %	Profit
Effective tax								
Pretax profit		1,765		1,281		1,505		1,074
Tax according to company's current tax rate	-21%	-364	-21%	-274	-21%	-310	-21%	-230
Effect of other tax rates for non-Swedish companies	-1%	-10	0%	-2				
Amended tax rate ¹⁾			0%	-2			0%	-1
Other non-tax-deductible costs	-1%	-17	-4%	-57	-1%	-20	-2%	-21
Non-taxable revenues	7%	116	17%	223	16%	236	23%	251
Tax effects resulting from utilization of previously non-capitalized tax loss carryforwards	0%	1	0%	-1				
Tax effects resulting from non-capitalized tax loss carryforwards	0%	-2	0%	-3				
Tax attributable to prior years	1%	14	6%	71			1%	6
Other	1%	6	2%	24	0%	4	1%	16
Average tax rate / recognized tax	-15%	-257	-2%	-22	-6%	-90	2%	20

¹⁾ On January 1, 2021, the tax rate in Sweden was changed from 21.4 percent to 20.6 percent.

Current tax has been calculated based on the nominal tax prevailing in the country concerned. Insofar as the tax rate for future years has been amended, the changed rate is used for calculating deferred tax.

Tax items recognized directly in Other comprehensive income

	Group	
	2021	2020
Deferred tax on cash flow hedges	-15	-2
Deferred tax attributable to the revaluation of defined-benefit pension plans	-194	-23
Total	-209	-25

Note 23 Tax on net profit for the year, deferred tax assets and deferred tax liabilities, cont'd.

Change in deferred tax in temporary differences and tax loss carryforwards

	Group		Parent Company	
	2021	2020	2021	2020
Opening carrying amount	391	354	25	5
Acquisition of subsidiaries	8	7		
Recognized tax on net profit for the year	-78	77	1	21
Amended tax rate ¹⁾		-2		-1
Tax items recognized in other comprehensive income		-2		
Tax item, revaluation of defined-benefit pension plans recognized in other comprehensive income	-209	-23		
Translation differences	32	-37		
Other	1	16	4	
Closing carrying amount	144	391	30	25

¹⁾ On January 1, 2021, the tax rate in Sweden was changed from 21.4 percent to 20.6 percent.

Group	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Tangible fixed assets	35				35	
Financial fixed assets	3			-1	3	-1
Non-completed projects			-965	-820	-965	-820
Properties held for future development	26			41	26	41
Untaxed reserves			-269	-222	-269	-222
Provisions	288	272			288	272
Personnel benefits/pension provisions	412	604			412	604
Loss carryforwards ¹⁾	598	466			598	466
Other	16	54		-2	16	52
Deferred tax assets / Deferred tax liability	1,378	1,395	-1,234	-1,004	144	391
Offsetting	-770	-808	770	808		
Deferred tax assets / tax liabilities, net	609	587	-464	-196	144	391

¹⁾ Of the Group's deferred tax assets concerning loss carryforwards totaling SEK 598 M (466), SEK 585 M (465) pertains to operations in Norway. The loss carryforwards may be utilized against future profits, with no time limitations, and NCC's assessment is that there are factors that convincingly indicate that this will be the case. The operations have a track record of operating at a profit, market conditions are favorable and the losses incurred are a function of structural and project-specific difficulties. To manage these, NCC initiated and launched a comprehensive action program in the final quarter of 2018, which is proceeding as planned.

Parent Company	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Provisions	30	25			30	25
Deferred tax assets / tax liabilities, net	30	25			30	25

Temporary differences between the carrying amount and the taxable value of directly owned participations do not normally arise for participations held as business assets in Swedish companies. Nor do they arise from other participations owned by NCC companies in other countries.

During 2021, NCC had no material loss carryforwards for which deferred tax had not been booked.

Accounting policies

Income taxes comprise current tax and deferred tax. Taxes are recognized in profit or loss, except when the underlying transactions are recognized in other comprehensive income, whereby the relating tax effects are also recognized in other comprehensive income. Current tax is tax that is to be paid or received during the current fiscal year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognized on the basis of temporary differences between recognized and taxable values of assets and liabilities and for carry-forward of unused tax losses.

Deferred tax assets and liabilities are calculated based on the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognized in profit or loss in the consolidated financial statements or in other comprehensive income for the tax items included there.

In the Parent Company, untaxed reserves are recognized that consist of the taxable temporary difference arising because of the relationship between reporting and taxation in the legal entity. Untaxed reserves are recognized gross in the balance sheet and the change is recognized gross in profit or loss, as an appropriation. Group contributions received and paid are recognized in the Parent Company's profit or loss as appropriations.

Note 24

Properties classified as current assets

Group, 2021	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ¹⁾	Completed residential units	Participations in associated companies	Total
Recognized cost on January 1	1,550	4,619	590	6,759	63	295	7,117
Investments	21	3,067	243	3,331		136	3,467
Divestment and scrappage	-69	-1,171	-2,426	-3,666			-3,666
Reclassifications	-372	-1,253	1,687	62	-63		-1
Translation differences during the year	16	63	2	81			81
Recognized cost on December 31	1,147	5,325	95	6,567	0	431	6,998
Accumulated impairment losses on January 1	-58	-9	-94	-161	-63		-223
Divestment and scrappage	7		-26	-19			-19
Reclassifications	-80	54	26	0	63		63
Impairment losses for the year	-10			-10			-10
Translation differences during the year	-1		-2	-3			-3
Accumulated impairment losses on December 31	-142	45	-95	-192			-192
Residual value on January 1	1,492	4,610	496	6,599	0	295	6,894
Residual value on December 31	1,005	5,370	0	6,374	0	431	6,805

¹⁾ Pertains primarily to properties classified as current assets recognized in NCC Property Development.

Group, 2020	Properties held for future development	Ongoing property projects	Completed property projects	Total property projects ¹⁾	Properties held for future development, residential	Completed residential units	Participations in associated companies	Total
Recognized cost on January 1	1,469	3,053	1,033	5,555	49	63	263	5,930
Investments	491	2,621	212	3,324			29	3,353
Divestment and scrappage	-43	-383	-1,598	-2,024				-2,024
Reclassifications	-333	-563	947	52	-49		7	10
Translation differences during the year	-35	-110	-4	-148			-4	-152
Recognized cost on December 31	1,550	4,619	590	6,759	0	63	295	7,117
Accumulated impairment losses on January 1	-78	-11	-97	-186	-49	-63		-298
Divestment and scrappage	19	2		21				21
Reclassifications					49			49
Translation differences during the year	2		3	5				5
Accumulated impairment losses on December 31	-58	-9	-94	-160	0	-63		-223
Residual value on January 1	1,391	3,042	936	5,369	0	0	263	5,632
Residual value on December 31	1,492	4,610	496	6,599	0	0	295	6,894

¹⁾ Pertains primarily to properties classified as current assets recognized in NCC Property Development.

For further information concerning ongoing property projects, refer to p. 19.

Accounting policies

Properties classified as current assets are held for development and sale as part of operations.

The Group's property holdings classified as property projects are recognized continuously in the balance sheet according to IAS 2 Inventory when the intention is to sell the properties on completion. The property holdings are measured at the lower of cost and net realizable value, which is the selling value (market value) less estimated costs for completion and direct selling costs. Cost includes a reasonable share of indirect costs. Property projects are defined as properties held for development and sale in NCC Property Development.

Property projects

Property projects within NCC Property Development are recognized divided as follows:

- Properties held for future development
- Ongoing property projects
- Completed property projects

Properties held for future development

Properties held for future development consist of NCC's holding of land and development rights intended for future property development and sale. Properties comprising leased buildings are classified as properties held for future development in cases where the intention is to demolish or refurbish the buildings. Any rental revenues that may accrue from these properties are recognized continuously in profit or loss until letting ceases.

Ongoing property projects

Properties held for future development are classified as ongoing property projects when a definitive decision is taken about a building start and when the activities required in order to complete the property project have been initiated. An actual building start is not necessary.

Ongoing property projects include properties under construction, extension or refurbishment.

Ongoing property projects are classified as completed property projects when the property is ready for occupancy, excluding tenant adaptations in those properties whose premises are not fully let. The reclassification is effective

not later than the date of approved final inspection. If a project is divided into phases, each phase must be reclassified separately. The smallest unit that can be classified is an entire building that can be sold separately.

It is estimated that three ongoing property projects will be recognized in profit in 2022; also refer to p. 19 for further information.

Capitalized interest for ongoing property projects totaled SEK 76,000 (58,000) during the year. The interest rate for capitalization was 1.50–1.97 percent in 2021.

Completed property projects

Completed property projects can only be derecognized from the balance sheet due to a sale.

Valuation of commercial property projects

The acquisition value of commercial property projects includes expenditure for the acquisition of land and for building design/property development, as well as expenditure for construction, extension or refurbishment. Expenditure for borrowing costs related to ongoing projects is capitalized. Other borrowing costs are expensed on a current account basis. Property development means that the input of the developer – NCC Property Development – is concentrated to the activities that do not pertain to actual construction. These activities are evaluation of project concepts, acquisition of land, work on the detailed development plan, project development, letting and sale. These activities are conducted by the company's own employees and by external architects and other technical consultants. Development expenditure is capitalized when it pertains to land or properties owned by NCC or over which it has control.

The market value of completed property projects is calculated in accordance with the yield method, which means that the continuous yield (operating net) on the property at full letting is divided by the project's estimated yield requirement. Unlet space in excess of normal vacancy is taken into account in the form of a deduction from the value based on the assumed letting rate.

The market value of ongoing property projects is calculated as the value in completed condition, as described above, less the estimated remaining cost of completing the project.

Properties held for future development that are included in the project portfolio, meaning ones that are held for development and sale, are normally valued in the same manner as ongoing projects, as described above. Other properties held for future development are valued on the basis of a value per square meter of development right or a value per square meter of land.

Note 24 Properties classified as current assets, cont'd

Important estimates and assessments

Valuation of properties classified as current assets

The assessment of net realizable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements plus the possible timing of production start and/or sale. NCC continuously monitors developments in the market and tests the assumptions made on an ongoing basis. A change in the assumptions made could give rise to an additional impairment requirement.

Note 25 Materials and inventory

Group	2021	2020
Stone materials	665	657
Building materials	136	150
Other	259	146
Total	1,059	953

Accounting policies

Inventory is measured at the lower of cost and net realizable value according to IAS 2 Inventory. Cost is established using the first-in-first-out method (FIFO).

Note 26 Share capital

Changes in share capital		Number of shares	Share capital, SEK M
2020	End of year	108,435,822	867
2021	End of year	108,435,822	867

Series B treasury shares		Number of shares
2019	End of year	530,267
2020	Repurchases	234,000
2020	End of year	764,267
2021	Repurchases	88,000
2021	Sales	-6,570
2021	Allotment	-4,625
2021	End of year	841,072

The share capital is divided into 108,435,822 shares with a quotient value of SEK 8 each. During the year, 81,193 Series A shares (213,813) were converted into Series B shares.

The shares are distributed into the following classes:

	Series A shares	Series B shares	Total
Number	12,914,123	95,521,699	108,435,822

Series A shares carry ten voting rights each and Series B shares one voting right.

A specification of changes in shareholders' equity is presented in Note 14.

Series A and B shares, excluding shares held in treasury

	Series A shares	Series B shares	Total Series A and Series B
No. of shares on Dec. 31, 2019	13,209,129	94,696,426	107,905,555
Conversion of Series A to Series B shares 2020	-213,813	213,813	
Treasury shares 2020		-234,000	-234,000
No. of shares on Dec. 31, 2020	12,995,316	94,676,239	107,671,555
Conversion of Series A to Series B shares 2021	-81,193	81,193	
Treasury shares 2021		-88,000	-88,000
Divestment of treasury shares 2021		6,570	6,570
Distribution of shares to participants in incentive programs		4,625	4,625
No. of shares on Dec. 31, 2021	12,914,123	94,680,627	107,594,750
Number of voting rights	129,141,230	94,680,627	223,821,587
Percentage of voting rights	58	42	100
Percentage of share capital	12	88	100
Closing price, Dec. 31, 2021	167.00	167.70	
Market capitalization, SEK M	2,157	15,878	18,035

Accounting policies

The repurchase of shares, including repurchase costs, has been charged directly against retained earnings. Similarly, the sale of such shares results in an increase in retained earnings.

Note 27 Interest-bearing liabilities

Group	2021	2020
Long-term liabilities		
Liabilities to credit institutions and investors ¹⁾	850	2,501
Lease liabilities	1,187	1,464
Total	2,038	3,965
Current liabilities		
Current portion of liabilities to credit institutions and investors ¹⁾	1,650	
Liabilities to associated companies	12	6
Lease liabilities, current portion	513	591
Other current liabilities	2	8
Total	2,176	606
Total interest-bearing liabilities	4,213	4,571

¹⁾ Including loan of SEK 800 M (800) from the NCC Group's Pension Foundation, of which, SEK 800 M (0) is current. The loan was repaid in full on January 8, 2022.

For repayment schedules and terms and conditions, see Note 36 Financial instruments and financial risk management.

Interest-bearing long-term liabilities pertaining to pensions is recognized in the balance sheet under Provisions for pensions and similar obligations.

Parent Company	2021	2020
Long-term liabilities		
Loan from the NCC Group's Pension Foundation		800
Total		800
Current liabilities		
Group companies	141	751
Loan from the NCC Group's Pension Foundation	800	
Total	941	751
Total interest-bearing liabilities	941	1,551

For repayment schedules and terms and conditions, see Note 36 Financial instruments and financial risk management.

Note 28 Other provisions

Group, 2021	Guarantees	Other	Total
On January 1	1,303	1,302	2,605
Provisions during the year	381	97	477
Amount utilized during the year	-293		-293
Reversed, unutilized provisions	-79	-130	-209
Reclassifications			
Translation differences	20	20	40
On December 31	1,332	1,288	2,621

Group, 2020	Guarantees	Other	Total
On January 1	1,389	1,412	2,801
Provisions during the year	531	747	1,278
Amount utilized during the year	-474	-623	-1,097
Reversed, unutilized provisions	-60	-192	-252
Reclassifications	-50	-8	-58
Translation differences	-33	-34	-67
On December 31	1,303	1,302	2,605

Parent Company, 2021	Guarantees	Other	Total
On January 1		6	6
Amount utilized during the year			
On December 31		6	6

Parent Company, 2020	Guarantees	Other	Total
On January 1		6	6
Amount utilized during the year			
On December 31		6	6

Note 28 Other provisions, cont'd.

Specification of other provisions and guarantees

	Group		Parent Company	
	2021	2020	2021	2020
Restoration reserve	221	212		
Restructuring costs	13	19		
Other	1,055	1,070	6	6
Other provisions	1,288	1,302	6	6
Guarantee commitments	1,332	1,303		
Total	2,621	2,605	6	6

Accounting policies

The provisions comprise additional costs plus uncertainty in projects as well as outstanding claims and legal matters. Some provisions are intended to cover project losses arising in operations and is utilized gradually as the project is worked up. Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or concerning the size of the amount required to settle the provision. Provisions are recognized in the balance sheet when a legal or informal commitment exists due to an event that has occurred, it is probable that an outflow of resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

Guarantee provisions pertain to anticipated future expenses. To estimate a future guarantee cost, individual assessments are made from project to project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. In order to eliminate various risks, a provision for guarantee claims is posted at the rate at which the risks are expected to arise after having been identified. Initially, the guarantee cost is posted for each project. This means that the cost can be recognized and booked gradually for each project. The longest maturity for a guarantee provision is ten years, while most of them have maturities of approximately two to three years.

Restoration reserve

Provisions for restoration costs are made when such commitments arise and are designed to cover future costs. Provisions are made for that portion of restoration that arises for start-up of a quarry and construction of plants at pits and quarries, and on a continuous basis when activities are related to additional extractions at pits and quarries. The provisions are posted continuously, once the future costs have been identified. Accordingly, the reserves are utilized at the same rate as restoration occurs.

Other provisions

A restructuring provision is recognized when a detailed or formal restructuring plan has been established and the restructuring has either started or been announced publicly. No provisions are posted for future operating expenses.

Important estimates and assessments

Guarantee commitments

Provisions for future costs arising due to guarantee commitments are recognized at the estimated amounts required to settle the commitment on the balance-sheet date. This estimate is based on calculations, assessments and experience from previous transactions.

Note 29 Pensions

Pensions are recognized in accordance with IAS 19 Post-employment remuneration. The NCC Group primarily has defined-benefit pension plans in Sweden, as well as two very minor pension arrangements in Norway.

In Sweden, NCC's pension commitment largely comprises the ITP2 plan that covers employees born prior to 1979. The plan provides retirement pension based on the final salary and is funded in NCC Group's Pension Foundation. The number of paid-up holders and pensioners is about 80 percent of the total portfolio. In addition, there are four small defined-benefit plans, all of which are blocked from new vesting. All of these plans are funded in the NCC Group's Pension Foundation.

The Board of Directors of NCC Group Pension Foundation consists of an equal number of representatives for the NCC Group and the employees covered by the ITP2 plan. The Board holds meetings four times per year and addresses the Foundation's quarterly accounts, investment strategy, reference portfolio and sensitivity analyses. Under certain conditions, the NCC Group can request compensation from the Foundation for pension payments. There are no minimum funding requirements for the ITP2 plan.

The risks associated with the Swedish pension plans are:

- Interest-rate risk; that with lower interest rates and the resulting lower discount rate, the debt will increase.
- Salary increase risk: the debt will increase with higher pay rises.
- Volatility of assets; the portfolio contains mostly share funds, whose prices can rise and fall sharply in the short term, but the long-term aim of the portfolio is to generate the best possible return.
- Useful life assumption; the longer the individuals covered by the plan live, the higher the commitment.

Pension cost

Group	2021	2020
<i>Defined-benefit plans:</i>		
Current service cost	269	265
Interest expense	99	133
Estimated return on plan assets	-71	-94
Total cost of defined-benefit plans	297	304
Total cost of defined-contribution plans	638	480
Payroll taxes and yield tax	159	-1
Total cost of post-employment remuneration	1,094	783

Current service cost is recognized in operating profit and in net financial items. The estimated return on plan assets is recognized in financial items

NCC secures commitments for disability pensions and family pensions for white-collar employees in Sweden through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined-benefit plan. For the 2021 fiscal year, NCC did not have access to the type of information required for recognizing its proportional share of the plan's commitment, plan assets and costs, which makes it impossible to recognize these plans as defined-benefit plans. Accordingly, the ITP2 (individual supplementary pension) plans that are secured through insurance in Alecta are recognized as a defined-contribution plan. The NCC Group's share of the total savings premium for ITP2 in Alecta is 0.08 percent (0.10).

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 175 percent. If Alecta's collective solvency rate falls below 125 percent or exceeds 175 percent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure could be to raise the agreed price for new subscriptions and increase existing benefits. In the event of high solvency, one measure can be to introduce premium reductions. At the end of 2021, Alecta's surplus in the form of its collective solvency rate was 172 percent (148).

Note 29 Pensions, cont'd.

Defined-benefit obligations and the value of plan assets

Group	2021	2020
Obligations secured in full or in part in funds:		
Present value of defined-benefit obligations	8,831	8,598
Fair value of plan assets	7,223	6,317
Net value of obligations funded in full or in part	1,608	2,281
Special payroll tax/employer contributions	390	551
Net amount in balance sheet (commitment +, asset -)	1,997	2,832
Net amount is recognized in the following balance-sheet items:		
Provisions for pensions and similar obligations	1,997	2,832
Net amount in balance sheet (commitment +, asset -)	1,997	2,832
Net amount is distributed among plans in the following countries:		
Sweden	1,987	2,823
Norway	10	10
Net amount in balance sheet (commitment +, asset -)	1,997	2,832

Change in obligation for defined-benefit plans

Group	2021	2020
Obligation for defined-benefit plans on January 1	8,598	8,158
Remuneration paid	-212	-206
Current service cost plus interest expense	368	398
Actuarial gains and losses on changed experience-based assumptions	84	-56
Actuarial gains and losses on changed financial assumptions	1	305
Obligation for defined-benefit plans on December 31	8,840	8,598

The weighted average maturity for the plans is 21 years (20).

Change in plan assets

Group	2021	2020
Fair value of plan assets on January 1	6,317	5,871
Contribution by employer		22
Compensation	-7	-8
Estimated return	71	94
Actuarial gains and losses	842	338
Fair value of plan assets on December 31	7,223	6,317
The plan assets comprise:		
Swedish stock market, listed	1,268	1,159
International stock market, listed	2,332	1,627
Hedge funds, listed	1,051	932
Interest-bearing securities, listed	1,756	1,589
Interest-bearing securities, unlisted	816	1,010
Fair value of plan assets on December 31	7,223	6,317

There is no effect of the lowest funding requirements or asset ceiling.

Actuarial assumptions, weighted average value, %

Group	2021	2020
Discount rate, %	1.85	1.13
Future salary increases, %	3.25	2.50
Anticipated inflation, %	2.25	1.50
Useful life assumption at 65 years, years	22.4	22.4

In Sweden, DUS14 is applied.

Sensitivity analysis; percentage impact on the size of the assumption, at December 31, 2021

Group	Increase, %	Decrease, %
Discount rate, 0.5 percentage points change	-9.8	8.6
Future salary increases, 0.5 percentage points change	2.7	-3.0
Anticipated inflation, 0.5 percentage points change	6.8	-7.6
Useful life assumption at 65 years, 1 year change	4.3	-5.1

The above sensitivity analysis does not constitute a forecast from the company but only a mathematical calculation.

The sensitivity analysis is based on a change in an assumption, while all other assumptions remain constant. In practice, it is not probable that this will occur and any changes in the assumptions could be correlated. When calculating the sensitivity analysis, the same method is used as in the calculation of the pension liability in the balance sheet.

The Group estimates that SEK 0 M will be paid in 2021 to funded and unfunded defined-benefit plans.

Pension costs

Parent Company	2021	2020
<i>Proprietary pension payments</i>		
Proprietary costs, excluding interest expense	7	10
Interest expense	4	4
Cost of proprietary pension payments	11	14
<i>Pension payments through insurance</i>		
Insurance premiums	15	18
Subtotal	26	32
Special payroll tax on pension costs	5	5
Pension costs during the year	31	37

Capital value of pension obligations

Parent Company	2021	2020
Capital value of pension obligations pertaining to proprietary pension payments on January 1	193	188
Cost, excluding interest expense, charged against profit	7	10
Interest expense	4	4
Pension payments	-9	-9
Capital value of pension obligations pertaining to proprietary pension payments on December 31	195	193

Note 29 Pensions, cont'd.

Fair value of especially detached assets

Parent Company	2021	2020
Fair value of especially detached assets on January 1	226	218
Return on especially detached assets	21	8
Fair value of especially detached assets on December 31	247	226
<i>Fair value of especially detached assets distributed as:</i>		
Shares	124	99
Funds	37	34
Interest-bearing receivables	86	93
Fair value of especially detached assets on December 31	247	226

The NCC Group's Pension Foundation has an interest-bearing receivable of SEK 800 M (800) from NCC AB. The loan was repaid in full on January 8, 2022. Otherwise, the pension foundations have no financial instruments issued by the company or assets used by the company.

Net pension obligation

Parent Company	2021	2020
Capital value of pension obligations pertaining to proprietary pension payments on December 31	195	193
Fair value of especially detached assets on December 31	247	226
Surplus on especially detached assets	52	33
Net recognized pension obligation	0	0

Assumptions for defined-benefit obligations

Parent Company	2021	2020
Discount rate on December 31	1.85	1.13

The pension calculations are based on the salary and pension level on the balance-sheet date.

Accounting policies

NCC differentiates between defined-contribution pension plans and defined-benefit pension plans. Defined-contribution plans are pension plans for which the company pays fixed fees to a separate legal entity and does not assume any commitments for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance-sheet date. Other pension plans are defined-benefit plans.

Country	Defined-benefit pension commitments	Defined-contribution pension commitments
Sweden	X	X
Denmark		X
Finland		X
Norway	X	X
Other countries		X

There are several defined-contribution and defined-benefit pension plans in the Group, some of which are secured through assets in dedicated foundations or similar funds. The pension plans are financed through payments made by the various Group companies. Calculations of defined-benefit pension plans are based on the Projected Unit Credit Method, whereby each term of employment is considered to create a future unit of the total final commitment. Each unit is calculated separately and they jointly constitute the total commitment on the balance-sheet date. The intention of the principle is to expense pension payments straight-line over the term of employment. The calculation is made annually by independent actuaries. When the way pension costs are established in the legal entity and in the Group differs, a provision or receivable for Swedish pension plans is recognized for the payroll tax based on this difference. Accordingly, the value of the defined-benefit liability is the present value of anticipated future disbursements using a discount rate that corresponds to the interest stated above. The interest rate on first-class housing bonds is used as the basis for calculating the discount rate for Swedish pension plans. Swedish defined-benefit pension commitments are funded in the NCC Group's Pension Foundation. For funded plans, the fair value of plan assets reduces the computed commitment. Changes in plan assets and commitments stemming from experience-based adjustments and/or changes in actuarial assumptions, known as actuarial gains and losses, are recognized directly in other comprehensive income in the period in which they arise.

This reporting method is applied for all identified defined-benefit pension plans in the Group. The Group's disbursements related to defined-benefit pension plans are recognized as an expense during the period in which the employees perform the services covered by the fee.

The Parent Company is covered by the ITP plan, which does not require any payments by the employees. The difference, compared with the principles applied by the Group for recognizing pension debt, pertains mainly to how the discount rate is determined, the fact that the calculation of defined-benefit commitments is based on the current salary level without assuming future salary increases and the fact that all actuarial gains and losses are recognized in profit or loss when they arise.

Important estimates and assessments**Pension obligations**

Recognized amounts are affected by changes in the actuarial assumptions that form the basis for calculations of the plan assets and pension commitments. These actuarial assumptions, and a sensitivity analysis, are described above.

**Note 30
Other liabilities**

Group	2021	2020
Other long-term liabilities		
Derivative instruments held for hedging		3
Other long-term liabilities	47	57
Total	47	60
Other current liabilities		
Advances from customers	183	525
Liabilities to associated companies		7
Derivative instruments held for hedging	44	68
Liabilities, property acquisitions		126
Other current liabilities	1,000	1,204
Total	1,227	1,930

**Note 31
Accrued expenses and deferred income**

	Group		Parent Company	
	2021	2020	2021	2020
Payroll-related costs	1,988	2,369	28	36
Prepaid rental revenues	19	4		
Prepaid revenues from rental guarantees	150	84		
Project-related costs	1,016	769		
Administrative costs	46	62	12	7
Operating and sales costs	294	308		
Other expenses	74	132		1
Total	3,588	3,727	40	44

Note 32 Related-party transactions

The companies classified as being closely related to the NCC Group are primarily NCC's subsidiaries, associated companies and joint arrangements.

The Parent Company has a related party relationship with its subsidiaries; see Note 17, Participations in Group companies. For information on NCC's senior executives, see Note 4, Number of employees, personnel expenses and remuneration of senior executives. For transactions with the NCC Group's Pension Foundation, see Notes 29 and 36.

Transactions involving NCC's associated companies and joint operations were of a production nature. The transactions were conducted on normal market terms.

Group	2021	2020
Transactions with associated companies and joint arrangements		
Sales to associated companies and joint arrangements	41	36
Purchases from associated companies and joint arrangements	13	3
Dividend from associated companies		
Long-term receivables from associated companies and joint arrangements	11	6
Current receivables from associated companies and joint arrangements	20	9
Interest-bearing liabilities to associated companies and joint arrangements	12	6
Operating liabilities to associated companies and joint arrangements	1	9
Parent Company	2021	2020
Transactions with Group companies		
Sales to Group companies	87	86
Purchases from Group companies	11	12
Interest income from Group companies	1	3
Interest expense to Group companies	2	9
Dividend from Group companies	1,127	1,154
Current receivables from Group companies	1,410	1,040
Interest-bearing liabilities to Group companies	141	751
Operating liabilities to Group companies	6	14
Sureties and guarantee obligations to Group companies	22,561	20,258

Note 33 Leasing

The NCC Group recognizes leases in accordance IFRS 16 Leases. The Group's leases primarily pertain to the framework leases held by the Group concerning cars, trucks, heavy production machinery, owner-occupied properties, such as leased commercial premises, and site leaseholds/land leases.

Group	2021	2020
Income statement		
Depreciation of right-of-use assets	-647	-725
Interest expense for lease liabilities	-42	-49
Total costs, capitalized leases	-689	-774
Leases with a low value and a short useful life	-1,565	-1,786
Total costs, non-capitalized leases	-1,565	-1,786
Total costs, leases	-2,253	-2,560
Gain from sale-and-leaseback transactions		223
Total cash flow concerning leases	-688	-765
Group – Lease liabilities	2021	2020
Current lease liabilities	513	591
Long-term lease liabilities	1,187	1,464
Total lease liabilities	1,700	2,055

For an analysis of the lease liability's maturities, refer to Note 36.

Group	2021	2020
Lessor		
Future lease payments		
<i>Distributed by maturity period:</i>		
Lease payments during the year	52	25
Non-discounted future lease payments that expire:		
Within one year	68	43
Later than one year but earlier than five years	10	88
Later than five years		20
Total future non-discounted lease payments	130	150
Parent Company	2021	2020
Lessee		
Future lease payments		
Non-discounted leases that expire:		
Within one year	2	3
Later than one year but earlier than five years	2	2
Later than five years		
Total future non-discounted lease payments	4	5

The Parent Company's expensed lease fees amounted to SEK 14 M (24).

Note 33 Leasing, cont'd.

Right-of-use assets

2021	Owner-occupied properties	Machinery & equipment	Land leases	Total
Recognized cost on January 1	1,452	1,973	10	3,435
Increase in leases during the year	109	199	-8	300
Divestment and scrappage	-103	-296	-1	-400
Reclassifications		-93		-93
Translation differences during the year	27	32		58
Recognized cost on December 31	1,484	1,815	2	3,300
Accumulated depreciation on January 1	-409	-1,064	1	-1,472
Divestment and scrappage	98	256		353
Reclassifications		93		93
Depreciation during the year	-261	-385		-646
Translation differences during the year	-11	-16		-27
Accumulated depreciation on December 31	-583	-1,116	0	-1,699
Residual value on January 1	1,043	909	11	1,963
Residual value on December 31	901	699	2	1,602
2020	Owner-occupied properties	Machinery & equipment	Land leases	Total
Recognized cost on January 1	989	1,801	49	2,839
Increase in leases during the year	772	425	12	1,209
Transferred within the NCC Group		1		1
Divestment and scrappage	-268	-205	-50	-523
Translation differences during the year	-41	-50		-92
Recognized cost on December 31	1,452	1,973	10	3,435
Accumulated depreciation on January 1	-259	-815	2	-1,073
Divestment and scrappage	128	167		296
Translation differences during the year	12	19		31
Depreciation during the year	-290	-435	-1	-725
Accumulated depreciation on December 31	-409	-1,064	1	-1,472
Residual value on January 1	730	986	51	1,767
Residual value on December 31	1,043	909	11	1,963

Accounting policies**NCC as a lessee**

IFRS 16 Leases is solely applied in the consolidated accounts and NCC, in accordance with RFR 2, has elected not to apply IFRS 16 for NCC AB. All leasing fees in NCC AB are expensed continuously.

The Group's leases are recognized as right-of-use assets and the corresponding lease liability as of the date the leased asset becomes available for use by the Group. Assets and liabilities arising from leases are initially recognized at present value. Lease liabilities include the present value of lease payments in the form of fixed charges, and variable charges linked to indexes. Lease payments that will be defrayed for reasonably certain extension options are also included in the liability measurement. Right-of-use assets are measured at cost and include the amount at which the lease liability was originally measured as well as lease fees paid at, or prior to, the start date. Where appropriate, any initial direct fees are included, as well as an estimation of costs for dismantling and disposal of the asset. Exceptions are leases with a leasing term of less than 12 months and low-value leases, less than SEK 250,000, which are thus expensed continuously.

The right-of-use asset represents a right to use the underlying asset and the lease liability represents a commitment to pay leasing fees. NCC has right-of-use assets with associated lease liability for vehicles, heavy production machinery, leased premises and site leaseholds/land leases. Right-of-use assets are recognized under tangible fixed assets and current assets, respectively. The associated lease liability is included in current and long-term interest-bearing liabilities. Rights-of-use are depreciated over the term of the lease, with the exception of site leaseholds/land leases, which are not depreciated. The costs for these capitalized leases are recognized as depreciation and interest expense, respectively. The lease payment is divided into an interest component and a amortization component.

When discounting future lease payments for most of the vehicles and heavy machinery leased by the Group, NCC uses the interest rate implicit in each lease as the discount rate. In respect of other lease fees, such as leased commercial premises and site leaseholds/land leases, the respective subsidiary's

incremental borrowing rate is used as the discount rate.

The incremental borrowing rate of the individual subsidiary is based on the legal entity's financial strength, the country and the term of the lease in question.

NCC as a lessor

A lessor must classify its leases as either operating or financial leases. A financial lease is a lease under which the financial risks and advantages associated with ownership of an asset are transferred in all significant respects from the lessor to the lessee. An operating lease is a lease that is not a financial lease. NCC as a lessor only has operating leases and income from these are recognized as revenue continuously.

Sale-and-leaseback

A sale-and-leaseback transaction means that NCC as the seller transfers an asset to a buyer at the same time as NCC as a lessee enters into a lease with the buyer. This occurs, for example, when NCC sells an office project and simultaneously signs a lease covering all or parts of the property.

When NCC's sale fulfills the requirements for profit recognition according to IFRS 15, NCC as the seller and lessee must assess the value of the right-of-use asset attributable to the lease at the share of the carrying amount on the date of sale that accrues to the right of use retained by NCC. This also means that NCC can only recognize a capital gain on that part of the right of use that is not retained by NCC.

Important estimates and assessments**Measurement of leases**

When measuring leases according to IFRS 16, NCC uses a discount rate, either upon the measurement of vehicles and heavy machinery or the interest rate implicit in the respective lease, or for leased premises and site leaseholds/land leases, the incremental borrowing rate of the respective subsidiary. In the event of a change in these discount rates, future lease payments in the form of the lease liability will be remeasured, which will result in accounting effects for the Group as a whole.

Note 34

Pledged assets, sureties, guarantees and contingent liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Pledged assets				
<i>For own liabilities:</i>				
Assets subject to liens, etc.	444	528		
Restricted bank funds				
Total	444	528		
Other pledged assets	10	8		
Total assets pledged	453	537		
Sureties and guarantee obligations				
<i>Own contingent liabilities:</i>				
Sureties on behalf of Group companies			22,540	20,258
Other sureties and contingent liabilities	117	114	21	21
<i>Held jointly with other companies:</i>				
Liabilities in consortiums, trading companies and limited partnerships	136	137		
Total sureties and guarantee obligations¹⁾	253	251	22,561	20,279

¹⁾ Since sureties for former wholly owned subsidiaries of NCC AB in the Bonava Group have not been eliminated, sureties still remaining as outstanding in NCC AB on behalf of Bonava companies have been included in this item (for the Group 19 (19) and for the Parent Company 19 (19)). The remaining volume, which includes collateral for agreements concerning future development and has beneficiaries in the form of municipalities and private-sector companies, will continue to be managed during 2022. As a result of agreements between NCC AB and Bonava AB, however, NCC AB has been indemnified by Bonava AB for all commitments. In addition, NCC AB has received guarantees from credit insurance companies for the remaining outstanding commitments on behalf of now wholly owned Bonava companies.

Assets subject to liens

Pertains to leased equipment in the form of cars and trucks.

Sureties on behalf of Group companies

Guarantees on behalf of Group companies have mainly been issued as collateral for:

- utilized guarantee limits with banks and insurance companies
- NCC Treasury AB's borrowing
- fulfillment of construction contracts

Contingent liabilities, etc.

Claims and legal procedures

In its continuous business operations, NCC occasionally becomes a party to claims or legal procedures. Within the framework of particularly its contracting operations, NCC makes what it considers to be justifiable claims against clients but the clients may partially or fully contest such claims. In many cases, the client may make counterclaims. In other cases, clients may direct claims against NCC for, inter alia, alleged shortcomings in NCC's execution of the ordered work. The aggregated amounts are significant. NCC's financial statements reflect NCC's best assessment of the outcome but it cannot be excluded that the final outcome could in certain cases differ significantly from the currently made assessments.

Operations subject to permit obligations

NCC conducts operations subject to permit obligations in the form of, for example, asphalt and gravel pit operations, plants and landfills. NCC occasionally engages in a dialogue with the authorities concerned compliance with the terms and conditions for conducting the operations. Such matters are handled within the framework of the operating activities. In the unlikely event that NCC is found to have breached the applicable permits without being able to take necessary actions, this could result in significant costs.

Accounting policies

Pledged assets

NCC recognizes collateral pledged for company or Group liabilities and/or commitments as pledged assets. These may be liabilities, provisions included in the balance sheet or commitments not recognized in the balance sheet. The collateral may be related to assets entered in the balance sheet or mortgages. Assets are recognized at the carrying amount and mortgages at nominal value. Shares in Group companies are recognized at their value in the Group.

Important estimates and assessments

Sureties and guarantee obligations, legal disputes, etc.

Within the framework of its regular business operations, NCC occasionally becomes a party to claims or legal procedures. In such cases, an assessment is made of NCC's obligations and the probability of a negative outcome for NCC. NCC's assessment is based on information and knowledge currently possessed by the company. In several cases, these are difficult assessments and the final outcome could differ from the current estimation.

Note 35

Cash flow statement

Cash and cash equivalents

Group	2021	2020
	Cash and bank balances	2,561
Total cash and cash equivalents	2,561	2,155
Short-term investments with a maturity exceeding three months	487	174
Parent Company	2021	2020
Balance in NCC Treasury AB	721	259
Total according to cash flow statement	721	259

Short-term investments have been classified as cash and cash equivalents/ cash and bank balances based on the following considerations:

- They are subject to an insignificant risk of value fluctuation.
- They can easily be converted into cash funds.
- They have a maturity of not more than three months from the date of acquisition.

Acquisition of fixed assets

Group

Acquisitions of intangible and tangible fixed assets, excluding right-of-use lease assets, amounted to SEK 782 M (625) during the year, of which SEK 0 M (0) was financed through loans.

Acquisitions of non-controlling interests totaled SEK 0 M (0), of which SEK 0 M (0) had no effect on cash flow. Sales of subsidiaries and non-controlling interests amounted to SEK 193 M (89), of which SEK 4 M (-109) had no effect on cash flow. Accordingly, cash amounts for divested companies totaled SEK 4 M.

Parent Company

Acquisitions of intangible and tangible fixed assets during the year amounted to SEK 0 M (0), of which SEK 0 M (0) was financed through loans.

Since the Parent Company has only insignificant amounts of cash and cash equivalents in foreign currency, only minor exchange-rate differences in cash and cash equivalents can arise.

Disclosures about interest received and paid

Group

Interest received during the year amounted to SEK 2 M (16). Interest paid during the year amounted to SEK 10 M (95).

Parent Company

Interest received during the year amounted to SEK 1 M (3). Interest paid during the year amounted to SEK 14 M (24).

Cash flow derived from participations in joint operations

Group	2021	2020
Operating activities	59	72
Change in working capital	-5	45
Investing activities	-78	-8
Financing activities	26	-7
Total cash flow	3	102

Cash and cash equivalents unavailable for use

Group	2021	2020
Cash and cash equivalents in joint operations	232	229
Total cash and cash equivalents unavailable for use	232	229

Transactions that had no effect on payments

Group	2021	2020
Increase in right-of-use assets, leases	300	1,209

Note 35 Cash flow statement, cont'd.

Non-cash changes in financing activities

Group	CB 2020	Cash flow	Non-cash items			CB 2021
			New leases	Interest indexing	Exchange-rate differences	
Interest-bearing liabilities	2,576	42			-57	2,561
Interest-bearing receivables	-425	-295			2	-718
Lease liabilities	2,055	-688	327	-42	48	1,700
Total liabilities, financing activities	4,206	-941	327	-42	-7	3,543
Dividend		-538				
Acquisition of company shares		-13				
Cash flow from financing activities		-1,492				

Parent Company	CB 2020	Cash flow	Non-cash items		CB 2021
			Group contributions 2021	Exchange-rate differences/other	
Interest-bearing liabilities	1,551	-610			941
Long-term interest-free liabilities	4	2			6
Total liabilities in financing activities	1,555	-608			947
Interest-bearing receivables	-683	539	-452		-596
Total financing activities	872	-69	-452		351

Other changes in working capital

SEK M	Group	
	2021	2020
Increase (-) / Decrease (+) in inventory	-128	26
Increase (-) / Decrease (+) in receivables	-204	1,547
Increase (+) / Decrease (-) in liabilities	-436	-1,400
Other changes in working capital	-768	174

Trend in net debt

Group, SEK M	2021	2020
	Jan-Dec	Jan-Dec
Net debt, January 1	-4,823	-4,489
Cash flow before financing	1,896	1,106
Change in lease liability	-290	-1,100
Acquisition/sale of company shares	-13	-34
Change in pension debt	835	8
Exchange-rate difference in cash and cash equivalents	2	-44
Dividend paid	-538	-269
Net debt, closing balance	-2,932	-4,823
<i>Of which, pension debt</i>	<i>-1,997</i>	<i>-2,832</i>
<i>Of which, lease liability according to IFRS 16</i>	<i>-1,700</i>	<i>-2,055</i>
<i>Of which, other net cash/net debt</i>	<i>766</i>	<i>64</i>

Accounting policies

The cash flow statement is prepared using the indirect method, pursuant to IAS 7, Statement of Cash Flows. The recognized cash flow includes only transactions that involve cash payments and disbursements.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and short-term investments with a maturity of less than three months at the date of acquisition.

Note 36

Financial instruments and financial risk management

Group Treasury Policy (Principles for risk management)

Through its business operations, the Group is exposed to financial risks. These financial risks are defined as refinancing, liquidity, interest rate, exchange rate, credit, counterparty and guarantee capacity risks. NCC's Group Treasury Policy for managing financial risks is adopted by NCC's Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for Group Treasury's activities.

Within the NCC Group's decentralized organization, financial activities are centralized to NCC Group Treasury, partly in order to monitor the Group's overall financial risk positions, and partly to achieve cost-effectiveness and economies of scale and to accumulate expertise, while protecting Group-wide interests. Within NCC, risks associated with the Group's interest and exchange rates, credit, refinancing, counterparty, liquidity and price risks associated with oil-based products are managed by NCC's internal bank, NCC Treasury AB. Price risks associated with electrical products and customer credit risks are handled within each business area.

Contractual conditions

NCC is subject to a net debt/equity ratio financial covenant associated with the syndicated credit facility signed with a group of banks. On December 30, 2021, a new three-year credit facility of EUR 280 M (260) was signed, with two one-year extension options. NCC meets the requirements for the financial covenants.

Reference rate reform

NCC is tracking the transition from IBOR to RFR (risk-free reference rate) and adapting its operations through a flexible work process based on assumptions that can be adjusted on the basis of the changes occurring in the market.

Refinancing risk

The refinancing risk is defined as the risk that NCC will not be able to obtain financing at a given time or that creditors will have difficulty in meeting their commitments. NCC strives to spread its risk among various sources of financing (market-financing programs, bank loans and other loan structures) in order to secure the Group's long-term access to borrowed capital.

NCC's policy for its refinancing risk is to ensure that NCC's interest-bearing corporate debt will have a maturity structure that minimizes the Group's exposure from the perspective of the refinancing risk. The maturities of the debt portfolio must be well-diversified over time. The distribution norm is that the capital maturity period must be at least 18 months. At December 31, the capital maturity period for NCC's interest-bearing corporate debt of SEK 2,513 M (2,516) was 14 months (34). A long-term loan of SEK 800 M was repaid prematurely on January 10, 2022, after which the average maturity is 20 months.

The table below shows the Group's financial liabilities (including interest payments) and net settled derivative instruments classified as financial liabilities. For financial instruments carrying variable interest rates, the interest rate pertaining on the balance sheet date has been used. Amounts in foreign currency have been translated to SEK based on the exchange rate applying on the balance sheet date. The amounts in the tables are the contractual undiscounted cash flows.

Analysis of maturities (amounts including interest)¹⁾

	2021						2020					
	Total	<3 months	3 months–1 year	1–3 years	3–5 years	>5 years	Total	<3 months	3 months–1 year	1–3 years	3–5 years	>5 years
Loan from the NCC Group's Pension Foundation	800	800					836		12	337	327	160
Interest-bearing liabilities	1,729	4	860	865			1,748	4	16	972	756	
Lease liabilities	1,797		545	714	297	241	2,228		640	865	366	357
Interest rate swaps	1			1			1			1		
Oil forward contracts	2		2				8	1	5	2		
Accounts payable	4,567	4,567					4,487	4,487				
Total	8,896	5,371	1,407	1,580	297	241	9,308	4,491	673	2,177	1,449	517

¹⁾ Excluding pension debt.

Maturity structure, loans¹⁾²⁾

Matures	2021		2020	
	Amount	Proportion, %	Amount	Proportion, %
2021			14	1
2022	1,663	66	1,011	40
2023	100	4	260	10
2024	750	30	910	36
2025			160	6
2026			160	6
Total	2,513	100	2,516	100

1) Loan of SEK 800 M (800) from the NCC Group's Pension Foundation.

2) Excluding pension debt and lease liability.

NCC has the following market financing programs:

Market financing programs

	Limit	Utilized nom SEK M
Commercial paper (CP) program in Finland	EUR 300 M	
Commercial paper (CP) program in Sweden	SEK 4,000 M	
Medium Term Note (MTN) in Sweden ¹⁾	SEK 5,000 M	1,700
Total		1,700

1) Green bonds of SEK 1,700 M, of which SEK 1,600 M is listed on Nasdaq Stockholm.

Market financing programs accounted for 68 percent (68) of NCC's interest-bearing corporate debt.

Liquidity risks

The liquidity risk refers to the risk that NCC does not have sufficient payment capacity at a given time, which could adversely impact the Group's ability to fulfill its payment obligations. To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, the Group Treasury Policy states that the Group's payment capacity must correspond to at least 7 percent of annual consolidated sales, with at least 5 percent of this in the form of unutilized committed lines of credit. Payment capacity is defined as the Group's cash and cash equivalents, short-term investments and unutilized committed lines of credit, less market financing programs with a remaining maturity of less than three months. At the end of the year, the volume of unutilized committed lines of credit was SEK 3,127 M (2,861), with an average remaining maturity of 2.8 years (1.9). Available cash and cash equivalents are invested in banks or in interest-bearing instruments with good creditworthiness and a liquid secondary market. At December 31, the Group's cash and cash equivalents, including short-term investments, amounted to SEK 3,048 M (2,330). Payment capacity on December 31 corresponded to 12 percent (10) of sales.

Note 36 Financial instruments and financial risk management, cont'd.

The table below shows the Group's gross settled derivatives. The amounts in the table are the contractual undiscounted cash flows.

Analysis of maturities (amounts including interest)

	2021				2020			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
Currency forward contracts								
– outflow	-4,781	-3,505	-1,166	-110	-4,399	-3,597	-765	-37
– inflow	4,754	3,478	1,164	112	4,348	3,551	760	36
Net flow from gross settled derivatives	-27	-27	-2	2	-51	-45	-5	-1

Interest rate risks

The interest-rate risk is the risk that changes in market rates will adversely affect NCC's cash flow or the fair value of financial assets and liabilities. NCC's main financing sources are shareholders' equity, cash flow from operating activities and borrowing. NCC's policy for the interest rate risk is that the weighted average remaining period of fixed interest for NCC's interest-bearing corporate debt when exposure is reduced by the period of fixed interest on cash and cash equivalents¹⁾, including interest-rate swaps, should normally be 12 months subject to a mandate to deviate from this figure by +/-6 months, and that the interest rate maturity structure of the corporate debt should be adequately spread over time. If the available borrowing vehicles are not compatible with the desired interest rate structure for the corporate debt, interest rate swaps are the main instruments used to adapt the structure. In the financial statements, hedge accounting is applied when there is an effective connection between the hedged loan and interest rate swaps. When assessing effectiveness, NCC ensures that the financial correlation between interest rate swaps and underlying loans has been fulfilled by having the interest rate swaps denominated in the same currency, and that maturities, the timing of interest payments, nominal amounts and interest rate bases correspond with underlying loans. Interest rate swaps have the same quantity as underlying loans (hedge quote 1-for-1). NCC applies hedge accounting for a nominal amount of SEK 400 M (400), with STIBOR as the interest base, which will be affected by the reference rate reform. Ineffectiveness may arise if the points in time for the cash flow in the interest rate swaps do not fully match those of underlying loans and if the point in time for the switch in the reference rate deviates between the interest rate swap and the underlying loans. Ineffectiveness attributable to interest-rate swaps was negligible in 2021.

The fixed interest maturity period for NCC's interest-bearing corporate debt reduced by the interest exposure in cash and cash equivalents¹⁾ was nine months (15), including interest-rate swaps. Cash and cash equivalents¹⁾ amounted to SEK 3,048 M (2,330) and the average interest-rate maturity period was two months (3). At the end of year, NCC's interest-bearing corporate debt amounted to SEK 2,513 M (2,516) and the fixed interest maturity period was six months (12).

On December 31, 2021, NCC had interest rate swaps with a nominal value of SEK 590 M (590) that were linked to interest-bearing corporate debt. At the same date, the interest rate swaps had a fair value of SEK 3 M (1) net, comprising long-term receivables of SEK 3 M (1). The interest rate swaps have due

dates ranging from 0.5 (1.5) to 2.8 (3.8) years with an average fixed interest rate of -0.03 percent (-0.03). An increase in interest rates by one percentage point would result in a change of SEK 10 M (8) in net profit for the year, based on the interest-bearing assets and liabilities, including interest rate swaps, existing on the balance sheet date. An increase in interest rates by one percentage point would result in a change of SEK 1 M (2) in net profit for the year and a change of SEK 6 M (9) in other comprehensive income resulting from a change in fair value of the Group's interest rate swaps.

¹⁾ Cash and cash equivalents and short-term investments.

Maturity structure, fixed interest¹⁾

Matures	2021		2020	
	Amount	Proportion, %	Amount	Proportion, %
2021			1,926	77
2022	2,213	88	290	11
2023	100	4	100	4
2024	200	8	200	8
Total	2,513	100	2,516	100

¹⁾ Excluding pension debt and lease liability.

Exchange rate risks

The exchange rate risk is the risk that changes in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement.

Transaction exposure

In accordance with the Group Treasury Policy, all currency exposure must be hedged. Hedges relate to contractual and probable forecast flows, mainly through currency forward contracts. In the financial statements, hedge accounting is applied when the requirements for hedge accounting are fulfilled. Currency forward contracts that hedge the cash flow are denominated in the same currency, are in the same amount (hedge quote 1-for-1) and have the same due date as the hedged cash flow. Ineffectiveness may arise if a change occurs at the point of time when the future cash flow will arise or if there is a change in the contractual or forecast cash flow.

Currency outflows

The following table shows the Group's gross outflows of various currencies during the year, the portion hedged and the exchange rate risk for each currency in the unhedged currency flows. The exchange rate risk shows the change in profit for the year should the SEK exchange rate change by 5 percent in relation to every single currency due to losses from the translation of unhedged accounts payable.

Countervalue in SEK M	2021				2020			
	Gross outflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk, 5%, after tax on unhedged portion	Gross outflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk, 5%, after tax on unhedged portion
EUR	1,951	1,638	84	12	1,551	1,321	85	9
DKK	104	30	29	3	159	23	14	5
NOK	157	144	91	1	329	182	55	6
Other	218	185	85	1	108	83	77	1
Total	2,431	1,997	82	17	2,147	1,609	75	21

Currency inflows

The following table shows the Group's gross inflows of various currencies during the year, the portion hedged and the exchange rate risk for each currency in the unhedged currency flows. The exchange rate risk shows the change in profit for the year should the SEK exchange rate change by 5 percent in relation to every single currency due to losses from the translation of unhedged accounts receivable.

Note 36 Financial instruments and financial risk management, cont'd.

Countervalue in SEK M	2021				2020			
	Gross inflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk, 5%, after tax on unhedged portion	Gross inflow	Hedged proportion SEK M	Hedged portion, %	Exchange rate risk, 5%, after tax on unhedged portion
EUR	74	37	50	1	352	322	91	1
DKK	69	23	33	2	22	21	95	
NOK	7				5			
Total	150	60	40	4	378	343	91	1

The forward contracts used to hedge contracts, and forecast transactions, are classified as cash flow hedges. During 2021, no cash flow hedges were closed, because it was no longer probable that the expected cash flow would be achieved.

Contracted and forecast currency outflows, outstanding hedge position

The table below shows the outstanding total hedge positions per currency at year-end pertaining to forecast and contractual currency outflows, the hedged portion and average forward rates per currency in SEK.

Countervalue in SEK M	2021				2020			
	Total	<3 months	3 months–1 year	>1 year	Total	<3 months	3 months–1 year	>1 year
EUR	953	270	600	83	515	213	282	20
NOK	105	38	39	28	134	35	88	11
PLN	52	26	24	2	30	9	21	
CZK	6		6		64	21	38	5
Other					47	36	11	
Total hedge position	1,116	334	669	113	790	314	440	36
Total contracted and forecast currency outflows.	1,566	349	990	227	1,107	328	637	142
Hedged portion, %	71	96	68	50	71	96	69	25
Average forward rate in SEK regarding total hedge position for currency outflows:								
EUR currency forward contracts	10.22	10.21	10.23	10.18	10.38	10.41	10.36	10.42
NOK currency forward contracts	0.99	0.98	0.99	0.98	0.92	0.93	0.92	0.92
PLN currency forward contracts	2.22	2.24	2.19	2.19	2.26	0.28	0.26	
CZK currency forward contracts	0.40		0.40		0.40	0.40	0.40	0.40

The hedges pertaining to forecast and contractual currency outflows fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure amounted to SEK 9 M (-21). Of this amount, other long-term receivables of SEK 2 M (0), other receivables of SEK 9 M (4), other long-term liabilities of SEK 0 M (1) and other current liabilities of SEK 2 M (24) have been recognized in the balance sheet.

Contractual currency inflows, outstanding hedge position

At year-end, the outstanding hedge position for contractual currency inflows amounted to SEK 0 M (31), of which SEK 0 M (0) will fall due within three months and SEK 0 M (31) will fall due in 3–12 months.

The hedges pertaining to contractual currency inflows fulfill effectiveness requirements, meaning that all changes resulting from changed exchange rates are recognized in other comprehensive income. The net fair value of currency forward contracts used for hedging transaction exposure amounted to SEK 0 M (2). Of this amount, other receivables of SEK 0 M (2) have been recognized in the balance sheet.

Currency distribution of financing

According to the Group Treasury Policy, Group assets are to be financed in local currency. External and internal borrowing in the NCC Group occurs mainly through Group Treasury and is then transferred to the business areas and subsidiaries in the form of internal loans. Lending is denominated in local currency, while external financing largely occurs in SEK. Parts of the Group's loans and liquidity are converted through currency derivatives into the currencies of the Group's assets.

The following tables illustrate NCC's financing and the currency swap agreements for financing. The stated values include underlying principals.

Interest-bearing liabilities¹⁾

Countervalue in SEK M	2021		2020	
	Amount	Proportion, %	Amount	Proportion, %
EUR			5	
NOK			1	
SEK	2,513	100	2,510	100
Total	2,513	100	2,516	100

¹⁾ Excluding pension debt and lease liability.

Financing via currency derivatives¹⁾

Countervalue in SEK M	2021	2020
Buy +/- Sell – DKK	2,042	1,478
Buy +/- Sell – EUR	332	236
Buy +/- Sell – NOK	-363	-1,145
Net	2,011	569

¹⁾ Currency swaps.

Note 36 Financial instruments and financial risk management, cont'd.

Translation exposure

According to the Group Treasury Policy, the Group's translation exposure is not to be hedged.

Group's net investments in foreign subsidiaries

The table below shows the Group's net investments in foreign subsidiaries and the exchange rate risk associated with translation exposure. At December 31, 2021, a 5-percent depreciation of the SEK in relation to other currencies would result in a change of SEK 160 M (137) in other comprehensive income; see the table below.

Countervalue in SEK M	2021		2020	
	Net investment	Exchange rate risk, 5%	Net investment	Exchange rate risk, 5%
DKK	1,968	98	1,714	86
EUR	468	23	448	22
NOK	767	38	583	29
Total	3,203	160	2,745	137

Price risks

Price risks associated with bitumen

A part of NCC Industry's sales of paving contracts in NCC Industry are subject to indexed prices, whereby the index in relation to the customer matches the index used by the supplier for pricing bitumen, which means that NCC Industry is not exposed to any risk arising from a change in the price of bitumen.

There are also cases of fixed price contracts that are not indexed, whereby NCC Industry is exposed to a risk should the price of bitumen change. The price risk is managed by Group Treasury via oil forward contracts. The policy

is to hedge larger customer contracts when the work is to be performed later than two months from the ordering date. NCC ensures that oil derivatives are priced using the same underlying index as that applying to suppliers and that the number of purchased tons of bitumen per month exceeds the number of hedged tons of bitumen per month. The hedged quantity of purchased bitumen matches the quantity stated in the derivative (hedge quote 1-for-1). Ineffectiveness may arise if the point in time of the purchases of bitumen deviates from the derivatives' due date.

The net fair value of oil forward contracts used for hedging purchases and sales of bitumen was SEK 4 M (-5), of which ineffectiveness of SEK 0 M (-3) was recognized in profit or loss, while the effective portion of SEK 4 M (-2) was recognized in other comprehensive income. Of this amount, other receivables of SEK 6 M (2), other long-term liabilities of SEK 0 M (2) and other current liabilities of SEK 2 M (5) have been recognized in the balance sheet.

Given outstanding oil forward contracts on the balance sheet date, a 10-percent increase in the price of bitumen at December 31, 2021 would give rise to a change of SEK 2 M (3) in other comprehensive income and of SEK 0 M (0) in net profit for the year. The sensitivity analysis assumes that all other factors remain unchanged.

Purchases of bitumen

The table below shows the Group's purchases of bitumen and the portion hedged via oil forward contracts during the year.

	2021			2020		
	Purchases bitumen tons	Hedged proportion tons	Portion hedged via oil forward contracts, %	Purchases bitumen tons	Hedged proportion tons	Portion hedged via oil forward contracts, %
Total	298,215	33,417	11	286,330	77,454	27

The following table shows the Group's forecast volume of purchases of bitumen, the outstanding hedge position at year-end and the portion hedged via oil forward contracts. The hedges fulfill effectiveness requirements. The forward contracts used to hedge forecast purchases of bitumen are classified as cash flow hedges.

	2021				2020			
	Total	<3 months	3 months-1 year	>1 year	Total	<3 months	3 months-1 year	>1 year
Forecast volume of purchases of bitumen (tons)	482,581	5,838	235,453	241,290	621,499	7,447	300,371	313,681
Hedge position through oil forward contracts (tons)	11,620	1,092	10,311	217	20,907	500	16,066	4,341
Hedged portion, %	4	19	4	0	3	7	5	1
Hedge position countervalue, SEK M	34	3	30	1	51	1	38	11
Hedged price per ton (average price in SEK)	2,930	2,843	2,940	2,902	2,429	2,729	2,364	2,631

Sales of bitumen

Due to a change in the index base for pricing bitumen used by NCC's largest supplier in 2020, there were contracts at indexed prices whereby the index in relation to the customer did not match the index used by the supplier for pricing bitumen. This meant that NCC Industry was exposed to a risk that the two indexes developed in different directions. The risk was managed by NCC Treasury via oil forward contracts on the customer side. During 2020, a total of 37,511 tons of bitumen was hedged, connected to contractual sales where indexes in the customer agreement deviated from the index for pricing of purchased bitumen. During 2021, no new hedges of sales were effected. The outstanding hedge position of the Group's hedged contractual volume sales of bitumen with indexed prices that deviated from the index in the purchase from the supplier amounted to 873 tons (5,183), counter-value SEK 2 M (11), of which 873 tons (4,310) falls due in 3-12 months and 0 tons (873) falls due after one year.

The outstanding hedge position at year-end was the same amount as the contractual sales. The hedges fulfill effectiveness requirements, meaning that all changes due to price adjustments are recognized in other comprehensive income. The forward contracts used to hedge the sales are classified as cash flow hedges.

Price risks associated with electricity

As part of efforts to ensure calculable costs for electricity, NCC has elected to use electricity derivatives to smooth out price fluctuations occurring in the electricity market. NCC progressively hedges the price for up to three years and builds up the volume of electricity contracts until the particular delivery date.

The hedges fulfill effectiveness requirements, meaning that all changes due to price adjustments are recognized in other comprehensive income. The forward contracts used to hedge contracted purchases of electricity are classified as cash flow hedges.

At year-end, the outstanding volume of electricity derivatives amounted to

SEK 43 M (42), of which SEK 5 M (4) will fall due within three months, SEK 20 M (19) in 3-12 months and SEK 18 M (19) after one year.

The net fair value of electricity derivatives used for hedging the price risk related to electricity was SEK 39 M (0). Of this amount, other receivables of SEK 39 M (0) have been recognized in the balance sheet.

Given outstanding electricity forward contracts on the balance sheet date, a 10-percent increase in electricity prices at December 31, 2021 would give rise to a change of SEK 7 M (3) in other comprehensive income and of SEK 0 M (0) in profit or loss. The sensitivity analysis assumes that all other factors remain unchanged.

Credit risks

Credit and counterparty risks in financial operations

NCC's investment regulations for financial credit risks are revised continuously and are characterized by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which NCC has operations. ISDA's (International Swaps and Derivatives Association) framework agreement on netting is used with all counterparties with respect to derivative trading. The investment regulations specify maximum credit exposure and maturity for various counterparties.

Total counterparty exposure with respect to derivative trading, calculated as the net receivable per counterparty, amounted to SEK 100 M (41) at the end of 2021. The net receivable per counterparty is calculated in accordance with the market-to-market approach, i.e. the market value of the derivative plus a supplement for the change in risk (1% of the nominal amount). Calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 3,048 M (2,330).

Note 36 Financial instruments and financial risk management, cont'd.

Credit risks in accounts receivable

The risk that the Group's customers will not fulfill their commitments, meaning that payment is not received from the customers, is a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit reporting agencies. For major accounts receivable, the risk of loan losses is limited through various types of collateral, such as bank guarantees, blocks on building loans, parent company guarantees and other payment guarantees. The proportion of accounts receivable subject to some type of collateral was 16.8 percent (15.5) during the year.

Age analysis of accounts receivable

Group	2021		2020	
	Gross receivables	Reserves for doubtful receivables	Gross receivables	Reserves for doubtful receivables
Not past-due accounts receivable	5,921		5,415	
Past-due accounts receivable 1–30 days	463	–1	460	
Past-due accounts receivable 31–60 days	41	–5	105	
Past-due accounts receivable 61–180 days	150	–25	144	–5
Past-due accounts receivable >180 days	1,900	–698	1,802	–837
Total	8,476	–728	7,926	–842

Within NCC, there are, firstly, estimated/potential customer losses that mainly relate to ongoing discussions or claims with the client and, secondly, confirmed/potential credit losses that mainly relate to shortcomings in the client's payment capacity.

Receivables expired >180 days are essentially caused by ongoing discussions/claims with the client and do not involve an issue about the client's creditworthiness.

Thus the reserve for doubtful receivables expired >180 days essentially relates to former claims and not to anticipated payment capacity. Apart from these, customer bad debts are low, whereby the reserve for doubtful receivables expired <180 days is low.

Provisions for doubtful accounts receivable and reversals of these, which essentially relate to ongoing discussions/claims with the client, known as performance obligations, are recognized as reduced revenues in the company's

construction projects and are thus included as net sales in profit or loss. The confirmed/potential credit losses that arise due to shortcomings in the client's payment capacity are instead recognized as production costs or as selling and administrative expenses in profit or loss.

Refer also to under Accounting policies.

Reserve for doubtful receivables

Group	2021	2020
On January 1	–842	–1,903
Provision for the year	–252	–266
Reversal of previously posted impairment losses	401	1,229
Translation differences	–36	98
On December 31	–728	–842

Carrying amount and fair value of financial instruments

The carrying amount and fair value of financial instruments are presented in the tables below. In NCC's balance sheet, mainly short-term investments in housing bonds and fixed-income funds and derivatives are measured at fair value. Short-term investments are measured according to prices quoted on a well-functioning secondary market for the same instruments.

The measurement at fair value of currency forward contracts, currency options, oil forward contracts and electricity forward contracts is based on customary models with observable input data such as interest rates, exchange rates and commodity prices. The measurement of interest rate swaps is based on forward interest rates based on observable yield curves. The discount has no significant impact on the measurement of derivatives.

For financial instruments recognized at amortized cost – accounts receivables, current interest-bearing receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities – the fair value does not materially deviate from the carrying amount. For long-term holdings of bonds (long-term interest-bearing receivables) and short-term investments recognized at amortized cost, the fair value is based on prices listed in a well-functioning secondary market. For short and long-term bond loans listed on Nasdaq Stockholm, the fair value was calculated according to prices listed in a well-functioning secondary market. The fair value for unlisted long-term bonds was calculated by discounting future cash flows with current market rates for similar financial instruments. The assessment is that the fair value of other long-term and current interest-bearing liabilities did not materially deviate from the carrying amount.

Classification of financial instruments

Group, 2021	Financial assets measured at fair value through profit or loss ¹⁾	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit or loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				68			68	68
Long-term interest-bearing receivables			128				128	128
Other long-term receivables		5					5	5
Accounts receivable			7,748				7,748	7,748
Current interest-bearing receivables			103				103	103
Other receivables	8	54	35				97	97
Short-term investments	401		86				487	487
Cash and cash equivalents			2,561				2,561	2,561
Total assets	409	59	10,661	68			11,196	11,196
Long-term interest-bearing liabilities						2,038	2,038	2,038
Other long-term liabilities						47	47	47
Provisions for pensions and similar obligations						1,997	1,997	1,997
Current interest-bearing liabilities ²⁾						2,176	2,176	2,176
Accounts payable						4,567	4,567	4,567
Other current liabilities		5			39		44	44
Total liabilities		5			39	10,825	10,869	10,869

¹⁾ Statutorily measured at fair value.

²⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

Note 36 Financial instruments and financial risk management, cont'd.

Group, 2020	Financial assets measured at fair value through profit or loss ¹⁾	Derivatives used in hedge accounting	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Financial liabilities measured at fair value through profit or loss ¹⁾	Other liabilities	Total carrying amount	Total fair value
Long-term holdings of securities				68			68	68
Long-term interest-bearing receivables			125				125	126
Other long-term receivables		1					1	1
Accounts receivable			7,084				7,084	7,084
Current interest-bearing receivables			126				126	126
Other receivables	10	8	58				76	76
Short-term investments	104		70				174	174
Cash and cash equivalents			2,155				2,155	2,155
Total assets	114	9	9,618	68			9,809	9,810
Long-term interest-bearing liabilities ²⁾						3,965	3,965	3,946
Other long-term liabilities		3				57	60	60
Provisions for pensions and similar obligations						2,832	2,832	2,832
Current interest-bearing liabilities						606	606	606
Accounts payable						4,487	4,487	4,487
Other current liabilities		29			39	133	201	201
Total liabilities		32			39	12,080	12,151	12,132

¹⁾ Statutorily measured at fair value.²⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

Parent Company, 2021	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		45		45	45
Current receivables from Group companies	689			689	689
Balance in NCC Treasury AB	721			721	721
Total assets	1,410	45		1,455	1,455
Other long-term liabilities			6	6	6
Accounts payable			10	10	10
Current interest-bearing liabilities ¹⁾			800	800	800
Current liabilities to Group companies			147	147	147
Total liabilities			963	963	963

¹⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

Parent Company, 2020	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income, equity instruments	Other liabilities	Total carrying amount	Total fair value
Other long-term holdings of securities		45		45	45
Current receivables from Group companies	781			781	781
Balance in NCC Treasury AB	259			259	259
Total assets	1,041	45		1,086	1,086
Long-term interest-bearing liabilities ¹⁾			800	800	800
Other long-term liabilities			4	4	4
Accounts payable			8	8	8
Current liabilities to Group companies			765	765	765
Total liabilities			1,577	1,577	1,577

¹⁾ Loan of SEK 800 M from the NCC Group's Pension Foundation is included.

The classification categories Financial assets measured at fair value through profit or loss and Financial liabilities measured at fair value through profit or loss are not applicable for the Parent Company. No reclassifications of financial assets and liabilities among the above categories were effected during the year. It has been determined that the fair value of the Parent Company's financial instruments did not materially deviate from the carrying amount.

In the forthcoming table, disclosures are made concerning how fair value was determined for the financial instruments that are continuously measured at fair value and the financial instruments not measured at fair value in NCC's balance sheet. When determining fair value, assets have been divided into three levels. No transfers were made between the levels during the period and no significant changes were made with respect to measurement methods, data or assumptions used.

Note 36 Financial instruments and financial risk management, cont'd.

- Level 1: in accordance with prices quoted on an active market for the same instruments. This category does not apply for the Parent Company.
 Level 2: on the basis of directly or indirectly observable market data that is not included in Level 1. This category does not apply for the Parent Company.
 Level 3: on the basis of input data that is not observable in the market.

Group	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Financial assets measured at fair value through profit or loss								
Short-term investments	401			401	104			104
Derivative instruments		8		8		10		10
Derivative instruments used in hedge accounting		59		59		9		9
Financial assets measured at fair value through other comprehensive income								
Equity instruments			68	68			68	68
Financial assets not measured at fair value								
Long-term interest-bearing receivables	128			128	126			126
Short-term investments	86			86	70			70
Total assets	615	67	68	750	300	19	68	387
Financial liabilities measured at fair value								
Financial liabilities measured at fair value through profit or loss								
Derivative instruments		39		39		39		39
Derivative instruments used in hedge accounting		5		5		32		32
Financial liabilities not measured at fair value								
Other interest-bearing liabilities	1,600	2,614		4,214	1,582	2,970		4,552
Total liabilities	1,600	2,658	0	4,258	1,582	3,041	0	4,623

Offsetting of financial instruments

NCC has binding framework agreements on netting (ISDA agreements) with all counterparties for derivative trading, whereby NCC can offset receivables and liabilities should a counterparty become insolvent or in another event. The following table sets out the gross financial assets and liabilities recognized and the amounts available for offsetting. NCC has not offset any amounts in the balance sheet.

Group	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Recognized gross amount ¹⁾	67	43	19	71
Amount included in netting agreements	-24	-24	-19	-19
Net amount after netting agreement	43	19	0	52

¹⁾ The gross carrying amount of financial assets includes SEK 0 M (0) for derivatives measured at fair value through profit or loss in other long-term receivables, SEK 8 M (10) in other receivables, SEK 5 M (1) for derivatives used in hedge accounting for other long-term receivables and SEK 54 M (8) in other receivables. The gross carrying amount of financial liabilities includes derivatives measured at fair value through profit or loss in other current liabilities of SEK 39 M (39), derivatives used in hedge accounting of other long-term liabilities of SEK 0 M (3) and other current liabilities of SEK 5 M (29).

The Parent Company has no derivatives outstanding.

Accounting policies

Acquisitions and divestments of financial instruments are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, loan receivables, accounts receivable, financial investments and derivatives. Accounts payable, loan payables and derivatives are recognized under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when invoices have been sent. Accounts payable are recognized when invoices have been received.

A financial asset is derecognized from the balance sheet when the contractual rights have been realized or extinguished. The same applies to portions of financial assets. A financial liability is derecognized from the balance sheet when the contractual commitment has been fulfilled or otherwise terminated. This also applies to part of the financial liability.

Financial instruments are classified in the following categories for measurement:

- Financial assets measured at fair value through profit or loss,
- Financial assets measured at fair value through other comprehensive income (equity instruments),
- Financial assets measured at amortized cost,
- Financial liabilities measured at fair value through profit or loss,
- Derivatives used in hedge accounting, and
- Other liabilities.

When entered for the first time, a financial asset is classified on the basis of NCC's business model for managing the financial asset and the character of the expected cash flows. Financial assets are only reclassified if the business model for the asset has been modified. A financial liability is recognized at amortized cost, apart from derivatives measured at fair value.

Financial assets measured at fair value through profit or loss

This category includes the Group's derivatives with a positive fair value and interest-bearing securities for which NCC's business model is to maximize the return on the asset within given risk limits. Fair value changes are recognized in net financial items in profit or loss. A derivative instrument that is an identified and effective hedging instrument is not included in this category. For an account of hedging instruments, see Derivatives used in hedge accounting below.

Financial assets measured at amortized cost

These include accounts receivable and loan receivables, as well as investments in interest-bearing securities where the objective of the business model is to receive contractual cash flows up to maturity. These cash flows are received at predetermined points in time and solely comprise payment of principals and interest on the outstanding principals. Investments in interest-bearing securities with a remaining maturity exceeding 12 months after the balance-sheet date are recognized as long-term interest-bearing receivables. Other investments are recognized as short-term investments.

Financial assets measured at fair value through other comprehensive income (equity instruments)

Holdings of shares and participations that are not recognized as subsidiaries, associated companies or joint arrangements are recognized here. These assets are measured at fair value.

Financial liabilities measured at fair value through profit or loss

This category includes the Group's derivatives with a negative fair value, with the exception of derivatives that function as an identified and effective hedging instrument; see Derivatives used in hedge accounting below. Fair value changes are recognized in financial items.

Note 36 Financial instruments and financial risk management, cont'd.

Derivatives used in hedge accounting

Derivatives used in hedge accounting are measured at fair value in the balance sheet. The change in value of an effective hedging instrument is recognized in the hedging reserve in shareholders' equity through other comprehensive income.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are recognized at amortized cost.

Impairment

NCC applies impairment requirements for expected loan losses on financial assets and a loss reserve for them is recognized as a deduction from the asset. This applies to financial assets recognized at amortized cost and FVOCI. A loss reserve is established in one of the following ways:

- for loss events that may be expected to be incurred within 12 months
- for loss events that may be expected to be incurred during the entire life of the asset.

A loss risk reserve for the entire life of the asset is established if, on the reporting date, the credit risk for the financial asset has risen significantly since initial recognition and, if this is not the case, a loss risk reserve is established within 12 months.

For accounts receivable, contract assets and lease receivables, loss risk reserves are always posted for the entire life of the asset according to the simplified model in IFRS 9. The measurement of expected loan losses must reflect an objective and probability-weighted amount, the time value of money, reasonable and verifiable data on previous events, current conditions and forecasts of future economic conditions. Although each invoice is measured individually, provisions are noted for invoices that are more than 180 days overdue unless special circumstances apply. Accounts receivable, contract assets and lease receivables are then written off when there is no reasonable expectation of repayment.

Hedge accounting

NCC applies hedge accounting in the following categories: hedging of exchange-rate risk in transaction flows, hedging of the Group's interest maturities and hedging of the price risk associated with bitumen and electricity. If the hedge no longer fulfills the criteria for hedge accounting or the hedging instrument is sold, matures, is settled or redeemed, hedge accounting ceases prospectively. When the hedge accounting of cash flow hedges has ceased, the amount that has been accumulated in the hedging reserve is kept in shareholders' equity until:

- it is included in the cost of the non-financial item at initial recognition (applies for hedging of a transaction that results in recognition of a non-financial item) or
- it is reclassified to profit or loss in the same period or periods that the hedged expected cash flow impacts profit/loss (applies for other cash flow hedges).

If the hedged cash flow is no longer expected to arise, the amount that has been accumulated in the hedging reserve is reclassified immediately to profit or loss.

Hedging of exchange-rate risk in transaction flows

Currency exposure associated with future flows is hedged by using currency forward contracts. The currency forward contract that hedges this cash flow is recognized at fair value in the balance sheet. When hedge accounting is applied, the change in fair value attributable to changes in the forward rate of currency forward contracts is recognized in other comprehensive income, after taking tax effects into account and being accumulated in the hedging reserve. Any ineffectiveness is recognized in profit or loss. Transfers of amounts from the hedging reserve to reflect the carrying amount of the purchase are effected so that this is recognized at the forward rate. The hedged flows can be both contracted and forecast transactions.

Hedging of the Group's interest maturities

Interest-rate derivatives are used to manage the interest rate risk. Hedge accounting occurs where effective hedging relationships can be proved. Changes in value, after considering income tax effects, are recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffectiveness is recognized in financial items. By hedging interest rates, variable interest on parts of NCC's financing becomes fixed.

Hedging of price risks associated with bitumen and electricity

By entering into oil forward contracts, NCC Industry hedges its price risk for bitumen when major contracts are to be performed later than two months following receipt of the order. These oil forward contracts are classified as cash flow hedges. Changes in effective hedges due to changed prices are recognized in other comprehensive income and accumulated in the hedging reserve, and any ineffectiveness is recognized in operating profit/loss.

To smooth out fluctuations in the Swedish electricity market, NCC has elected, using electricity derivatives entered into gradually over a period of three years, to accumulate the volume of electricity until the particular date of

delivery. Changes in effective hedges are recognized in other comprehensive income and accumulated in the hedging reserve, and any ineffectiveness is recognized in operating profit/loss.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are restated at the exchange rates prevailing on the balance-sheet date.

Exchange rate differences arising from the translation of operating receivables and liabilities are recognized in operating profit/loss, while exchange rate differences arising from the translation of financial assets and liabilities are recognized in net financial items.

Financial instruments in the Parent Company

Financial instruments in the Parent Company are recognized at cost less any impairment losses and taking into account the impact on earnings accrued up to fiscal year-end. In respect of the qualitative and quantitative risk information, reference is made to the disclosures made for the Group above, since Group-wide risk management is applied.

Important estimates and assessments

Measurement of receivables

NCC's accounts receivable, including receivables for sold property projects, are measured at amortized cost, meaning the amount expected to be received less an amount for doubtful receivables.

Note 37

Information about the Parent Company

NCC AB, Corporation Identity Number 556034-5174, is a limited liability company registered in Sweden, with its Head Office in Solna. NCC AB's shares are listed on the Nasdaq Exchange Stockholm/Large Cap List.

The address of the Head Office is NCC AB, Herrijärva Torg 4, SE-170 80 Solna, Sweden.

The consolidated financial statements for 2021 relate to the Parent Company and its subsidiaries, jointly designated the Group. The Group also includes investments in associated companies, joint ventures and joint operations.

At December 31, 2021, Nordstjernan AB accounted for 17 percent of the share capital and 48 percent of the voting rights in NCC AB. Nordstjernan AB, Corporate Identity Number 556000-1421, has its registered Head Office in Stockholm.

Note 38

Events after the balance-sheet date

During the first months of 2022, there was extensive spread of infection and restrictions were imposed in all markets as a result of the coronavirus pandemic. This resulted in increased absence at NCC and among subcontractors, as well as some temporary production disruptions and delays. However, in general, the disruptions were small and most of the operations made good progress.

The war in Ukraine, which broke out at the end of February, entails risks in terms of the impact on the global economy, price increases for input materials and energy, and disruptions to supply chains. NCC has no operations in the countries affected. However, NCC could be affected, primarily by price movements and access to oil and oilbased products as well as by higher energy prices. To a lesser extent, access to labor could also be temporarily affected. In the long term, NCC is impacted by the global economic development.

Note 39

Appropriation of the company's profit

The Board of Directors proposes that the available funds	3,910,321,015
Be appropriated as follows:	
Ordinary dividend to shareholders of SEK 6.00 per share ¹⁾	645,568,500
To be carried forward	3,264,752,515
Total, SEK	3,910,321,015

¹⁾ The total amount of the proposed dividend is calculated based on the number of shares outstanding on March 10, 2022.

Adoption

The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements and the Annual Report have been compiled in compliance with international accounting standards, IFRS, as adopted by the EU, and with generally acceptable accounting practices and thus provide a fair and accurate impression of the financial position and earnings of the Group and the Parent Company. The Reports of the Board of Directors for both the Group and the Parent Company accurately review the Group's and the Parent Company's operations, financial positions and earnings and describe the material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report and the consolidated financial statements were approved for issue by the Board of Directors on March 10, 2022. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on April 5, 2022.

Solna, March 10, 2022

Alf Göransson
Chairman of the Board

Geir Magne Aarstad
Board member

Viveca Ax:son Johnson
Board member

Simon de Château
Board member

Mats Jönsson
Board member

Angela Langemar Olsson
Board member

Birgit Nørgaard
Board member

Karl-Johan Andersson
*Board member
employee representative*

Karl G Sivertsson
*Board member
employee representative*

Harald Stjernström
*Board member
employee representative*

Tomas Carlsson
President and CEO

Our audit report was submitted on March 11, 2022

PricewaterhouseCoopers AB

Ann-Christine Hägglund
*Authorized Public Accountant
Auditor in Charge*

Erik Bergh
Authorized Public Accountant

Auditor's report

Unofficial translation

To the general meeting of the shareholders of NCC AB (publ), corporate identity number 556034-5174

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of NCC AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 12–67 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

In a business such as NCC's, our risk assessment is particularly influenced by the impact of the Board of Directors' and management's estimates and judgements on the financial statements. We have assessed the individually highest risk for misstatements in the financial statements to be the percentage-of-completion revenue recognition in some of the ongoing projects in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure. In addition, we have identified a number of other risks that also reflect components of estimates and judgements, e.g. warranty provisions and disputes. Based on the risk assessment the central audit team developed an audit strategy according to which the group audit mirrors NCC's organisation and which starts in an audit of the five business areas. As a part of this strategy the audit has focused on the largest units within each business area, which are subject to a so-called full audit. The central audit team performs the audit of the parent company and the consolidated accounts and issues, based on the audit strategy, instructions to the audit teams for each business area. We also perform a centralised audit of, e.g., selected controls in the financial processes handled by NCC's group common shared service centre as well as of relevant controls over NCC's group common information systems. The results of these examinations are shared with component audit teams.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter
Revenue and results recognition in construction projects

Revenue and results recognition in construction projects 2021 revenue in NCC's construction and civil engineering operations amount to approximately SEK 43 (43) billion. In all material respects revenue is related to construction projects and is recognised over time, i.e., applying percentage-of-completion. This means that recognised revenue and costs in construction projects are based on assumptions and estimates on future outcome as documented in the project forecasts. These forecasts include estimates of costs for, e.g., labour, material, subcontractors and warranty obligations. From time to time, the latter may require updated estimates also for completed projects. As applicable, forecasts also include assessments of claims on customers relating to, e.g., change or additional orders and deficiencies in tender conditions. The elements of assumptions and estimates means that final results may deviate from those now reported. Given the elements of assumptions and estimates makes this a key audit matter.

Refer to the sections "Revenue from construction and similar projects", "Critical estimates and assessments" (subsections "Percentage-of-completion profit recognition of projects", "Guarantee commitments" and "Guarantee obligations, legal disputes, etc") in note 1 Accounting Policies as well as note 2 Revenue recognition, note 28 Other provisions and note 34 Pledged assets, sureties, guarantees and contingent liabilities (subsection "Contingent liabilities etc").

How our audit addressed the Key Audit Matter

We have evaluated and on a sample basis tested selected key controls in so-called tollgates in NCC's project process, from calculation to current project reporting. We have also evaluated processes, routines and methodology for project completion. We have performed analytical reviews of revenue and margins reported and evaluated management's routines for follow-up of the projects financial results and also discussed the latter with management. On a sample basis, we have examined revenue and the recognised project costs on which the determination of completion ratio is based. We have also tested the mathematical accuracy of the percentage-of-completion profit calculation.

We have discussed with NCC the principles, methods and assumptions on which estimates are based, including those forming the basis for warranty provisions for projects already completed. For selected projects, we have performed more in-depth procedures including, e.g., reading contract excerpts, review of project forecasts and discussions with project leaders and controllers on judgements, assumptions and estimates.

We have also obtained opinions from NCC's legal advisers on selected disputes. We have kept a dialogue also with group management and the audit committee on NCC's estimates and the principles, methods and assumptions on which these are based. Our overall view is that NCC's assumptions and estimates lie within an acceptable range. However, we have communicated that many times these are difficult judgemental matters and that final outcome may deviate from the current assumptions, estimates and judgments.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–11, 72–77 and 114. Other information also contains the remuneration report 2021, which we have received before the date of our auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of NCC AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisorsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report**Opinion**

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors (and the Managing Director) have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for ABC AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of NCC AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors (and the Managing Director) determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control*, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors (and the Managing Director), but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of NCC AB (publ) by the general meeting of the shareholders on the 30 March 2021 and has been the company's auditor since the 5 April 2017.

Stockholm 11 March 2022
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorised Public Accountant
Partner in charge

Erik Bergh
Authorised Public Accountant

Multi-year review

INCOME STATEMENT, SEK M	2017	IFRS 15 2017	2018	2019	2020	2021
Net sales	54,608	54,441	57,346	58,234	53,922	53,414
Production costs	-50,460	-50,460	-55,205	-54,134	-49,589	-48,894
Gross profit	4,148	3,981	2,140	4,101	4,333	4,520
Selling and administrative costs	-2,933	-2,933	-2,875	-2,811	-2,967	-2,808
Result from sales of owner-occupied properties	1	1	12	-11	-3	165
Impairment losses on fixed assets	-7	-7	-82	-22	-24	-16
Capital gain from sales of Group companies	21	21		18	9	-46
Result from participations in associated companies	11	11	42	21	12	10
Operating profit/loss	1,242	1,075	-764	1,296	1,360	1,825
Financial income	39	39	36	34	30	20
Financial expenses	-130	-130	-121	-146	-110	-80
Net financial items	-91	-91	-85	-112	-80	-60
Profit/loss after financial items	1,150	983	-849	1,184	1,281	1,765
Tax	-141	-106	99	-309	-22	-257
Profit/loss for the period	1,009	877	-750	875	1,259	1,508
Attributable to:						
NCC's shareholders	1,004	872	-756	873	1,259	1,508
Non-controlling interests	5	5	6	2		
Profit/loss for the year	1,009	877	-750	875	1,259	1,508

Amended accounting policies – IFRS 15, comparative figures for 2017 been restated

In the Annual Report, comparative figures for 2017 been restated due to the application of IFRS 15 as of January 1, 2018. This applies for all tables and figures pertaining to 2017, unless otherwise stated. The amendment entails briefly that the requirements have been strengthened in respect of recognizing revenues deriving from contract modifications related to alterations and supplementary work, compensation for shortcomings in tender specifications and similar items. The changes affect the Building Sweden, Building Nordics and Infrastructure business areas.

BALANCE SHEET, SEK M	2017	IFRS 15 2017	2018	2019	2020	2021
ASSETS						
<i>Fixed assets</i>						
Goodwill	1,848	1,848	1,861	1,893	1,800	1,852
Other intangible assets	335	335	339	368	342	335
Right-of-use assets			493	1,716	1,952	1,600
Owner-occupied properties	880	880	915	899	875	790
Machinery and equipment	2,712	2,712	2,559	2,611	2,306	2,296
Long-term holdings of securities	129	129	119	114	93	82
Long-term interest-bearing receivables	575	575	195	144	125	128
Other long-term receivables	26	26	119	34	19	23
Deferred tax assets	239	338	531	524	587	609
Total fixed assets	6,743	6,843	7,133	8,302	8,099	7,714
<i>Current assets</i>						
Right-of-use assets				51	11	2
Properties held for future development	1,696	1,696	1,633	1,391	1,492	1,005
Ongoing property projects	1,039	1,039	2,292	3,042	4,610	5,370
Completed property projects	870	870	308	936	496	
Participations in associated companies			226	263	295	431
Materials and inventory	764	764	902	1,008	953	1,059
Tax receivables	241	241	146	50	58	70
Accounts receivable	8,882	8,882	9,629	8,674	7,084	7,748
Worked-up, non-invoiced revenues	1,671	1,554	1,276	1,360	1,349	1,367
Prepaid expenses and accrued income	1,170	1,170	1,418	1,556	907	952
Current interest-bearing receivables	167	167	163	226	126	103
Other receivables	687	687	608	555	740	552
Short-term investments	41	41	72	63	174	487
Cash and cash equivalents	3,063	3,063	1,197	2,416	2,155	2,561
Total current assets	20,292	20,174	19,868	21,589	20,450	21,707
TOTAL ASSETS	27,035	27,018	27,001	29,890	28,549	29,421
SHAREHOLDERS' EQUITY						
Shareholders' equity	5,516	5,168	2,931	3,044	3,972	5,844
Non-controlling interests	12	12	17			
Total shareholders' equity	5,528	5,179	2,948	3,044	3,972	5,844
LIABILITIES						
<i>Long-term liabilities</i>						
Long-term interest-bearing liabilities	1,669	1,669	1,342	3,649	3,965	2,038
Other long-term liabilities	54	54	8	52	60	47
Provisions for pensions and similar obligations	1,407	1,407	2,279	2,840	2,832	1,997
Deferred tax liabilities	438	438	297	170	196	464
Other provisions	1,889	1,889	2,563	2,777	2,586	2,608
Total long-term liabilities	5,456	5,456	6,488	9,488	9,639	7,154
<i>Current liabilities</i>						
Current interest-bearing liabilities	919	919	1,051	848	606	2,176
Accounts payable	5,179	5,179	5,164	4,275	4,487	4,567
Tax liabilities	95	95		100	66	22
Invoiced revenues not worked up	5,574	5,905	6,311	6,354	4,104	4,830
Accrued expenses and deferred income	3,207	3,207	3,452	3,878	3,727	3,588
Provisions	24	24	68	24	19	13
Other current liabilities	1,052	1,052	1,520	1,878	1,930	1,227
Total current liabilities	16,051	16,382	17,566	17,358	14,938	16,422
Total liabilities	21,507	21,838	24,054	26,846	24,577	23,577
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	27,035	27,018	27,001	29,890	28,549	29,421

KEY FIGURES	2017	IFRS 15 2017	2018	2019	2020	2021
Financial statements, SEK M						
Net sales	54,608	54,441	57,346	58,234	53,922	53,414
Operating profit/loss	1,242	1,075	-764	1,296	1,360	1,825
Profit/loss after financial items	1,150	983	-849	1,184	1,281	1,765
Profit/loss for the period	1,009	877	-750	875	1,259	1,508
Investments in fixed assets	1,238	1,238	1,669	2,992	1,921	1,099
Investments in property projects	1,152	1,152	2,602	3,281	3,353	3,467
Cash flow, SEK M						
Cash flow from operating activities	2,158	2,158	-375	2,214	1,569	2,260
Cash flow from investing activities	-797	-797	-782	-701	-463	-363
Cash flow before financing	1,361	1,361	-1,157	1,512	1,106	1,896
Cash flow from financing activities	-1,392	-1,392	-717	-308	-1,322	-1,492
Change in cash and cash equivalents	-30	-30	-1,866	1,219	-260	406
Profitability ratios						
Return on shareholders' equity, %	18	17	-18	32	37	32
Return on capital employed, %	13	12	-9	13	12	16
Financial ratios at year-end, SEK M						
EBITDA %	3.6	3.3	0.8	4.7	5.2	5.9
Interest coverage ratio, multiple	9.8	8.5	-6.0	9.1	12.7	23.0
Equity/assets ratio, %	20	19	11	10	14	20
Interest-bearing liabilities/total assets, %	15	15	17	25	26	21
Net cash +/Net debt -	-149	-149	-3,045	-4,489	-4,823	-2,932
Debt/equity ratio, multiple	0.0	0.0	1.0	1.5	1.2	0.5
Capital employed at year-end	9,523	9,174	7,619	10,382	11,375	12,055
Capital employed, average	9,418	9,138	8,780	9,936	10,983	11,430
Capital turnover rate, multiple	5.8	6.0	6.5	5.9	4.9	4.7
Closing interest rate, % ¹⁾	2.0	2.0	1.3	1.1	1.1	1.1
Average interest-rate maturity, years ¹⁾	0.6	0.6	0.5	1.2	1.0	0.5
Order status, SEK M						
Orders received	56,990	56,777	61,842	58,048	51,199	55,786
Order backlog	51,806	51,734	56,837	57,800	50,945	55,763
Per share data, SEK						
Profit/loss after tax, before and after dilution	9.29	8.07	-7.00	8.09	11.68	14.02
Cash flow from operating activities, after dilution	19.97	19.97	-3.47	20.50	14.56	21.00
Cash flow before financing, after dilution	12.59	12.59	-10.71	14.01	10.26	17.62
P/E ratio, before dilution	17	19	-20	19	13	12
Dividend, ordinary	8.00	8.00	4.00	2.50	5.00	6.00 ²⁾
Dividend yield, %	5.1	5.1	2.9	3.3	3.3	3.6
Shareholders' equity, before and after dilution	51.04	47.81	27.13	28.21	36.89	54.32
Share price/shareholders' equity, %	308	329	508	543	407	309
Share price at year-end, NCC B	157.30	157.30	137.80	153.20	150.00	167.70
Number of shares, millions						
Total number of issued shares ³⁾	108.4	108.4	108.4	108.4	108.4	108.4
Treasury shares at year-end	0.4	0.4	0.4	0.5	0.8	0.8
Total number of shares outstanding before dilution at year-end	108.1	108.1	108.0	107.9	107.7	107.6
Average number of shares outstanding before dilution for the period	108.1	108.1	108.1	108.0	107.8	107.6
Market capitalization before dilution, SEK M	16,997	16,997	14,896	16,548	16,144	18,035
Personnel						
Average no. of employees	17,762	17,762	16,523	15,273	14,388	13,002

¹⁾ Excluding lease liability and excluding pension debt.

²⁾ Dividend for 2021 pertains to the Board of Directors' motion to the AGM.

³⁾ All shares issued by NCC are common shares.

For definitions of key figures, see p.76.

Quarterly data

SEK M	Quarterly amounts, 2021				Full year 2021	Quarterly amounts, 2020				Full year 2020
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Group										
Orders received	14,255	16,568	8,905	16,059	55,786	15,458	12,730	9,026	13,984	51,199
Order backlog	56,096	58,816	54,525	55,763	55,763	62,333	59,486	54,821	50,945	50,945
Net sales	10,140	12,745	14,531	15,998	53,414	11,766	14,431	12,820	14,905	53,922
Operating profit/loss	-144	487	877	605	1,825	-69	483	567	379	1,360
Profit/loss after financial items	-152	476	864	577	1,765	-90	463	549	359	1,281
Profit/loss after tax	-124	388	706	538	1,508	-84	435	488	420	1,259
Earnings per share after dilution, SEK	-1.15	3.61	6.56	5.00	14.02	-0.78	4.03	4.53	3.90	11.68
Cash flow before financing	586	-772	1,389	687	1,896	1,018	-605	-63	756	1,106
Equity/assets ratio, %	14	14	17	20	20	9	11	13	14	14
Net cash +/Net debt -	-4,120	-4,878	-3,247	-2,932	-2,932	-4,474	-5,201	-5,052	-4,823	-4,823
NCC Infrastructure										
Orders received	5,432	6,769	2,933	3,242	18,377	4,776	3,253	3,249	2,803	14,080
Order backlog	18,296	20,865	20,047	18,923	18,923	21,106	19,760	18,598	16,200	16,200
Net sales	3,486	4,118	3,789	4,946	16,339	4,092	4,763	4,230	5,185	18,271
Operating profit	40	115	123	115	391	40	105	115	97	357
Operating margin, %	1.1	2.8	3.2	2.3	2.4	1.0	2.2	2.7	1.9	2.0
NCC Building Sweden										
Orders received	3,665	4,203	2,290	4,210	14,369	4,458	3,729	2,438	3,860	14,484
Order backlog	18,256	18,700	17,846	18,046	18,046	17,630	17,898	17,602	17,670	17,670
Net sales	3,079	3,697	2,990	4,102	13,868	3,384	3,464	2,735	3,792	13,375
Operating profit	90	129	100	137	457	87	90	78	126	381
Operating margin, %	2.9	3.5	3.4	3.3	3.3	2.6	2.6	2.9	3.3	2.9
NCC Building Nordics										
Orders received	2,093	2,906	1,780	6,518	13,297	3,247	2,179	1,247	5,203	11,877
Order backlog	14,852	14,919	14,003	17,271	17,271	16,916	15,178	13,671	14,856	14,856
Net sales	2,420	2,680	2,788	3,437	11,324	2,856	3,142	2,795	3,342	12,134
Operating profit	39	88	111	172	410	50	62	50	181	343
Operating margin, %	1.6	3.3	4.0	5.0	3.6	1.7	2.0	1.8	5.4	2.8
NCC Industry										
Orders received	2,884	2,984	2,309	2,119	10,297	2,918	3,315	2,011	2,360	10,606
Net sales	822	3,107	3,769	3,058	10,755	926	3,139	3,706	3,099	10,870
Operating profit/loss	-298	243	273	2	220	-364	244	390	115	386
Operating margin, %	-36.3	7.8	7.2	0.1	2.0	-39.3	7.8	10.5	3.7	3.5
Capital employed	4,903	5,418	5,474	4,772	4,772	4,978	5,307	5,201	4,465	4,465
NCC Property Development										
Net sales	1,136	40	2,072	1,528	4,775	1,577	679	18	464	2,737
Operating profit/loss	47	-25	277	179	478	323	68	-11	54	434
Capital employed	5,703	6,401	5,517	6,567	6,567	4,624	5,337	5,793	6,433	6,433
Operating margin, %	4.1	-62.6	13.4	11.7	10.0	20.5	10.1	-58.5	11.6	15.9

NCC Industry's operations and certain operations in NCC Building Sweden, NCC Building Nordics and NCC Infrastructure are impacted by seasonal variations due to weather conditions. Earnings in the first quarter are normally weaker than the rest of the year.

Definitions

Financial key figures

Return on shareholders' equity

Net profit for the year according to the income statement excluding non-controlling interests, as a percentage of average shareholders' equity.

Return on capital employed

Profit after financial items including results from participations in associated companies following the reversal of interest expense as a percentage of average capital employed. Return on capital employed is used to optimize the Group's capital allocation and value generation.

Dividend yield

Dividend as a percentage of the market price at year-end.

Operating net

Profit from property management before depreciation.

EBITDA

Operating profit in accordance with the income statement with depreciation and impairment losses reversed (not construction-related projects) including impairment losses on properties classed as current assets and excluding depreciation of leases.

Average interest-rate maturity

The remaining interest-rate maturity weighted by interest-bearing liabilities outstanding.

Corporate net debt

Total net debt excluding lease liability and excluding pension debt.

Average shareholders' equity

Average of recognized shareholders' equity at January 1, March 31, June 30, September 30 and December 31.

Capital turnover rate

Net sales divided by average capital employed.

Net investments

Closing balance less opening balance plus depreciation and impairment losses less write-ups of fixed assets and properties classified as current assets.

Net sales

The net sales of construction operations are recognized in accordance with the percentage-of-completion profit recognition principle. These revenues are recognized in pace with the gradual completion of construction projects within the company. Property sales are recognized on the date when material risks and benefits are transferred to the buyer, which normally coincides with the transfer of ownership. In the Parent Company, net sales correspond to recognized sales from completed projects.

Net debt/EBITDA

Corporate net debt divided by EBITDA.

Orders received

Value of received projects and changes in existing projects during the period concerned. Proprietary projects for sale are also included among assignments received, assuming that a decision to initiate the assignment has been taken, as well as sold completed residential units from inventory.

Order backlog

Year-end value of the remaining unrecognized project revenues for projects received, including proprietary projects for sale that have not been completed.

P/E ratio

Year-end market price of the shares, divided by earnings per share after taxes.

Earnings per share, after taxes

Net profit for the year attributable to NCC shareholders divided by the weighted number of shares during the year in question.

Interest-bearing Corporate Debt

Interest-bearing liabilities excluding lease liability and excluding pension debt.

Interest coverage ratio

Profit after financial items following the reversal of financial expenses divided by financial expense.

Operating margin

Operating profit as a percentage of net sales.

Debt/equity ratio

Net debt divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Capital employed

Total assets less interest-free liabilities including deferred tax liabilities. Average capital employed is calculated as the average of the balances at January 1, March 31, June 30, September 30 and December 31.

Total return

Share-price performance during the year plus dividend paid divided by share price at the beginning of the year.

Total net debt

Interest-bearing liabilities and provisions for pensions and similar obligations less cash and cash equivalents, short-term investments and interest-bearing receivables.

Closing date interest rate

Nominal interest weighted by interest-bearing liabilities outstanding on the balance-sheet date.

Exchange-rate effect

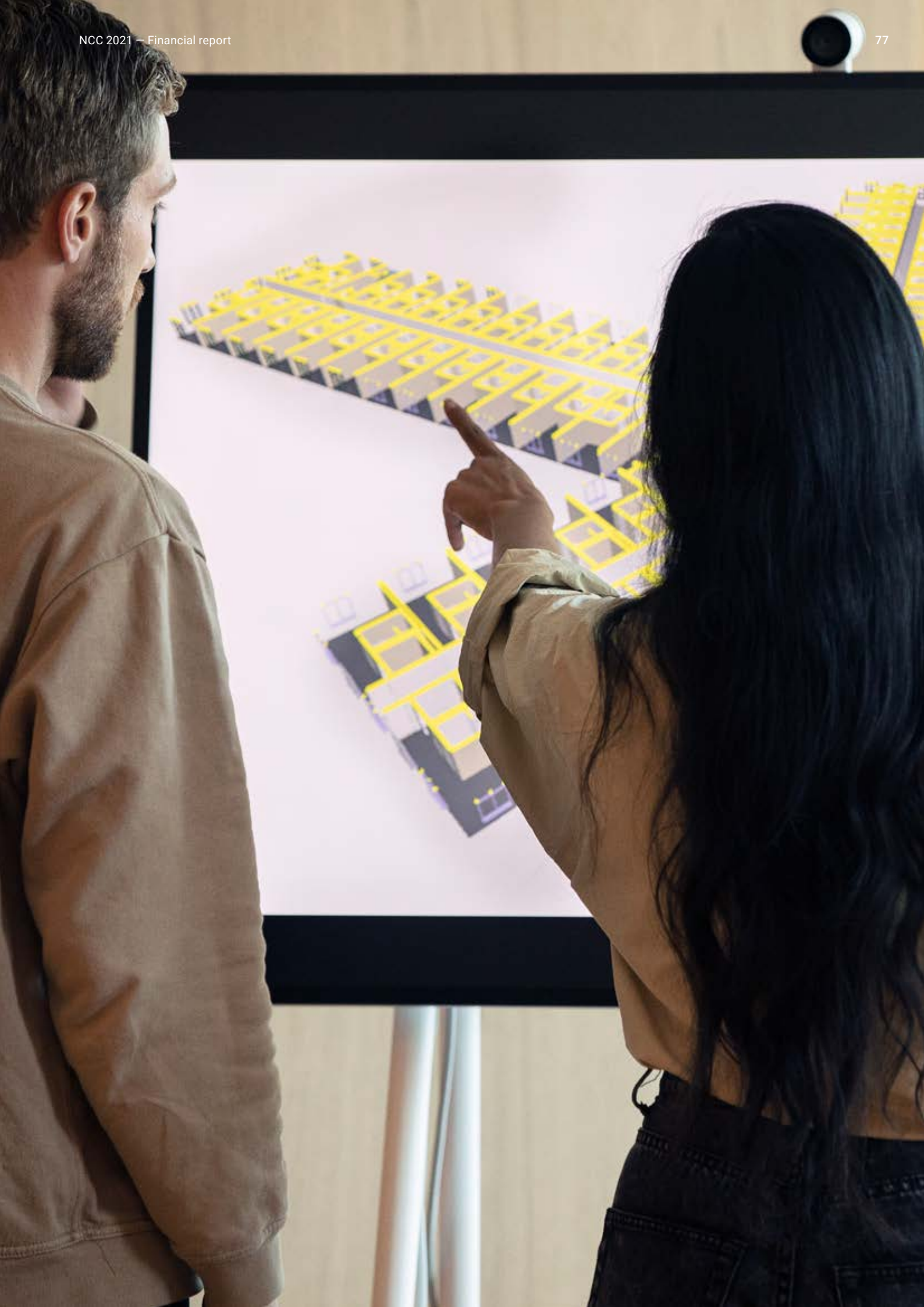
Impact of changes in various exchange rates on current reporting in NCC's consolidated accounts on translation into SEK.

Exchange-rate difference

Exchange-rate changes attributable to movements in various exchange rates when receivables and liabilities in foreign currency are translated into SEK.

Buyback of company shares (treasury shares) in share data

Treasury shares have been excluded from calculations of key figures based on the number of shares outstanding.



Sustainability Report

Sustainability reporting

NCC is one of the leading companies in the Nordic region in commercial property development, building and infrastructure project contracting, and asphalt and stone materials production, and works continuously and systematically to help the transition to a more sustainable society.

NCC constructs, maintains and develops the built environment with a focus on how materials, methods and processes can reduce the burden on the environment and make a positive contribution to society. NCC is a knowledge-based company and its core is its ability to manage the complexity of a construction process. Our strength is a proactive approach to take the customer through the construction process, for a positive end result for all stakeholders.

Create value through sustainability

NCC aims to be an empowering partner and, through cooperation and dialogue with customers, various societal players and other stakeholder groups, enable the construction of healthy, safe and secure environments. Through property development, NCC serves as a support to urban planning in issues such as the health and wellbeing of people in both office buildings and their surroundings.

NCC provides expertise and extensive digital information about processes and products in order to support decisions based on facts and high-quality data, thus contributing to a positive change now, and in the future.

NCC takes a long-term responsibility and works actively to reduce the climate impact throughout the construction process by: reducing carbon emissions, increasing energy efficiency, using resources responsibly, reducing the use of virgin materials and closing the loops, as well as by increasing the recycling and reuse of materials and the waste generated in the construction process.

NCC seeks to ensure a safe and healthy work environment for all employees, with the aim of reducing all types of accidents in accordance with NCC's vision zero, but with an increased focus on eliminating serious incidents and fatal accidents. NCC shall also maintain the highest ethical standards and conduct operations while ensuring sound working conditions.

Reduced climate footprint

Through NCC's business areas, various activities are conducted to lower the climate impact of the Group's own manufacturing of materials and production as well as of the operation and maintenance of the finished products.

Work to reduce carbon emissions in the value chain focuses on the four areas where our climate impact is the greatest: concrete, steel, asphalt and transportation. During the past year, NCC worked to analyze and record climate emissions in these prioritized areas and thus reports, initially as of 2021, emissions related to ready-mix concrete, steel reinforcement and internally purchased asphalt. NCC's ambition is to include more products in the above-mentioned categories, as well as additional categories, in order to steadily cover an even larger share of the Group's Scope 3 emissions. Work is in progress to also report emissions from transportation.

NCC's sustainability framework

NCC's sustainability framework is the starting point for the Group's sustainability work. During 2021, NCC updated its sustainability framework with the aim of better illuminating which areas and issues are most important for NCC to work with and where the impact is the greatest. The framework is divided into eight impact areas: Data and expertise, Natural resources and biodiversity, Materials and circularity, Climate and energy, Health and safety, People and team, Ethics and compliance and Economic performance. Healthy and sustainable profitability is a precondition for long-term sustainability work. The framework is presented on p. 79. The foundation for the sustainability work comprises the Group's values and Star behaviors.

NCC also works to make a positive contribution to and reduce the negative impact on the Sustainable Development Goals. The starting point for this work is the Group's sustainability framework. Read more below.

Targets

NCC has external targets in two areas: Health and safety and Climate and energy. These two targets connect to the Group's high-priority impact areas in respect of proactive work to promote sustainable development for all stakeholders. NCC also has a number of internal targets in several impact areas.

Financial disclosures

NCC publishes an annual investor report for Green Bonds, reports to CDP and, in 2021, took additional steps to report climate risks and opportunities according to the Task Force on Climate-related Financial Disclosures (TCFD) framework's recommendations.

NCC is subject to the EU's Taxonomy and reports according to this at Group level.

Sustainable Development Goals

NCC supports Agenda 2030 and the Sustainable Development Goals (SDGs). NCC has previously selected four SDGs where the Group has the greatest potential to contribute through various societal solutions, and another 11 SDGs that are fundamental to our operations and for the Group's offerings, see below. NCC has also evaluated the SDGs at the target level and selected 50 of the 169 targets as relevant and guiding. NCC intends to continue its efforts to implement the SDGs in its operations, in part by developing new solutions and involving more functions in business areas and their operations in order to increase commitment and participation.

Positive impact through core business

NCC's expertise and solutions influence sustainable development in places where people live, work, travel and spend their spare time together. NCC has an important role to play in the Nordic contribution to achieving the SDGs 7: Affordable and clean energy; 9: Industry, innovation and infrastructure; 11: Sustainable cities and communities; and 12: Responsible consumption and production. By planning and shaping the physical environment, NCC can contribute to increased safety, security, well-being and inclusion. This will be achieved, for example, by creating inclusive societies with housing and infrastructure. It will also involve building resilient solutions and communities that can manage climate changes in the form of, for example, rising temperatures and increased amounts of rain. Work to increase resource efficiency, develop new circular material flows and reduce waste, as well as NCC's efforts towards independence from fossil fuels, are other important aspects in reducing the Group's environmental impact and increasing its operational efficiency.

Resource management

The Group has long been proactive in its work to formulate offerings and work methods that improve the situation for both people and the environment. Accordingly, NCC regards the SDGs 3: Good health and wellbeing; 6: Clean water and sanitation; 13: Climate action; 14: Life below water and 15: Life on land, as fundamental to its operations and a prerequisite for the long-term retention of the natural resources needed by NCC. The health and well-being of people can be promoted by intelligent buildings and sustainable infrastructure. By integrating green areas into urban environments and promoting various species in quarries, NCC also contributes to increasing biodiversity and sustainable ecosystems. Although access to clean water is relatively favorable in the Nordic region, NCC regards clean water and life below water as important goals to promote, for example, through ecosystem services and water efficiency throughout the value chain.

NCC’s Sustainability Framework

NCC’s Sustainability Framework is the starting point for the Group’s sustainability work. In addition to the Group-wide sustainability targets, the business areas set operations-specific sustainability targets.

Impact areas

Data & Expertise	Natural resources & Biodiversity	Materials & Circularity	Climate & Energy	Health & Safety	People & Team	Ethics & Compliance
<ul style="list-style-type: none"> ♦ Certified constructions and buildings ♦ Products and concepts with sustainability profiles ♦ Environmental product declarations and climate calculations 	<ul style="list-style-type: none"> ♦ Biodiversity ♦ Raw materials ♦ Water 	<ul style="list-style-type: none"> ♦ Design and material selection ♦ Recycling and reuse ♦ Waste 	<ul style="list-style-type: none"> ♦ Greenhouse gas emissions ♦ Energy ♦ Climate adaptation 	<ul style="list-style-type: none"> ♦ Occupational health and safety 	<ul style="list-style-type: none"> ♦ Diversity and inclusion ♦ Employee engagement ♦ Non-discrimination ♦ Learning and development 	<ul style="list-style-type: none"> ♦ Anti-corruption ♦ Fair competition ♦ Human rights ♦ Supplier assessment

Economic performance

Stable, sustainable financial performance

Our core

Our core
Our ability to manage the complexity of a construction process

Our purpose
To take the customer through the construction process to ensure a positive end-result for all stakeholders

Our values
Honesty / Trust / Respect

Our Star behaviors
Act with passion to perform / Build together / Follow through and follow up / Act with care

Value-guided

NCC implements activities aimed at achieving the SDGs 4: Quality education; 5: Gender equality; 8: Decent work and economic growth; 10: Reduced inequalities; 16: Peace, justice and strong institutions; and 17: Partnerships for the goals. In these areas, NCC raises awareness and competencies internally through in-house training. NCC complies with principles for equality, reduced inequality, decent labor conditions and economic growth, which can be directly linked to SDGs 5, 8 and 10. NCC works to counteract corruption and bribery and to ensure compliance with the highest ethical standards. The company also works to promote employment for young people and ensure a healthy and safe work environment while proactively working to end all types of discrimination. Cooperation and partnerships with various stakeholders are prerequisites for making the transition to a sustainable world by 2030, as reflected in SDGs 16 and 17. Read more at: www.ncc.group/globalgoals.

Memberships, initiatives and networks involving sustainability

NCC participates in industry-wide collaborations and initiatives promoting sustainable business in all markets, and actively participates in the work of, for example, industry associations, business organizations and chambers of commerce. A small selection of commitments signed by NCC and organizations in which NCC works actively through, for example, Board membership, is presented below.

Signed commitments and guidelines supported by NCC

- UN Global Compact
- Fossil-free Sweden (Fossilfritt Sverige)
- Sveriges Bergmaterialindustri - SBMI (The Swedish Aggregates Producers Association)
- Agreement on counteracting bribery and corruption (ÖMK)
- Task Force on Climate-related Financial Disclosures

Selection of memberships, networks and initiatives

- CDP (formerly Carbon Disclosure Project)
- Industry associations Byggföretagen (Sweden), EBA (Norway), DI Byggeri (Denmark) and the Confederation of Finnish Construction Industries RT (Rakennusteollisuus RY)
- Sweden Green Building Council, Green Building Council Denmark, Green Building Council Finland, Norwegian Green Building Council
- Entreprenørforeningen - Bygg og Anlegg (Norway), Foreningen for Byggeriets Samfundsansvar (Denmark)
- The Swedish Anti-Corruption Institute (IMM), Transparency International - Sweden
- The Chamber of Commerce and Industry of Southern Sweden, The West Sweden Chamber of Commerce, The Stockholm Chamber of Commerce

Sustainability governance

Sustainability work in NCC is governed, inter alia, by the Group's sustainability framework, the Code of Conduct and other policies, such as a Sustainability Policy featuring an Environmental Policy, a Health and Safety Policy and a Compliance Directive. NCC supports the UN's Global Compact initiative and its ten principles involving human rights, labor conditions, the environment and anti-corruption. NCC also complies with the UN declaration on human rights, the ILO's declaration on fundamental principles and rights at work, the OECD's principles and norms for multinational companies and the Rio Declaration including the precautionary principle, which entails that NCC undertakes to prevent and minimize risks in the environmental area.

Code of Conduct

NCC's Code of Conduct describes the expected conduct of all parties concerned – employees, managers, Board members and business partners – and is based on NCC's values and the voluntary initiatives undertaken by the Group. All employees receive regular training in the Code of Conduct's fundamentals and are expected to comply with these principles in their daily work. NCC's Senior Management Team (SMT) is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Awareness of the Code of Conduct is very high at NCC.

NCC's Code of Conduct for suppliers

NCC's business partners play an important role in the operations and NCC expects them to respect and live up to the Group's values. Suppliers must comply with NCC's Code of Conduct for suppliers. The Code of Conduct for suppliers applies to all parties who supply NCC with products, personnel or services, including direct and indirect suppliers, service suppliers, subcontractors, intermediaries and agents, as well as, where relevant, employees of suppliers and their subcontractors and agents.

NCC also has an Ask Me and a Tell Me function. NCC encourages employees to ask questions through the Ask-me function, and provides several resources that can respond to questions concerning compliance. These are available on the in-house website, and those officers who respond to questions include the employees managers and representatives from HR, Legal, Finance and Compliance. In the event of any doubt, all employees are urged to ask before they act. Tell Me is a whistleblower function through which employees and other stakeholders, anonymously if they so wish, can report their suspicions about behaviors and actions that contradict the Code of Conduct. All reports are investigated in an impartial and thorough manner, when needed also with external expertise, to guarantee legally secure treatment. Information on how the Group manages personal data and any inquiries and incidents in accordance with GDPR is available on both NCC's external website and intranet. NCC continuously provides compliance, anti-corruption, competition law and GDPR training to its employees.

Read more under Ethics and compliance, p. 99.

Sustainability organization

The CEO is ultimately responsible for NCC's sustainability efforts and NCC's SMT takes decisions concerning which of the Group-wide sustainability targets are to be followed up. The sustainability work is conducted in the five business areas and is coordinated regularly both by country and at the Group level when relevant. Operations-specific targets are set in the business areas, which are followed up in the SMT through the relevant Business Area Manager. All business areas have a sustainability manager. The Board of Directors is informed continuously about various aspects of the Group's sustainability work. The Board of Directors reviews and follows up both sustainability work and strategy, and that NCC's operates in line with the Group's sustainability targets.

NCC's Sustainability Board manages NCC's Group-wide sustainability-related data. Permanent members are the business areas' sustainability managers, the Head of Sustainability Governance, the Head of Sustainability Communication and representatives of R&I and Purchasing. Representatives from other parts of the Group participate when required. The Sustainability Board has been mandated to make decisions for NCC concerning sustainability matters, together with NCC's Sustainability Sponsors: the CFO and Head of Finance & IT and the Head of Communication.

The managers of each business area, in collaboration with their sustainability organization, reports the outcome of their targets. Group-wide targets and initiatives are coordinated by the Sustainability Reporting and Control unit.

The Sustainability Reporting Forum, which consists of members of the business areas' sustainability organization, mainly focuses on targets and sustainability data, and coordinates data collection and reporting.

In addition, the various Group functions, such as Communication, Purchasing, Finance, Strategy and HR, are responsible for their own sustainability-related activities.

Compliance organization

NCC's compliance-related efforts are conducted via the NCC Group Compliance Officer together with selected representatives from Group staff functions and all business areas.

Health and safety organization

The overall occupational health and safety work (OHS) is coordinated by the Group's Head of Health and Safety. Each business area has a health and safety manager, as well as specialists focusing on health and safety. The responsibility for systematic OHS work at the worksite is delegated to managers with personnel responsibility.

NCC's policies

Area	Anti-corruption	The environment	Social issues incl. HR and human rights
Policies	Code of Conduct	Code of Conduct	Code of Conduct
	Compliance Directive	Sustainability Policy featuring an Environmental Policy	Compliance Directive
	Code of Conduct for Suppliers	Code of Conduct for Suppliers	Health and Safety Policy
			Health and Safety Directive
			Code of Conduct for Suppliers
			Directive on alcohol and drug use

Stakeholder dialogue

NCC engages in ongoing dialogue with its stakeholders in order to gain insights into the type of issues that are most important to them and to find out their needs and their expectations of NCC.

The principal stakeholder groups are: shareholders, investors and banks, employees, customers, suppliers and subcontractors, and society. These groups have been known to NCC for some time, with the point of departure being the extent by which they influence or are influenced by the Group's work.

NCC regularly conducts various types of dialogues with stakeholder groups, such as customer surveys and employee surveys. During 2021, in-depth interviews were conducted with investors and analysts, as well as Group-wide suppliers. A project was initiated to develop formats for additional ongoing dialogues with employees. This work will continue in 2022. These dialogues show that there is considerable commitment to NCC's sustainability work.

Stakeholder group	Issues in focus	Type of dialogue
Shareholders, investors and banks	Responsible ethical enterprise, including sound working conditions and anti-corruption. Long-term economic value growth. Responsibility throughout the value chain. Ongoing risk assessment and risk management. Reduce climate impact, including work to reduce emissions, circularity, the use of materials, water, waste and biodiversity. Safety and health.	Annual General Meeting, meetings with analysts, responses to and dialogue concerning questionnaires from investors and analysts, meetings with investors, meetings with individual shareholders, national and international evaluations. In-depth interviews with investors and analysts.
Employees	Responsible ethical enterprise. Safe and secure workplaces. Skills and career development. Good leadership. Equal treatment, diversity and inclusion.	Pilot study for the development of additional dialogue with employees. Daily dialogues, employee surveys, work environment measurements, work environment dialogues, workplace meetings, in-house training, incident follow-ups, performance reviews and student relations.
Customers	Responsible ethical enterprise. Professional entrepreneurship. Cooperation and partnerships. Knowledge and skills. Resource capacity, quality, availability. Good working and employment conditions, including safe and secure worksites. Certifications. Climate and environmental awareness and measures to reduce the climate and environmental impact. Focus on resource efficiency, recycling and selection of sustainable materials. Contributing through sustainable innovation and sustainable solutions. Support customers in achieving their climate and environmental objectives. Contribute to local community development. Adaptation of cities and municipalities to climate change, environmental challenges and social requirements.	Personal meetings, partnership projects, dialogue meetings, customer meetings, trade fairs, customer questionnaires, question forms from customers, procurement processes and audits. Worksite visits, partnering projects, information meetings, networks, contacts with county councils/municipalities and environmental reports.
Suppliers and subcontractors	Responsible ethical enterprise. Code of Conduct. Climate, emissions in the value chain, transportation, circularity, use of raw materials, energy: reduce energy consumption and use renewable energy, sound working conditions, safety, continuous work to integrate suppliers' employees at worksites.	In-depth interviews with Group-wide suppliers. Procurement processes, supplier assessments, personal meetings, meetings with suppliers, supplier audits, sustainability dialogues and partnership projects.
Society	Good dialogues prior to, during and after the construction and work process, to achieve a favorable end result for all stakeholders. Create accessible, safe, secure and vibrant city districts and living environments. Create appropriate, safe and secure indoor and outdoor environments. Good work environment. Adapt and build with climate change in mind and respect for the environment.	Neighbor dialogues. Dialogue, inclusion and social commitment through, for example, the zoning process, citizen dialogues and communication with tenants and key individuals. Cooperation with colleges and universities. Participation in industry organizations.

Materiality analysis

NCC uses the results of stakeholder dialogues, analyses of NCC's strategic issues, risks, challenges and goals, as well as macro-trends and driving forces in society to define the most significant sustainability issues. The method for defining these material topics follows the GRI guidelines and comprises identification, prioritization and validation. The materiality analysis is validated annually. As part of the work to update the Group's sustainability framework, the impact area of Natural resources and biodiversity and the material topics of Biodiversity and Water have been added, as well as the impact area of Data and expertise including the material topics of Products and concepts with sustainability

profiles and Environmental product declarations and climate calculations. Certified constructions and buildings are also included in this area. Material is addressed within Raw materials, Design and material selection and Recycling and reuse.

In 2022, NCC will intensify its reporting in respect of the new material topics that were added after the 2021 stakeholder dialogue and materiality analysis. Read more about the sustainability framework on p. 79.

The material topics pervade every link of the value chain.

NCC's impact areas	NCC's material topics	Corresponding topics according to GRI Standards	Significant impact		
			among suppliers	in NCC's operations	among customers
Data and expertise	Certified constructions and buildings	Own topic	x	x	x
	Products and concepts with sustainability profiles	-		x	x
	Environmental product declarations and climate calculations	-		x	x
Natural resources and biodiversity	Biodiversity	Biodiversity		x	
	Raw materials	Material	x	x	
	Water	Water and emissions		x	
Materials and circularity	Design and material selection	Material	x	x	x
	Recycling and reuse	Material	x	x	x
	Waste	Waste	x	x	x
Climate and energy	Greenhouse gas emissions	Emissions	x	x	
	Energy	Energy		x	x
	Climate adaptation	Economic performance		x	x
Health and safety	Occupational health and safety	Occupational health and safety	x	x	
People and team	Diversity and inclusion	Diversity and equal opportunity		x	
	Employee engagement	Occupational health and safety	x	x	
	Non-discrimination	Non-discrimination		x	
	Learning and development	Training and education		x	
Ethics and compliance	Anti-corruption	Anti-corruption	x	x	x
	Fair competition	Anti-competitive behavior	x	x	
	Human rights	Supplier social assessment	x		
	Supplier assessment	Supplier social and environmental assessment	x		
Economic performance	Economic performance		x		

EU Taxonomy

When preparing data for the Group, NCC has complied with the instructions stipulated in the Taxonomy Regulation issued by the European Commission. Turnover include revenue, which has been recognized in accordance with IAS 1 p.82a, and the reporting is only based on external revenue. Applicable capital expenditure (CapEx) for NCC includes both property, plant and equipment, intangible assets, excluding goodwill, and adjustments of additional right-of-use assets in accordance with IAS 16 p.73 e i and iii, IAS 38 p.118 e i and IFRS 16 p.53 h. Operating expenses (OpEx) consist of costs for short-term leases since other items in the Taxonomy regarding operating expenses are not regarded as being applicable to NCC.

To determine how large a share of NCC's total turnover is eligible with the EU Taxonomy, NCC analyzed which financial activities in each respective business area are eligible. For the contracting operations, business areas Infrastructure, Building Sweden and Building Nordics, the analysis has been made on construction project level. In those cases where projects can be classified according to more than one of the financial activities described in the Taxonomy Regulation's Delegated Act for the two climate-related objectives, the project has been classified as the financial activity regarded as the project's main purpose. If, for example, a project constructing wind-turbine foundations also constructs associated maintenance roads, the project has been classified according to the financial activity "4.3 Electricity generation from

wind power" because this activity comprises "Construction or operation of electricity generation facilities that produce electricity from wind power" and constitutes the project's main purpose. For business areas Building Sweden and Building Nordics, it is assumed that all projects in the product portfolio are eligible by the Taxonomy. Also for business area Property Development, all projects are covered, apart from sales of land. For business area Infrastructure, projects corresponding to 80 percent of annual turnover have been reviewed. For the remaining projects, mainly short-term, small projects, these have been allocated according to the allocation and classification of projects constituting the span between 60–80 percent of Infrastructure's turnover. Regarding business area Industry, which does not have project-based operations, the entire business has been evaluated. The financial activities that involve recycling and reuse of materials, such as recycled asphalt, reused excavated rock and recycled stone materials, are eligible according to the Taxonomy.

Work to analyze alignment with the technical screening criteria and DNSH (Do No Significant Harm) criteria for the entire business is ongoing. NCC's taxonomy reporting is based on the information available at the end of January 2022.

For more information on NCC's CapEx, refer to notes 15, 16 and 33 on pages 43, 44, 55 and 56. For more information on turnover, refer to notes 2 and 3 on page 34, 35 and 36.

KPIs	Financial activity ¹⁾	Total, SEK	Proportion of Taxonomy eligible activities (%)	Proportion of Taxonomy non-eligible activities (%)
Turnover	Construction and real estate activities	29,490,310,502	100%	0%
	Transport	7,491,021,058	96%	4%
	Water supply, sewerage, waste management and remediation	2,952,337,555	98%	2%
	Energy	994,192,088	97%	3%
	Other ⁴⁾	11,920,664,797	0%	100%
	Total	52,848,514,000	77%	23%
CapEx ²⁾	Total	1,067,136,000	37%	63%
OpEx ³⁾	Total	1,013,843,187	89%	11%

¹⁾ The eligible financial activities, by business area, according to the categorization in the Taxonomy Regulation's Delegated Act for the two climate-related objectives in the Taxonomy, Annex I and II, where Annex I refers to climate change mitigation and Annex II to climate change adaptation, are:

– NCC Industry: 5.9 (according to Annex I)

– NCC Infrastructure: 4.3, 4.5, 4.9, 4.10, 4.12, 4.14, 4.15, 4.19, 4.20, 5.1, 5.2, 5.3, 5.4, 5.9, 6.13, 6.14, 6.15, 6.16, 7.1, 7.2 (according to Annex I)

– NCC Infrastructure - NCC Infrastructure: 4.3, 4.5, 4.9, 4.10, 4.12, 4.14, 4.15, 4.19, 4.20, 5.1, 5.2, 5.3, 5.4, 6.13, 6.14, 6.15, 6.16, 7.1, 7.2 (according to Annex II)

– NCC Building Sweden and NCC Building Nordics: 7.1, 7.2 (according to Annex I and Annex II)

– NCC Property Development: 7.1 (according to Annex I and Annex II)

²⁾ CapEx for each business area has been obtained from internal systems and, to calculate the percentage share of taxonomy eligible CapEx, the percentage of eligible turnover has been used as the allocation key for Infrastructure, Building Sweden and Building Nordics. For Industry, taxonomy eligible CapEx is calculated as the sum total of CapEx in equipment for asphalt recycling and for mobile stone crushing equipment and other equipment at plants where stone materials are received for recycling and reuse. The assessment is that NCC Property Development did not have any CapEx in 2021 that could be included in taxonomy reporting.

³⁾ OpEx for each business area comprises short-term leases and has been obtained from internal systems. In order to calculate the percentage share of OpEx that is taxonomy eligible, the percentage of eligible turnover has been used as the allocation key. The assessment is that NCC Property Development did not have any OpEx in 2021 that could be included in taxonomy reporting.

⁴⁾ The proportion of turnover deriving from financial activities that does not fall under any of the above categories is reported under Other.

Task Force on Climate-related Financial Disclosures

In 2021, NCC initiated work to report climate risks and opportunities according to the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

Climate change is impacting people and society and is leading to changes in work methods and products, and climate-change adaptation is essential if we are to remain competitive. NCC works continuously to integrate the issue of climate change into the project development process, and to drive development in order to promote the use of climate-adapted products and solutions, reduce its carbon emissions and work for increased resilience.

Governance

NCC's CEO has overall responsibility for the Group's climate-related risks and opportunities. The Senior Management Team (SMT) and each business area address climate-related risks and opportunities at an operational level. The work conducted in the five business areas is coordinated regularly both by country and at Group level where relevant.

NCC's board manages Group-wide sustainability strategy and targets, including the climate-related targets determined in 2020. The board is continuously kept updated of the business areas' work, including the work with climate-related risks and opportunities.

NCC's Sustainability Board also manages Group-wide sustainability-related tasks involving climate and the environment. Read

more under Sustainability governance p. 80 and Corporate governance p. 105.

During 2022, NCC will continue to develop its work on climate-related risks and opportunities, as well as reporting.

Strategy

NCC's strategic focus is to be a knowledge-based company with the know-how and expertise to manage the complexity of a construction process. This also applies to the Group's work on climate-related matters. The starting point for the work is the Group's sustainability framework (see p. 79). Climate and Energy is one of the prioritized areas.

During the year, each business area evaluated climate-related risks and opportunities for the Group based on two scenarios: RCP 2.6, meaning a scenario with a level of warming of 2°C, and RCP 8.5, a scenario with a level of warming of 4°C degrees, in accordance with the UN Intergovernmental Panel on Climate Change's scenarios. Both of these scenarios included an assessment of the impact on a short-term basis, by 2030, and a long-term basis, by 2050.

In respect of the risk impact, the difference between the two scenarios is relatively small, and therefore only a collective assessment of the outcome is reported in the table below.

	Risk	Opportunity
Regulatory risks/opportunities		
Increased demand for climate-related reporting		
Increased price for carbon emissions and raw materials	●	○ ○
Increased climate-related regulation of buildings and infrastructure	●	
Risks/opportunities connected to market/reputation		
Increased demand for sustainable products and services	●	○
Changes in access to capital due to climate-related regulations		○
Increased expectations that NCC will contribute to limiting climate effects		
Physical risks/opportunities		
Floods, erosion or earthquakes on purchased land	●	
Project delays due to extreme weather events		
Damage to inventories, materials and structures due to extreme weather events		
Damage to finished buildings due to extreme weather events		
Increased demand for products and services connected to climate adaptation		○
Change in length of working season		

● / ○ Greatest risks/opportunities contracting operations
 ● / ○ Greatest risks/opportunities property development
 ● / ○ Greatest risks/opportunities industry

The table above shows the main climate-related risks and opportunities that have been identified and the greatest risks/opportunities for each type of operation are highlighted.

The table above shows the main climate-related risks and opportunities that the operation have identified and evaluated during 2021. Since the business areas that conduct contracting operations, Infrastructure, Building Sweden and Building Nordics, have identified the same risks and opportunities as being most important to their business, these risks and opportunities are reported divided by type of operation. The greatest risks and opportunities were subsequently identified for each operation in a number of workshops. These are described in greater detail below.

Comments

Regulatory risk – Increased price for carbon emissions and raw materials

NCC's industrial operations purchase large amounts of energy in the form of fuel, mainly for the production of asphalt. This means that even a relatively slight price increase could impact its operations. To mitigate this risk, NCC is working actively to

replace fossil fuels with renewable alternatives, with the target that at least 95 percent of the energy used in the Swedish asphalt plants will come from biofuel as of 2024. Similarly, there is a plan to convert the asphalt plants in Norway and Denmark (see p. 91). Work is also under way in other parts of the operations aimed at replacing fossil fuels, either with renewable alternatives or with electricity. Energy-efficiency initiatives are under way throughout the Group. The operations are also striving to increase the amount of recycled stone materials and asphalt in production, in order to reduce the use of virgin materials.

Regulatory opportunity – Increased price for carbon emissions and raw materials

The opportunities for NCC's industrial operations are to remain at the cutting edge when it comes to the transition from fossil fuels to electricity or renewable fuels. A price increase for stone materials would also be beneficial for the operations, as NCC is a

significant player in the Nordic market for stone materials. NCC's property development operations have opportunities to capture market shares by offering buildings with a higher climate performance than other players in the market.

Regulatory risk – increased climate-related regulation of buildings and infrastructure

To turn this risk into an opportunity for NCC's contracting operations, NCC needs to secure resources for the development of tools and work methods, and to follow the established plan of digitalizing the operations, both to ensure increased climate performance in the structures constructed by NCC and to increase the circular flows in the operations.

Market risk – Increased demand for sustainable products and services

To turn this risk into an opportunity for NCC's property development operations, NCC needs to secure resources for the development of tools and work methods, and to follow the established plan of digitalizing the operations, both to ensure increased climate performance in the structures constructed by NCC and to increase the circular flows in the operations.

Market opportunity – Increased demand for sustainable products and services

NCC has high ambitions and a far-reaching plan for digitalizing the operations. This will generate considerable opportunities in the future, as NCC will be able to deliver the buildings and structures with low climate impact that, with high probability, will be demanded by the market.

Market opportunity – Changes in access to capital due to climate-related regulations

Capital flows will increasingly be allocated to sustainable investments. Since NCC's industrial operations have a clear focus on transitioning toward a reduced dependency on fossil fuels, considerable opportunities are seen in this area.

Physical risk – Floods, erosion or earthquakes on purchased land

With larger amounts of water and high water levels, more projects will be classified as water operations. More construction contracts may be impacted by elevated water levels in connection with rainfall and when the scope and an accelerating number of storms. NCC has considerable expertise in this area, but will continue to focus on skills development to ensure that this possible risk is turned into an opportunity.

Physical opportunity – Increased demand for products and services connected to climate adaptation

Adapting infrastructure to climate change will be an expanding market segment and the need for these services will thus also grow. Increased climate change will require an adaptation of existing infrastructure, roads, railways, bridges, etc., as well as expanded erosion protection and raising the level of roads to prevent flooding, or measures to reduce the consequences of torrential downpours. An upgrading of dams and power plants to withstand higher flows will also be necessary. All of this represents opportunities for NCC's contracting operations. The increased complexity of construction projects benefits NCC. NCC is a knowledge-based company – an expert in complex construction projects under challenging conditions. To ensure that NCC capitalizes on the opportunities that exist here, it will be necessary to maintain a focus on securing and retaining competencies concerning new materials and techniques.

During 2022, NCC will continue to evaluate how climate-related risks and opportunities impact the Group's current strategy and profitability, and perform an in-depth review of completed scenario analyses.

Risk management

NCC has assessed and analyzed the impact and probability of the most relevant climate-related risks and opportunities.

To ensure that the risks are managed and integrated into each business areas processes, sustainability managers, strategy managers, risk managers and management teams worked together to identify and analyze climate-related risks and opportunities. The end result was then validated by the Senior Management Team.

A training activity to raise competencies in climate-related risks and opportunities and potential future scenarios, based on climate research, was implemented at management team level in 2021.

As of 2022, NCC's work to identify, evaluate and manage risks related to climate change will be integrated in the regular risk process for strategic risks.

Targets and metrics

NCC reports the Group's CO₂ emissions for Scopes 1, 2 and 3. For calculating emissions, conversion from consumption to emissions has been conducted in accordance with the Greenhouse Gas Protocol.

In 2022, NCC will continue its work on following up set targets connected to climate-related risks and opportunities, and investigate whether further metrics and targets are needed.

Green bonds

NCC issued green bonds for the first time in 2019. Bonds at a value of SEK 1.6 billion were issued on Nasdaq Stockholm. Also in 2019, NCC refinanced SEK 100 M through a green private placement. The bonds have financed investments in sustainable property development projects, conversion to renewable energy sources in asphalt production and electrification of mobile crushers, as well as energy efficiency programs and reduced moisture

levels in recycled asphalt. The green framework for the bonds was verified by the Center for International Climate and Environmental Research (CICERO), an independent research center connected to the University of Oslo, and was updated in April 2021. The framework is classified as Medium Green, the second highest level in CICERO's ratings, and the governance structure was ranked as Excellent, which is the highest rating.

NCC's impact areas

Data and expertise

NCC-1 Company-specific disclosure: Certified constructions and buildings

NCC provides data and expertise to its stakeholders to support data-informed and sustainable decision-making, thereby contributing to positive change.

By working in a data-informed manner, NCC improves both its own and its customers' sustainability performance, thus contributing to improvements in productivity and increasing competitiveness, while facilitating sustainable solutions. By building and sharing expertise, NCC also contributes to knowledge development concerning sustainable solutions and work methods for the entire industry.

With the help of reliable and relevant data, NCC is able to use climate calculations and environmental product declarations to formulate the actual climate impact of projects and products, simplify work to obtain sustainability certifications, improve the development of products and concepts involving sustainable profiles, and measure, examine and follow up the Group's sustainability work at the worksites.

With expertise in materials selection and concerning the construction process, NCC contributes to customers and other stakeholders being able to make sustainable choices and informed decisions ahead of and during the construction process. Early-stage cooperation is another key factor required to create the best possible solution. Access to reliable and qualitative sustainability data is a competitive advantage, enabling NCC to make a difference and achieve change, and to be an even better guide for customers throughout the construction process. In property development, NCC's access to data and knowledge in urban and social development and in how to, for example, create efficient office environments is important for the end result.

Digitization is a prerequisite for NCC's ability to leverage the Group's collective information, knowledge and expertise and to increase the efficiency and develop sustainability work. A higher degree of digitization and standardization is also required for knowledge sharing with other players in the industry, to drive change and succeed in the climate transition, to use resources efficiently and to achieve traceability and control in the value chain.

An example of a project in which NCC – thanks to careful data collection and a data-informed work method – succeeded in achieving and surpassing ambitious sustainability targets, such as reductions in energy consumption and carbon emissions, is the VA4 project, entailing the refurbishment of 500 homes in Albertslund, outside Copenhagen, Denmark. The measures included using electric machinery, optimizing the loading of trucks, using district heating for drying materials and efficiently sorting waste to enable recycling.

Climate calculations

NCC is involved in focused efforts to implement climate calculations in construction projects, whereby the calculation process is becoming increasingly digitalized in order to ensure high quality.

The purpose of climate calculations is to gain an overview of and assess the total climate impact of a project and includes, among other things, data and related carbon emissions associated with the use of materials, energy consumption and waste. This is also an important step on the way to a climate declaration, whereby a building's climate impact is identified and quantified using actual supplier data.

Customer interest and demand for climate calculations is increasing and NCC implemented a number of initiatives during the year to involve customers in this work, such as through customer seminars. NCC also has an in-house center of excellence with climate calculation experts. Furthermore, NCC is working to produce benchmark values for various types of buildings to increase knowledge of the impact made by the various choices.

Environmental Product Declarations

Customers are increasingly requesting and demanding that products should have Environmental Product Declarations (EPDs) and an ever-increasing share of NCC's base materials, such as asphalt and stone materials, are subject to EPDs. EPDs are third-party verified and include transparent and comparable environmental impact information throughout a product's lifecycle, from the extraction of stone and other raw materials up to delivery to the customer and in connection with future recycling. As a result, customers obtain a transparent and comparable lifecycle assessment of the product.

The customers gain access to objective and reliable data, and can thus assess the products' environmental performance, making it easier for them to make environmentally conscious choices and reduce their climate footprint. NCC's EPDs are also location and product specific, which means that NCC can also use the EPDs internally to make fact-based climate and environmental improvements in its production processes.

To date, NCC has published 18 EPDs for asphalt in Sweden, including 16 in 2021. NCC has published a total of 21 EPDs for stone materials in Denmark, Finland, Norway and Sweden, of which 11 in 2021. About 60 percent of NCC's Swedish asphalt plants currently have an EPD¹⁾. The target is that all asphalt plants in Sweden will have a published EPD during 2022²⁾.

An efficient and reliable process for collecting qualitative and relevant data is a prerequisite for successfully preparing EPDs of products.

Sustainability-certified buildings and constructions

Certification systems	Nordic Swan Ecolabel			BREEAM			LEED			DGNB			MILJÖBYGGNAD			CEEQUAL		
	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number	
NCC	4	Pass	–	Bronze	–	Bronze	–	Bronze	–	Bronze	–	Pass	–	–	–	–	–	–
	–	Good	–	Silver	–	Silver	1	Silver	6	Silver	6	Good	–	–	–	–	–	–
	–	Very good	1	Gold	–	Gold	3	Gold	3	Gold	3	Very good	–	–	–	–	–	–
	–	Excellent	4	Platinum	–	Platinum	–	Platinum	–	Platinum	–	Excellent	1*	–	–	–	–	–
	–	Outstanding	–	–	–	–	–	–	–	–	–	Outstanding	–	–	–	–	–	–
Total	3	2	4	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
	3	2	4	9	3	5	4	2	0	0	3	4	12	17	9	1	1	1

That buildings are constructed to satisfy ambitious certification requirements has become a matter of course in many construction projects; however, it is not equally self-evident that the building will be actually certified. Preliminary certifications are not included in the table; only certifications implemented during the year in question.

*The Barkarby work tunnels contract Robothöjden and Landningsbanan is certified by Region Stockholm's Administration for Extended Metro (FUT), as a Whole Team Award whereby NCC was responsible for matters connected to production works.

¹⁾ The EPDs are downloadable at www.environdec.com.

²⁾ In Norway and Denmark, NCC's EPD process is not used for asphalt production. This is because the asphalt industry in these countries uses national pre-verified EPD tools that have been prepared jointly for the sector. Here, the EPDs are usually project-specific and are not published; instead, they are communicated directly to the client.

Sustainability certifications

NCC offers its customers all the types of environmental certifications that are available for both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljöbyggnad, CEEQUAL, BREEAM, LEED, DGNB, WELL and Citylab are used for housing and infrastructure projects, as well as whole city districts. BREEAM and DGNB are used for the projects that NCC develops itself. Having verified data for the projects makes it easier to get buildings and structures certified.

NCC's construction of the Granåsen winter sport facility in Trondheim, Norway, is an example of where the sustainability requirements prior to the start of the project were very stringent and where the project aimed to be certified as Excellent – the highest level of the CEEQUAL sustainability classification system.

The We Land office premises project in central Helsinki is being developed by NCC together with the City of Helsinki. The building was designed with the aim of being classified as Outstanding, the highest possible BREEAM ranking, which will be the first time such a high ranking has been achieved by NCC in Finland and among the first such buildings in Finland.

Herrjärva, NCC's head office in Solna, is one of Building Swedens and Property developments projects that was certified during the year at the BREEAM level Excellent.

Products and concepts with sustainability profiles

During 2021, NCC continued to develop products and concepts with sustainability profiles within the stone materials and asphalt

operations, known as “Smart choices for a better world”. These include products and solutions for reducing the environmental impact from a lifecycle perspective, such as NCC Green Asphalt and NCC Machine Sand, and products and solutions for managing the negative impact of climate change, such as drainage products and NCC Armour Stone. NCC also has a method for increasing biodiversity in NCC's quarries; refer to Natural resources and biodiversity.

Sustainable Site

NCC has developed Sustainable Site, an in-house work method that entails that all NCC's worksites have a shared foundation upon which to base their sustainability activities, regardless of country or operation, from planning and throughout the course of an entire project. The work method involves using a checklist containing a number of sustainability requirements, with climate impact as one of several important parameters.

The use of Sustainable Site is mandatory for all projects in the Building Sweden business area with a project value exceeding SEK 20 M, in Infrastructure for projects with a value exceeding SEK 100 M, in Building Nordics for projects exceeding NOK 40 M in Norway and DKK 50 M in Denmark, and which is used to some extent in Finland. The Industry business area uses it for quarries in the stone materials segment. Sustainable Site was further developed during the year, whereby changes and stricter requirements were introduced to further support the projects' focus on climate and other sustainability issues. Sustainable Sites are monitored in connection with environmental rounds and internal audits.

Natural resources and biodiversity

GRI 303 Water and effluents

GRI 304 Biodiversity

NCC strives for resource stewardship, to help secure well-managed ecosystems and responsible use of natural resources.

Biodiversity

Method for promoting biodiversity in quarries

NCC works to promote biodiversity at places where gravel pit operations are conducted, both during the production phase and during post-processing in conjunction with pit closures. The extraction of stone materials results in changes in nature. To counter the negative impact, NCC has developed NCC Kielo, a method that promotes biodiversity in quarries, enabling NCC to work in a structured manner based on a number of criteria. Through this work, species can thrive in the unique microclimate created by the quarries. This could involve creating conditions for endangered bird species, insects, amphibians or plants that require infertile soil or other special habitats to thrive and reproduce. To be classified as an NCC Kielo quarry, a systematic preliminary investigation, objectives, a plan, an examination and follow-up of the work, as well as a summary of the biological results for the quarry, is required.

NCC has a total of about 220 quarries in the Nordic region, of which 11 have been approved as Kielo quarries, including four in Denmark, three in Finland, two in Norway and two in Sweden. The target for 2021 was that six new quarries would be approved as Kielo. Three new Kielo quarries were approved during the year.

Property development and projects

NCC has expertise in the area of biodiversity, and this is something that is considered in NCC's construction projects. The business area Property Development business area has the ambition of integrating biodiversity in all projects, on the basis of each project's specific conditions. These initiatives are usually included as

a feature of BREEAM certification. One example is the installation of green roofs in the form of sedum roofs or biotope roofs.

Biodiversity is also an important parameter in infrastructure projects and is addressed on the basis of the requirements and conditions of the specific project. This could take the form of fauna measures under and over roads, ranging from enabling moose to safely cross over roads to frog tunnels and dormouse passages under road structures. It could also involve moving the over-wintering habitats of frogs or auditing of tree stocks when areas are being developed. An example is the upgrade of the Forshuvud hydropower plant, where NCC also built fish routes that bypassed the power station in the Dalälven river for migratory fish that spawn upstream. Other examples include remediation of land areas implemented while taking into account the over-wintering and reproduction periods of species, such as prior to the construction of the Vårvik city district in Trollhättan.

In-house training for project managers includes the topic of species protection and the measures required when protected species are found. During the year, training concerning the handling of invasive species was also implemented.

Raw materials

The construction process is material intensive and considerable resources are required for completing a building or a structure. NCC strives to use natural resources and raw materials as effectively as possible and develops products and solutions so that, with retained quality, resource stewardship is achieved while work is performed efficiently. Read more under Materials and circularity.

Stone materials

NCC strives to extract stone materials responsibly, which is done

at quarries in Sweden, Denmark, Norway and Finland.

NCC primarily uses crushed gravel (stone materials) rather than natural gravel. One of Sweden's environmental objectives is that the use of natural gravel should be avoided to preserve eskers for future water supply. NCC develops substitute products from crushed rock material in order to reduce the use of natural gravel, for example, in the production of concrete.

Sand is a natural resource that is important in construction and production. NCC has developed something called machine sand products as substitutes for natural sand and natural gravel in construction. NCC's machine-made sand is based on stone that is crushed, screened and processed to satisfy customer requirements for various applications. Machine sand can replace natural sand and gravel in the production of concrete and asphalt, and in construction and infrastructure projects. It can also be used in, for example, the sanding of winter roads.

The production of machine sand is also a way for NCC to achieve a mass balance in its quarries, which is important for achieving sustainable operations with a reduced energy consumption and climate impact, and also constitutes a feature of NCC's efforts to protect natural resources.

Mass balance

The objective of achieving a mass balance is to utilize all stone materials that are extracted from a quarry. By aim to achieve mass balance, NCC gains a market for its fine-grained material, as a substitute for natural gravel and sand.

What was previously considered a residual product is washed, processed into a more customized form and used primarily in concrete products. A successful focus on mass balance will reduce energy consumption and carbon emissions. Close cooperation with customers to satisfy their requirements is a prerequisite for successful work to achieve mass balance.

Water

For infrastructure projects, meticulous water management is key. Ahead of every project start, NCC performs thorough analyses and risk assessments concerning the impact on water; how groundwater is affected and how runoff occurs. NCC devises measures for how the projects will be conducted in a way that minimizes the impact on water. The solutions are designed on the basis of project-specific requirements.

In NCC Industry, the use of water has been analyzed, measured and followed up in the asphalt plants and quarries with Environmental Product Declarations (EPDs). The documentation includes the origin of the fresh water that is used (groundwater, surface water, tap water, etc.) as well as the annual consumption of fresh water.

During the year, NCC initiated additional work to analyze its use of and impact on water in order to be able to better measure and report this coming years.

Governance

NCC's Sustainability policy including the Environmental Policy is the governing policy.

Materials and circularity

GRI 301 Materials

GRI 306 Waste

NCC's strives to close the loop and prioritizes the use of sustainable material and product selection, minimizing and responsibly managing the waste that is created in the construction process, and building to enable recycling and reuse.

Design and material selection

Work on issues involving materials, circularity and waste is performed on the basis of each business area's specific conditions and operations.

The materials that have the greatest climate impact are concrete, steel and asphalt. Efficient resource utilization, purchases of materials with the lowest possible environmental impact and increased recycling are key.

NCC strives to close the loops also in the use of other materials, such as rock and soil materials.

Concrete

The climate impact of concrete structures (concrete and steel) is related to the amount and quality of the concrete that is used. More than 90 percent of the climate impact of concrete derives from the manufacture of cement, which is a component in concrete.

NCC conducts thorough and sustained work aimed at implementing continuous improvements in operations to enable efficient resource utilization and have, during the year, analysed its use of concrete. NCC has formulated an internal roadmap, structure and process for measuring and producing quality-assured data with the aim of achieving climate neutral concrete-based construction. This includes reducing the proportion of cement in concrete and reviewing the design of structures to minimize the volume of concrete, while ensuring the right strength and

performance and reducing waste from production, as well as recycling and reusing concrete to the extent possible.

An example of an ongoing project in which concrete with a lower climate impact has been used is E02 Central Station, a part of West Link in Gothenburg. NCC has used concretes for infrastructure including slag when casting diaphragm walls (tunnel walls), whereby about half of the concrete is replaced by slag. Compared with the initial climate calculation and the starting point for the contract, this resulted in a reduction of 17,000 tons of CO₂e emissions. The total reduction in this project compared with the starting point will be 46,500 tons of CO₂e, thanks to NCC's work on formulating optimized concrete recipes.

NCC also conducts research and innovation aimed at optimizing its use of concrete and to promote a circular management of concrete. One of the initiatives is designed to develop sustainable solutions for recycling concrete and binding CO₂ in the concrete waste.

In addition, NCC is cooperating with suppliers, customers and other players in the industry in the areas of product development and innovation. Examples of collaborations with concrete suppliers are initiatives for reducing the proportion of cement in concrete, and using machine sand to replace natural sand or gravel in the production of concrete; also refer to p. 91.

Steel

NCC strives to source steel reinforcement with a low climate impact. To maintain control over the climate impact of the material, NCC mainly purchases steel reinforcement covered by EPDs. Most of the steel reinforcement purchased in Sweden, Denmark and Norway is covered by EPDs. Read more under Climate and Energy.

Asphalt

NCC aims to use recycled asphalt (reclaimed asphalt pavement, RAP) to the greatest extent possible.

Asphalt essentially consists of two components: crushed stone materials and the oil-based resin bitumen, and is 100 percent recyclable. The use of recycled asphalt reduces the consumption of bitumen and virgin stone materials.

Recycling occurs by mixing used asphalt into the new asphalt manufactured in asphalt plants. The asphalt can also be recycled on site during the paving of roads, using what is known as the repaving or remixing method. The degree of recycling is mainly determined by rules and regulations, and by the method chosen and the capacity of the asphalt plants.

All of the paving that is removed in connection with repaving or maintenance, where NCC can determine the degree of recycling, is recycled. NCC uses as much of the recycled asphalt as is permissible by rules and regulations and authorities, and continuously improves the methods and the recycling capacity of its asphalt plants.

In 2021, recycled asphalt accounted for 26 percent (26) of the total production of asphalt.

The inclusion of recycled asphalt means that GHG emissions are approximately 16,800 tons lower per year, compared with if the asphalt had been produced using conventional technology without having the recycled asphalt mixed in.

Rock and soil material

The circularity of rock and soil material is a complex yet important area where the intention is to reduce the climate impact related to extraction, excavation and transportation of rock and soil masses, and preventing the depletion of natural resources.

The Industry business area is working to promote the reuse and recycling of stone materials, soil masses, gravel, concrete, asphalt and garden waste, and both purchases and receives materials from NCC's other business areas, and from external customers. The business area aims to increase the volume of materials received for reuse and recycling and to increase the volume of sold recycled materials. In 2021, NCC received 493 ktons of material for reuse and recycling (excl. asphalt) and sold 738 ktons of recycled materials (excl. asphalt). This can be compared with 2020, when NCC received 312 ktons and sold 729 ktons of recycled materials.

Recycling and reuse

The construction waste generated at construction sites represents great potential because it can be used in other projects. NCC engages in internal cooperation between various functions and business areas, and also with suppliers, to develop new ways of reducing construction waste and reintroducing it into production, and reusing and recycling materials.

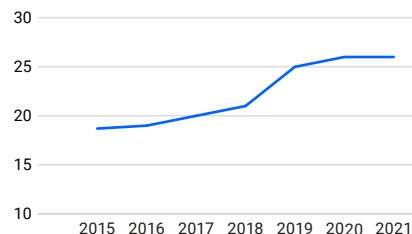
Cooperation concerning circularity also occurs between property development and contracting operations, on the basis of the projects' specific conditions.

Traceability

NCC aims to only use materials and products that are sound from an environmental and health perspective. Ultimately, the aim is to be able to recycle all input materials in buildings when the service life of the building expires. A crucial link in the transition to the use of more recyclable products and materials is to impose requirements on suppliers and to work with traceability throughout the value chain.

NCC's digitization work supports the Group's sustainability ambitions. Digital models and tools are a prerequisite for work to, for example, minimize production waste, make the right selection of materials while considering their lifecycle impact, manage chemical contents and increase recycling of building materials in connection with renovation and demolition.

Reclaimed asphalt pavement (RAP), %



As a result of the increased amount of RAP, the climate impact of all the asphalt NCC produced during 2021, were 5,300 ton CO₂e lower compared to 2015.

Återhus

The research project called Återhus (Building Recycling) is an initiative in Sweden in which NCC is working to promote circular work methods and utilize materials and components from buildings. In this project, NCC is cooperating with other industry players to enable the reuse of heavy building components, with the focus on framework features and concrete for reuse in new building and refurbishments.

Other circular initiatives include a project for the recycling of linoleum flooring. By collecting removed linoleum flooring, the material can be used as raw material in the production of new flooring. Residue from the material can be used as filler in the production of new linoleum. The climate saving from each square meter of linoleum flooring in the project is about 5 kg of CO₂e.

NCC is also working for the materials recycling of obsolete windows, whereby processes have been established for the disassembly and return of windows for circular reuse, and for the recycling of construction pallets. The initiative involving the recycling of construction pallets contributes to financial savings through reduced container costs and compensation for returned pallets, while also reducing the amount of waste at construction sites and reducing carbon emissions from the production of new pallets. In 2021, NCC returned just over 26,000 pallets in Sweden.

Award-winning pioneering project

At the construction of the Kristian Augusts Gate 13 (KA-13) office building in Oslo, NCC's subsidiary Haandverkerne together with a number of other companies have been working jointly to efficiently increase the reuse of materials. About 80 percent of the material used in the office building consists of recycled materials: steel, used doors, windows, toilets, tiles, etc. This is the single largest construction project in Norway in terms of the reuse and recycling of materials, and it can contribute knowledge to the entire industry.

GHG emissions, including from energy, materials use and transportation, have been reduced by about 70 percent compared with conventional new production.

The KA-13 project won Oslo Municipality's environmental award and is an example of where NCC's expertise in reuse has contributed to an award-winning project with extraordinary solutions.

Circular handling of excavation mass

In connection with infrastructure projects, NCC aims to not excavate more rock and soil material than is necessary, and the company strives to increase the reuse of excavation masses that were previously sent to landfill.

This reuse shall occur either within the specific project or in a closely located project that needs filler materials, and where the excavation mass has the technical and environmental qualities that are required.

During the year, NCC worked to improve the prerequisites for a circular handling of excavation mass, such as rock that includes traces of sulfide. A systematic sampling and chemical analysis of the rock is currently conducted to identify suitable projects for receiving the material. This method has been used, for example, in the handling of excavated rock from the expansion of the Stockholm subway.

Governance

In construction projects, specific material choices are made based on the projects or customer's requirements, needs and wishes. Certification systems can also set requirements for material choices.

NCC works to ensure traceability with the help of GTIN, which is then registered in logbooks etc. To support effective management and follow-up, NCC is certified and works in accordance with ISO 14001 and ISO 90001.

Waste

NCC is working actively to adapt to circular flows and to minimize the waste that arises throughout the construction process. NCC collaborates with various players in the value chain in order to adapt to a circular and sustainable construction process, and to minimize the negative impact on people and the environment, such as the waste that construction gives rise to.

Impact of waste on people and their surroundings

Following mining, construction and civil engineering is the sector in Sweden that generates the most waste¹⁾. Construction and demolition waste causes large amounts of GHG emissions throughout the value chain, from the extraction of natural resources and production of materials to waste management during construction and demolition. Construction and civil engineering products contain hazardous substances that can result in damage and inconvenience for people's health and the surrounding environment; such as leakage to soil and water caused by poor waste management practices.

NCC's work throughout the construction process

NCC works to promote the efficient use of materials and chemical products from a lifecycle perspective and bases its work on the EU's waste ladder, whereby the order of priority is primarily to prevent the generation of waste followed, in a falling scale, by reuse, materials recycling, energy recovery and the final recourse disposal, i.e. depositing waste in landfills.

Preventive work at early stages of the process is important to achieve favorable results. This involves legal and customer requirements, as well as ensuring well-functioning design, planning and project engineering in which targets and actions for circularity and waste are integrated. Efficient work is under way in all business areas, which includes utilizing more recovered materials, ensuring the use of non-hazardous materials, standardized construction with made-to-measure and prefabricated products to reduce waste, and designing the buildings so that it is possible to reuse and recycle.

At construction sites

At the construction sites, NCC works to reduce the use of materials and prevent the occurrence of waste. NCC has stringent demands for the sorting of waste in its operations and has solutions for re-introducing construction waste and materials within the operations.

Significant activities include ensuring that surplus purchased materials can be reused, protecting weather-sensitive materials, minimizing packaging through intelligent transport solutions and having a well-developed sorting system. In respect of chemicals, a list of chemicals is formulated to ensure they are managed correctly from a waste perspective.

Waste per built area

Built area (m ²)	Total amount of waste (kg)	Kg waste/m ²
513,208	19,573,681	38.1

The table contains data on newly produced buildings where the projects were completed during 2021.

Organizational aspects include having a designated person in charge of waste management for projects, having a waste management plan and holding regular meetings. In addition, NCC employees receive regular training and information. NCC's requirements pertain to both its employees and all subcontractors who work at NCC's construction sites.

The principal categories of materials that give rise to large amounts of waste are gypsum, plastic, concrete, bricks, wood and metals. The most common types of residual products that are returned through circular flows are currently pallets, flooring waste, gypsum, brick and plastic. By expanding cooperation with suppliers, there is great potential to increase the circular use of the various residual products that arise, such as packaging material.

Business models and partnerships in the value chain

NCC collaborates with such players as suppliers, hauliers and waste contractors in order to increase circular flows and minimize waste, and to work for resource-efficient management of the waste that arises. This includes development work and initiating various pilot projects. NCC also participates in research projects in the area such as circular projects concerning packaging plastics in the construction industry together with Chalmers Industriteknik, and digital innovation in circular business ecosystems together with Ragnsells and RISE.

Targets and plans moving forward

Working for increased circularity, such as sustainable materials and design choices, is of great significance to the Group's success in achieving its target of climate neutrality. For example, Building Sweden has set a target that by 2045 circular material flows will be integrated in all projects. By 2030, the aim is that the plastic delivered to NCC's worksites in Building Sweden will consist of at least 30 percent recycled materials and be 100 percent recyclable.

Amounts of waste by type and disposal method

Residual product and waste category	2021		2020		2019	
	Total weight, tons	%	Total weight, tons	%	Total weight, tons	%
Non-hazardous waste						
Sorting	5,961	11	8,189	17	9,802	19
Energy recycling	7,617	14	9,023	19	8,894	18
Reuse/materials recycling	37,036	69	27,563	58	27,662	55
Plastic	1,069					
Wood	14,149					
Gypsum	3,825					
Metal	11,664					
Concrete, bricks, tiles	1,546					
Other reuse/recycling	4,783					
Landfill	2,445	5	2,194	5	2,887	16
Hazardous waste						
Special treatment	608	1	611	1	813	2
Total amount	53,667		47,580		50,058	

In 2021, the total amount of waste increased somewhat, in part due to reporting being expanded to include more fractions. However, the rate of sorting targeted at reuse/recycling continues to rise and has risen from 48 percent in 2016 to 69 percent in 2021. Work is continuing to reduce the amount of waste and to ensure that the rate of sorting continues to increase during 2021. The statistics cover traditional construction waste. Soil, stone and fill materials, which are directly dependent on the projects' geography, are usually handled separately and are not included in the statistics. Concrete, bricks and tiles/clinkers are recycled to some extent and are reported for parts of the operations.

¹⁾ Report on waste: https://www.avfall Sverige.se/fileadmin/user_upload/4_kunskapsbank/Svensk_Avfallshantering_2020_publ2021_01.pdf

NCC reports its waste from the production of buildings and constructions (Building Sweden, Building Nordics and Infrastructure) according to the categories in the table on p.90.

Reporting principles

NCC compiles statistics over its waste via waste-management suppliers and they are summarized per unit (division or business area). The statistics are subsequently aggregated and summarized at Group level.

Governance

NCC follows up and governs the waste activities conducted at the construction sites through regular checks of waste statistics, at production meetings and during environmental rounds. NCC has established partnerships for handling the waste that arises at construction sites.

In Sweden, NCC has established a partnership with Ragnsells for recycling and sorting of waste in various categories. Ragnsells compiles and supplies waste statistics to NCC on a regular basis. NCC and Ragnsells also engage in a regular dialogue to initiate measures that increase circular flows.

Climate and energy

GRI 302 Energy

GRI 305 Emissions

NCC strives to eliminate emissions from the entire value chain, increase energy efficiency and enable adaptation to climate change. NCC's target is to become climate neutral by 2045.

The construction industry accounts for considerable GHG emissions and the climate is a high-priority issue for NCC. To lower its climate impact, NCC focuses on materials and transportation used by the Group and works to increase the use of renewable fuels and electricity, improve energy efficiency and implement process improvements.

Reduced climate footprint

NCC works in a focused and determined manner to eliminate carbon emissions from the entire value chain, which is essential to achieve climate neutrality. Cooperation and dialogue with customers, suppliers and other stakeholders for the implementation of measures and changed work methods is of the utmost importance.

NCC's target is to reduce emissions from its own operations (Scope 1 and 2)¹⁾ by 60 percent measured in tons of CO₂e/SEK M of sales by 2030 (base year 2015). Emission intensity in 2021 amounted to 3.5 CO₂e tons/SEK M, corresponding to a reduction of 41 percent compared with 2015. Carbon emissions related to purchases of electricity, district heating and district cooling declined during the year. This was largely due to energy efficiency improvements, and an increased use of electricity from renewable sources. The share of renewable fuels also increased during the year. However, carbon emissions related to fuel rose slightly, due to an increase in the total amount of purchased fuels.

Scope 3

The four areas where the climate impact is the greatest involve emissions related to concrete, steel, asphalt and transportation. During the past year, NCC worked to analyze the climate emissions in these categories and to identify the processes and actions required to achieve the set targets. Collecting quality-assured data regarding concrete, steel, asphalt and transportation is a key piece in the puzzle in the work to reduce emissions.

The target for concrete, asphalt and steel is to reduce CO₂e emissions by 50 percent by 2030, measured as kilograms of CO₂e per purchased volume, compared with 2015. Initially, volumes for ready-mix concrete, steel reinforcement and internally purchased asphalt are reported.

NCC's ambition is to include more products in the above-mentioned categories, as well as additional categories, in order to steadily cover an even larger share of the Group's Scope 3 emissions.

The target for transportation is to reduce CO₂e emissions by 50 percent by 2030, compared to 2015. Work is under way to analyze and measure emissions from transportation.

Concrete

To reduce the climate impact and achieve a reduction of 50 percent by 2030, NCC has formulated an internal roadmap and processes for measuring and producing quality-assured data, with the aim of achieving climate neutral concrete construction. For the entire operation, this entails optimizing the concrete mixes and mixing in various additives, such as fly ash and slag, reviewing the design of structures to minimize the use of concrete, and ensuring the right strength and performance from both a technical production viewpoint and in the finished structures. Other measures include reducing waste from production, as well as recycling and reusing concrete to the extent possible. Read more about concrete under Materials and circularity.

Asphalt

NCC's asphalt production accounts for 36 percent (38) of the Group's carbon emissions (Scopes 1 and 2). The asphalt division's total carbon emissions from both asphalt production and paving accounts for 59 percent (61) of the Group's total emissions (Scope 1 and 2).

The primary measure to reduce the climate emissions is a continued conversion of asphalt plants to the use of biofuels. All asphalt plants in Sweden have now been converted for the use of biofuel. In Sweden, the target is that at least 95 percent of the energy used in the asphalt plant will come from biofuel (primarily wood pellets), as of 2024. This can be compared with 2015, when the proportion of biofuels was 53 percent.

In Norway, NCC intends to convert all asphalt plants from being heated only by fossil LPG and heating oil to being heated with biofuel, primarily wood pellets. The target is to convert all asphalt plants in Norway by 2030, if the right conditions exist. The supply of wood pellets, a challenging geography and a shortage of physical space at certain asphalt plants are limiting the conversion.

¹⁾ Scope 1: Emissions related to fuel consumption in asphalt plants, and from own vehicles and machinery. Scope 2: Emissions related to the production of electricity, district heating and district cooling used in the operations. Scope 3: Indirect emissions from purchased material and external services, travel, subcontractors' vehicles and machinery and transportation, as well as demolition of the Group's products and waste.

At two of the largest asphalt plants in Denmark, NCC is investigating the potential to convert from natural gas to biogas. These two plants account for about one third of the business area Industry's total energy consumption from asphalt production in Denmark.

NCC is also working to replace fossil bitumen with bio-resins in the asphalt.

Green asphalt

NCC aims to develop more environmentally compatible asphalt products and increase the portion of recycled asphalt in production. Read more under Materials and circularity.

NCC Green Asphalt is the collective name for NCC's method of producing asphalt that results in significantly lower carbon emissions than conventionally produced asphalt. The method involves the mixing in of recycled asphalt, a lower manufacturing temperature and the use of biofuel. NCC currently has 56 asphalt plants, all of which apart from one produce NCC Green Asphalt.

Steel

In order to halve the climate impact of steel reinforcement, well-informed purchasing from producers who provide products with a lower climate impact is crucial. Environmental Product Declarations for materials are used in the supplier assessment to ascertain whether the suppliers fulfill NCC's requirements.

Reinforcement made from recycled steel is also a key component in NCC's journey toward climate neutrality. By using recycled steel, energy consumption can be reduced by up to 75 percent²⁾ compared with production of ore-based steel.

In order for steel reinforcement to be made fossil-free, new technologies are needed for the production of steel. This is exemplified by the HYBRIT initiative³⁾, in which NCC have constructed a geological repository for the storage of hydrogen, to enable fossil-free steel production. The process for the production of fossil-free steel entails that the reduction of iron ore will not result from the use of coal and coke but by using hydrogen gas produced from fossil-free energy sources. The iron is smelted using an arc furnace that is also fueled by fossil-free energy sources.

Transport

NCC is working to reduce carbon emissions by optimizing its logistics chains and increasing the efficiency of transportation.

Major efforts are required to meet the target of a 50-percent cut in carbon emissions. NCC engages a large number of sub-suppliers for transportation, and it is essential that work on data collection and emissions reduction includes these and thus also promotes the climate work of all players.

During the year, NCC initiated a program to analyze transport emissions, both its own and those from purchased transportation.

The focus have been on formulating action plans and processes for data collection.

An important measure for reducing the number of transport journeys is to optimize loading work at construction and civil engineering projects. Ensuring optimal truck loads results in both reduced emissions and lower costs. Digital tools for a structured collection of data provide insights that can lead to better planning of transport work and simplified administration.

Measures implemented during the year to reduce the climate impact also included the Industry business area's analysis of how machinery is used and eco-driving training for wheel loader operators, with the aim of reducing idling time.

NCC is also participating in external initiatives, such as developing an industry-wide standard for reporting emissions from transport, and is playing an active role in the Energy Management System for Installations (ELSA) project, which is being implemented by the Swedish Transport Administration and the KTH Royal Institute of Technology, with the aim of reducing the use of energy in the transport sector.

Energy

Central to efforts to reduce the carbon footprint include the energy efficiency of processes and production, and replacing fossil energy sources with renewable ones.

Carbon emissions related to purchased fuels, and electricity, district heating and district cooling, have declined since 2015.

To continue to reduce carbon emissions, NCC is working with a series of initiatives such as continued energy-efficiency improvements, an increased mix of renewable fuel in machinery, a continued transition to green-labeled electricity and electrification of machinery and worksites. Property Development strives to follow up the energy performance of all of its projects.

Asphalt plants

An important measure during the year was to continue to phase out fossil fuels and to continue to convert asphalt plants to the use of biofuel, whereby fossil fuels have primarily been replaced by wood pellets (read under Asphalt, above).

Considerable work during the year was also devoted to reducing the number of starts and stops of asphalt plants in order to reduce energy consumption.

Additional actions include reducing moisture in the stone materials mixed into the asphalt and to keep them dry, in order to reduce energy consumption in connection with asphalt production.

Energy audit

NCC continued the energy audit of its own operations in Sweden in order to identify possible energy-saving potential in production.

District heating/district cooling use within the organization

MWh	2021	Change compared with base year 2015, %	2020	2019	2018	2017	2016	2015
District cooling	0	-100%	75	598	624	22	1,286	209
District heating	27,647	-44%	29,560	42,508	29,156	29,207	48,933	49,239
District cooling/district heating, total	27,647	-44%	29,635	43,106	29,780	29,229	50,219	49,448

The need for district heating and district cooling varies from year to year. The amount of district heating and district cooling that is purchased depends to a large extent on the projects that were under way during the year, their placement and the phase of the project.

Electricity use in the organization

MWh	2021	Change compared with base year 2015, %	2020	2019	2018	2017	2016	2015
Electricity from renewable sources ¹⁾	162,558	59%	159,561	157,204	152,259	118,754	108,927	102,360
Other electricity	8,879	-93%	12,037	13,535	18,559	55,259	102,861	131,120
Electricity, total	171,437	-27%	171,598	170,736	170,817	174,013	211,787	233,480

¹⁾ Hydroelectric and wind power.

²⁾ <https://celsa-steelservice.se/kvalite-och-miljo/gront-stal/>

³⁾ <https://www.hybriddevelopment.se/en-fossilfri-framtid/en-vardekedja-for-fossilfritt-stal/>

The audit includes worksite visits, measurements and calculations at asphalt plants and quarries, as well as at construction sites. On the basis of the audit, actions to reduce energy consumption can be identified and taken.

NCC is conducting a number of development projects and initiatives aimed at reducing energy consumption. One development initiative is the Gullåkraskolan school in Staffanstorp, Sweden, where the anticipated cost of district heating was halved for heating and drying during the production period. By carefully controlling and regulating the supply of heat, moisture levels and temperatures in premises, energy consumption was reduced drastically. The actual consumption of district heating in the project was 56 percent lower than in the original production costing, which corresponds to 14.4 tons of CO₂e.

Renewable electricity

NCC has set a target of only purchasing renewable electricity. In 2021, the portion of renewable electricity was 95 percent (93) of the total consumption of electricity.

The Property Development business area's ambition is that every building should produce local energy on site.

Increased electrification

During the year, NCC increased the electrification of machinery, such as mobile crushers in quarries and machinery in construction projects, and worked to increase the electrification of worksites.

In Norway, the Group continued to focus on having fossil-free worksites, meaning only fossil-free fuels or electric machinery were used at the worksites, and two construction sites in Oslo have set the target of becoming emissions free.

Electrified production worksite

Development projects launched during the year include the Electric Worksite in Gothenburg, where NCC and a number of other players are testing how electric machinery such as wheel loaders, wheeled excavators and belt diggers can function and be integrated in real environments in construction and civil engineering projects, as well as in connection with road maintenance and snow clearance. The aim is to achieve a fully electrified production worksite.

Fossil-free Sweden

NCC has participated in Fossil-free Sweden since 2018. This initiative forms a platform for collaboration and dialogue among more than 300 players intent on making Sweden independent of fossil fuels. Work on implementing this roadmap continued in 2021.

Climate change – risks and opportunities

NCC depends on large quantities of raw materials, fuel and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future

taxation of fuel, energy or carbon dioxide could affect NCC's cost base. NCC endeavors to achieve a long-term reduction in its climate impact, phase out fossil fuels and move towards a more circular use of raw materials. Climate change, such as extreme weather, flooding and rising temperatures, can also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes can also have a negative impact on the safety of employees, as well as on the storage of materials at construction sites.

NCC develops materials and products that help society to adapt to a changed climate, such as drainage products, while buildings and civil engineering projects are increasingly being designed to cope with future climate effects.

NCC conducts risk assessments of all of its projects. Read more about climate-related risks and opportunities on p. 84.

Targets

NCC's target is to become climate neutral by 2045. The interim targets are:

- 60 percent reduction in CO₂e (Scope 1 and 2) by 2030 (base year 2015), measured as tons of CO₂e per SEK M of sales.
- 50 percent reduction in CO₂e (Scope 3) by 2030 (base year 2015), from concrete, asphalt, steel, and transportation⁴⁾ measured as kilograms of CO₂e per purchased volume. Initially, volumes for ready-mix concrete, steel reinforcement and internally purchased asphalt are reported.

NCC's ambition is to include more products in the above-mentioned categories, as well as additional categories, in order to steadily cover an even larger share of the Group's Scope 3 emissions.

Outcome and comments

Emission intensity amounted to 3.5 CO₂e tons/SEK M in 2021, which means that emissions related to Scope 1 and 2 have declined by 41 percent since 2015. Carbon emissions related to purchases of electricity, district heating and district cooling declined during the year. The share of renewable electricity continues to increase and now accounts for 95 percent of purchased electricity. The share of renewable fuels also increased during the year. In total, however, a slight rise in total Scope 1 emissions was noted, due to an increase in the total amount of purchased fuels. One reason for this could be a partially changed collection method of fuel related data, which is intended to capture data on a more detailed level, as well as variations in the operations. For Scope 3, refer to the graphs on p. 94.

Reporting principles

For calculating emissions, conversion from consumption to emissions has been conducted in accordance with the Greenhouse Gas Protocol. The market-based calculation method is used to measure

Fuel use¹⁾ in the organization

MWh	Change compared with		2020	2019	2018	2017	2016	2015
	2021	base year 2015, %						
Renewable fuels	192,683	84%	164,725	137,273	111,879	114,206	87,893	104,786
Fossil fuels	751,719	-27%	746,055	854,982	889,356	951,544	906,966	1,034,349
Fuels, total	944,402	-17%	910,780	992,255	1,001,234	1,065,750	994,854	1,139,135

¹⁾ Fuels include purchased fuels for vehicles, heating, industrial processes and, for example, drying processes at construction sites. NCC continues to reduce its use of fossil fuels. Since 2015, use has been reduced by 27 percent, due largely to the conversion to biofuels in Swedish and Norwegian asphalt plants.

Total energy consumption¹⁾ in the organization

MWh	Change compared with		2020	2019	2018	2017	2016	2015
	2021	base year 2015, %						
Energy consumption, total	1,143,487	-20%	1,112,013	1,206,097	1,201,831	1,268,992	1,256,865	1,422,063

¹⁾ Total energy consumption is a sum of reported energy usage for electricity, district heating and cooling, and fuels.

⁴⁾ Emissions from transportation were not reported for 2021.

GHG emissions from electricity and heating. The location-based calculation method is also reported, but this does not form the foundation for measurements concerning the climate targets. NCC does not use climate compensation. Information on purchases of fuels, electricity, heating energy, ready-mix concrete, steel reinforcement and asphalt is collected from NCC's suppliers. Tolero, an in-house developed digital tool, has been used to compile the statistics that form the basis for the reported climate data. In those cases where NCC does not use supplier-specific emission factors, emission factors from DEFRA or the Swedish Environmental Protection Agency are used, depending on applicability.

During 2021, work to request specific data from suppliers in the Nordic region was intensified in order to obtain a comprehensive impression of NCC's climate footprint. The potential for what is possible to request concerning historical figures varies among countries and suppliers.

Figures concerning concrete include data on ready-mix concrete. Underlying data on volumes, including connected EPD-based emission factors for specific products, was obtained from the various suppliers for the Swedish market. In other markets, volumes derive from suppliers; however, in those cases where product-specific emission factors are lacking, industry-specific, or official generic, emission factors for the various resilience category have been used.

Emission levels are directly related to technical requirements for various types of building structures, and the project portfolio varies over time. 2015 has been chosen as a base year to correspond to the base year for energy, asphalt and steel. Work is in progress to set a base level that reflects our product mix and variations among

countries, as well as to comply with a forthcoming industry base level. Using materials more efficiently and reducing the use of materials through, for example, design optimization and reduced waste is a key feature of the work to reduce the climate impact of the construction sector. Accordingly, the base level for concrete will be supplemented with a performance indicator, so that the impact of reduced volumes is included.

For asphalt, the climate impact is calculated according to the standard for Environmental Product Declarations (EPD). For 2021, data is reported for internally purchased asphalt, which accounted for about 85 percent of the total volume of purchased asphalt. Work is in progress to be able to report quality-assured data about the total volume of purchased asphalt.

For steel, NCC's base level for reinforcement is based on a summary of the figures obtained from clients, industry organizations⁵⁾ and steel reinforcement producers in Europe and their EPDs. The levels of CO₂e for steel vary considerably depending on the amount of waste metal used in production and the energy efficiency of the producer. The base level for steel reinforcement has been set at 1,000 kg of CO₂e/ton and the base year is 2015. The climate impact is shown as of 2017, because no previous data is available. Data from Finland has been excluded from the report, because no quality-assured EPD figures have been reported for Finland. Data with figures recalculated from purchasing volumes is not included, due to inadequate reliability. NCC also purchases other types of steel, such as structural steel used in frameworks. Work is in progress to be able to also report the climate impact of these types of steel.

In order to support effective management and follow-up, NCC is certified and works in accordance with ISO 14001 and ISO 9001.

⁵⁾ Swedish Transport Administration (2018) Klimatkalkylmodell 6.0. <http://webapp.trafikverket.se/Klimatkalkyl/>, Rekommendationer för klimatkrav i upphandling (byggforetagen.se) https://byggforetagen.se/app/uploads/2020/10/Rekommendationer_h%C3%A5llbar_upphandling_bygg_anl%C3%A4ggningsbranschen.pdf, Indicator data report 2021.pdf (worldsteel.org) <https://www.worldsteel.org/en/dam/jcr:250286d3-431b-43a2-9665-51b5abb19e9d/Indicator%20data%20report%202021.pdf>

GHG emissions from NCC's operations

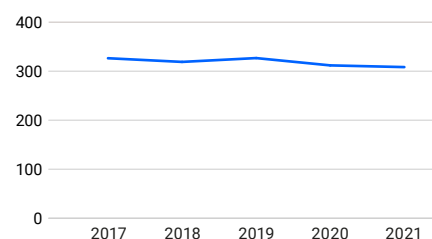
Market-based calculation method	Change compared with		2020	2019	2018	2017	2016	2015
	2021	base year 2015, %						
GHG emissions, ¹⁾ CO ₂ e (thousand tons)	185	-41%	185	216	227	260	267	312
- of which, Scope 1 ²⁾	181	-29%	179	209	217	234	223	255
- of which, Scope 2 ³⁾	4	-94%	6	7	10	26	44	57
Net sales, SEK M	53,414	1%	53,922	58,234	57,346	54,608	52,934	53,116
Emission intensity, CO ₂ e (ton)/SEK M	3.5	-41%	3.4	3.7	4.0	4.8	5.0	5.9
CO ₂ e (ton)/MWh	0.163	-26%	0.166	0.179	0.189	0.205	0.212	0.219
Location-based calculation method, CO ₂ e (tons)	9,619	-60%	11,217	12,184	11,360	11,078	8,929	24,280

¹⁾ The greenhouse gases N₂O, CH₄ and CO₂ are included in the calculations.

²⁾ Refers to direct emissions from NCC's operations, of which 0.8 (tons 000) derived from the combustion of biomass (2021).

³⁾ Refers to indirect emissions from electricity and heat.

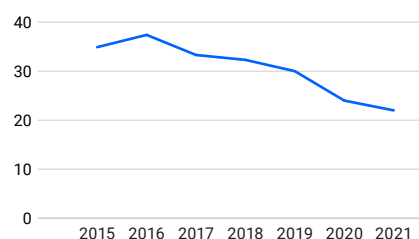
Concrete (kg CO₂e/m³)



Outcome 2021: 6 percent from 2017

The above graph shows the mean value for emissions from ready-mix concrete in CO₂e/m³. Work on collecting data is under way. The report is based on data from Sweden for 2017–2021, Denmark for 2020–2021, Norway for 2017–2021 and Finland for 2020–2021.

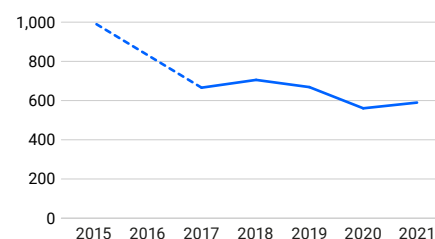
Asphalt (kg CO₂e/ton)



Outcome 2021: 37 percent from 2015

The above graph shows the volume of internally purchased asphalt, which corresponds to about 85 percent of the total volume.

Steel reinforcement (kg CO₂e/ton)



Outcome 2021: 41 percent from 2015

The above graph shows data on steel reinforcement in 2017–2019 for Sweden and Norway. Data on Denmark is also included for 2020 and 2021. The base level for steel reinforcement derives from a summary of the figures obtained from clients, industry organizations and steel reinforcement producers in Europe and their EPDs. For more information, refer to the reporting principles above.

Health and safety

GRI 403 Occupational health and safety

NCC shall have a safe, secure and healthy work environment. NCC's goal is to reduce common accidents and eliminate serious incidents and fatal accidents.

NCC has a corporate OHS target for the number of accidents in relation to hours worked (known as Lost Time Injury Frequency, LTIF). The target for 2022 is an accident frequency rate of 3.0 for accidents resulting in more than four calendar days of absence per million working hours. During 2021, this accident frequency rate was 3.7.

Covid-19

Work during 2021 was naturally impacted by the coronavirus pandemic. NCC took a number of actions to minimize the spread of infection of the coronavirus at its worksites. These included thorough risk assessments, extensive information activities, arranging for Covid testing in certain situations, and systematic management of contagion risks and outbreaks of the disease. It was possible to continue operations at NCC's production worksites throughout the pandemic, although visits were subject to clear restrictions. This meant that OHS audits by both managers and OHS personnel were minimized. Administration of and improvements in OHS efforts, performed by office staff, continued successfully, from home and using virtual channels.

New strategic direction

During the year, NCC formulated a new strategic direction for OHS work in order to reduce accidents in general and eliminate serious accidents and incidents. The serious accidents are to be prevented by focusing on activities to identify root causes in the three high-risk areas: heavy lifting by cranes, working at heights and working close to and around heavy machinery. Activities include good planning, safe behavior and technical safety barriers. Action plans for these areas will be implemented in all business areas in 2022.

Sickness absence¹⁾ NCC employees

	Sickness leave, % All types of illness and poor health		
	2021	2020	2019
Sweden	3.3	3.5	2.9
Norway	5.3	5.8	4.7
Denmark	4.0	3.7	3.6
Finland	2.7	4.2	3.8
Total	3.6	3.6	3.1

¹⁾ From NCC's OHS system and payroll system.

Work-related injuries, injury frequency and fatalities

	Work-related fatalities			Accident frequency rate for work-related fatalities			Very serious work-related injuries ¹⁾			Accident frequency rate for very serious work-related injuries				
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019		
Sweden	NCC employees		0	0	0	0	0	0	7	4	3	0.55	0.29	0.20
	Subcontractors		1	1	1	0.05	0.11	0.11	8	0	0	1.06	0	0
Norway	NCC employees		0	0	0	0	0	0	1	0	0	0.33	0	0
	Subcontractors		0	0	0	0	0	0	0	0	0	0	0	0
Denmark	NCC employees		0	0	0	0	0	0	1	4	0	0.30	1.13	0
	Subcontractors		0	0	0	0	0	0	0	0	0	0	0	0
Finland	NCC employees		0	0	0	0	0	0	1	2	2	0.47	0.80	0.71
	Subcontractors		0	0	0	0	0	0	5	0	0	1.74	0	0
Total	NCC employees		0	0	0	0	0	0	10	10	5	0.46	0.42	0.20
	Subcontractors		1	1	1	0.13	0.04	0.04	13	0	0	0.69	0	0

Note) Subcontractors also include hired staff. Data for NCC's employees are collected from NCC's system for OHS and payroll system. The total number of hours worked for NCC's employees and external staff (subcontractors and hired staff) is 40,350,960 hours.

¹⁾ Injury with permanent impact or over 30 days of absence.

Zero accidents

An example of OHS work leading to favorable results is the Stone Materials Denmark department, which achieved the milestone of not having a single accident leading to absence over a 12-month period.

Risk work

A decisive factor for the OHS work is being able to anticipate and eliminate the work features or situations that create accident risks. NCC is working to ensure that all NCC employees and subcontractors will display good risk awareness. Every workday starts with a daily safety briefing to make all employees aware of potential risks connected to the day's work, and to ensure that the risks are addressed before work commences. There is also NCC's Time Out concept, which empowers all employees to have work suspended if a new, unexpected risk or unhealthy situation arises, and to have the matter addressed and thus enable work to be resumed in a safe manner.

In addition, risk efforts are built into NCC's procedures, such as the requirement that a risk assessment must be performed for the entire project before any project starts. The risk assessment must also include a safety assessment for every risk work aspect.

Apart from the high-risk areas for serious injuries, the greatest risks are the risk of illnesses for employees working in production connected to asbestos, strain injuries and working with quartzite dust. Viewed over the entire organization, organizational and psychosocial health is a risk. Dislocation, strain and stretch injuries, broken bones, sores and other superficial injuries are the most frequently occurring injuries in all countries.

Data-informed development

All accidents and incidents are to be reported in NCC's Group-wide OHS reporting tool. This can be done online or via a mobile app.

Close calls and observations¹⁾

	2021	2020	2019
Sweden	11,648	10,520	8,413
Norway	4,658	6,023	5,290
Denmark	9,935	8,723	6,440
Finland	11,342	11,641	17,825
Total	37,583	36,907	37,968

¹⁾ From NCC's OHS system. Data includes NCC employees and sub-suppliers

Work-related accidents/injuries, accident frequency rate and fatalities, continued

		Accidents/injuries resulting in one day or more of sickness absence			Accident frequency rate for accidents resulting in one day or more of absence from work per million worked hours			Injuries not leading to lost time		
		2021	2020	2019	2021	2020	2019	2021	2020	2019
Sweden	NCC's employees	95	103	116	7,5	7,4	7,5	288	399	418
	Subcontractors	76	86	133	25,3	9,3	14,4	179	197	223
Norway	NCC's employees	11	6	10	3,7	2	3	53	49	76
	Subcontractors	5	5	4	1	0,9	0,6	10	11	14
Denmark	NCC's employees	28	33	28	8,6	9,3	8	120	133	117
	Subcontractors	29	19	28	7,7	5,1	8,9	34	32	16
Finland	NCC's employees	14	13	20	6,6	5,2	7,2	22	28	117
	Subcontractors	43	57	53	15	13,7	13,3	47	28	34
Total	NCC's employees	148	155	176	6.9	6.7	7	483	609	728
	Subcontractors	153	167	218	8.2	7.4	9.5	270	268	287

The system can be used by anyone who is present in any of NCC's worksites. In this system, a report of an accident is sent to the manager in charge, who has been assigned to follow up and formulate safety improvements.

The system also includes a feature for reporting positive and negative safety observations. Such reporting promotes the employees' commitment to safety work, provides the organization with potential to identify any risks at an early stage and highlights role models.

The data collected in the incident reporting system is used at a more general level to assess risks and formulate joint solutions, as well as for reporting.

Work environment partnerships

NCC has several important partners in its efforts to improve the work environment. There is well-established cooperation with trade unions, safety officers and NCC's OHS Councils. The OHS Councils consist of representatives of all trade unions and encompass all employees who have influence over decision making on NCC's OHS matters.

NCC participates in a number of external forums and industry-wide initiatives that work to promote increased safety and for a positive impact on OHS. The experience exchanges include the ENCORD European network, Håll Nollan in Sweden and the Danish collaboration Business Panel at the National Research Centre for the Working Environment (advisory board for research institution).

Occupational healthcare

NCC provides occupational healthcare through external care providers in accordance with each country's social insurance system.

All personal data is processed according to GDPR. Occupational healthcare is provided to employees during working hours.

In Sweden, the Frisklinjen (Health Line) service, whereby the employees gain access to professional healthcare advice, is a feature of occupational healthcare. This also provides NCC with support for addressing the employees' health, for example, when the healthcare provider, through information from Frisklinjen, can draw attention to repeated short-term absence and work-related illness. NCC's sub-suppliers manage their employees' health and medical care according to their respective trade union agreements.

Training and commitment

A crucial factor for systematic safety activities is collecting knowledge (see above under Data-informed development) and ensuring that the people who are to perform the work have the right training. For this reason, it is mandatory for all employees and subcontractors to undergo safety training before work is started at a production worksite. In addition to basic training, worksite-specific and assignment-specific training programs also have to be implemented.

During 2021, NCC developed virtual support for implementing, and registering, completed training and to facilitate the introduction to production worksites. This, in turn, will be synchronized with access cards at construction sites to ensure that those who work there have the right skills. Pilot projects have been initiated and the system will be launched at NCC's production worksites in Sweden in 2022 and will thereafter be successively rolled out in other countries.

High-level expertise in the OHS organization is ensured through formal training/education and long experience.

Annual initiatives to generate further commitment and raise safety awareness, promote safe behavior and strengthen the joint safety culture include the Awareness Day, a day when the entire organization stops and jointly reflects and focuses on OHS matters, and the Health & Safety Week, when all employees carry out various health and safety activities.

These two initiatives were also held in 2021, despite the coronavirus pandemic, but with adapted activities and special measures to be able to implement them safely.

Another new feature in 2021 was a Group-wide activity concerning Star behaviors; read more on page 10.

Targets

The target for 2022 is to achieve an LTIF4 rate of 3.0 (work-related accidents resulting in more than four calendar days of absence per million working hours).

Outcome and comments

During 2021, the LTIF4 was 3.7, which is somewhat higher than the 3.6 for full-year 2020. The results vary between business areas, whereby in 2021, the Building Sweden business area and Building Nordics came in under the 3.0 target set for 2022. Systematic work is in progress at both Group level and in every business area.

Definitions

LTIF4 is defined as work-related accidents resulting in more than four calendar days of absence per million working hours.

Injury frequency per million hours worked is defined as the number of accidents in relation to every million working hours.

Governance

NCC's OHS policy and directive encompass everyone who works at NCC's worksites.

Management system

NCC's OHS policy and directive are integrated into the management systems used by the Group and business areas. The management systems are based on ISO 45001, under which the following units are certified. Infrastructure in Denmark and Norway, Building in Denmark and Special Projects in Building in Finland.

The management approach to occupational health and safety work is based on the EU directive 89/391/EEC (including Norway), which has been included in national laws and ordinances, and other national regulations. The management system for health and safety encompasses everyone who works at NCC's worksites; i.e. NCC employees, in-sourced personnel, suppliers and subcontractors.

NCC's internal OHS organization maintains the management system. Internal audits occur continuously, while those units that are ISO 45001 certified are also audited externally.

People and team

GRI 404 Training and education

GRI 405 Diversity and equal opportunity

GRI 406 Non-discrimination

NCC strives to recruit, develop and retain the most competent people in the industry, support the progress of high-performance teams and work actively so that no one is excluded unfairly or due to unconscious biases.

Diversity and inclusion

NCC needs the most competent, knowledgeable and experienced people in the industry in order to continue to grow and achieve success. Accordingly, it is important to be an attractive choice for all target groups that have the expertise that NCC requires. During the year, NCC formulated new targets for diversity and inclusion:

- Recruit, develop and retain the most competent people in the industry
- Support the progress of high-performing teams
- Work actively so that no one is excluded unfairly or due to unconscious biases

Follow-up of the targets occurs at Group level, while activities to promote the targets are planned and implemented in each particular business area.

Initiatives for increased diversity

NCC pursues a number of initiatives for increasing diversity in the Group. In Sweden, for example, there is a Diversity Council that focuses on various initiatives to promote inclusion and diversity, such as during the managers' OHS follow-ups and the onboarding of new employees. NCC also highlights role models and people with different backgrounds and experiences in connection with recruitment.

Other examples include a local project in which NCC has formulated an apprenticeship package focused on women who do not have any education in construction but who want to know more and work in the construction industry. The purpose is to broaden the recruitment base and attract women. NCC also has representatives on educational councils for vocational colleges, whose task is to plan, organize and review vocational training and to work to enable more women to enter the industry.

In Stella, NCC's network for women in Sweden, women are given an opportunity to exchange experiences and develop in their roles. Stella currently has about 500 members. Examples of activities implemented in Stella are study visits and inspirational lectures. NCC also participates in industry-wide initiatives, such as Pepp, a Mentorship Program for women at Chalmers Institute of Technology, KTH and Luleå University, and Diversitas, Norway's leading network for promoting diversity and equal opportunity in the industry.

Non-discrimination

NCC does not accept any form of discrimination and acts forcefully when incidents are reported. No employee should be discriminated on the grounds of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, functional disability, age or anything else.

Should any form of harassment, discrimination or bullying be discovered, NCC has a well-established process and actions plans so that suitable measures can be taken. NCC's Ask Me/Tell Me functions are available for all types of issues, both external and internal, where events that are perceived as in breach of NCC's Code of Conduct can be reported anonymously. Five matters involving discrimination, harassment or bullying were reported through the Tell Me function during the year. NCC always takes actions, such as disciplinary measures, whenever appropriate. In NCC's employee satisfaction survey, 5 percent responded that they had experienced discrimination due to gender or age, harassment or bullying during 2020, which was the same level as 2019. No corresponding survey was conducted in 2021.

Gender breakdown¹⁾ at NCC

Proportion, %	2021		2020		2019	
	Women	Men	Women	Men	Women	Men
Board of Directors	43	57	43	57	50	50
Senior Management Team	55	45	43	57	25	75
Management teams	34	66	34	66	32	68
Managers	18	82	18	82	17	83
Employees	16	84	16	84	15	85
White-collar employees	28	72	27	73	26	74
Blue-collar employees	3	97	2	98	2	98

¹⁾ The management teams include all management teams from the Senior Management Team to department management or the equivalent.

Age breakdown¹⁾ at NCC

Proportion, %	2021			2020			2019		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Board of Directors	0	0	100	0	29	71	0	13	87
Senior Management Team	0	45	55	0	43	57	0	38	62
Management teams ¹⁾	1	58	41	1	57	42	0	58	42
Managers	2	59	39	2	59	39	2	59	39
Employees	14	50	36	15	50	35	16	49	35
White-collar employees	9	56	35	10	56	34	11	56	33
Blue-collar employees	20	42	38	20	42	38	21	41	37

¹⁾ The management teams include all management teams from the Senior Management Team to department management or the equivalent.

Shared values and behaviors

NCC's values and Star behaviors are the cornerstones of NCC's corporate culture and strategic focus. Star behaviors are a number of behaviors that are intended to guide NCC employees in their actions, and thus facilitate change and help to make NCC a stronger company. During the year, NCC carried out a major initiative to implement Star behaviors through workshops, which were attended by a majority of the workforce.

Star behaviors were also implemented in several fundamental HR processes, such as performance reviews, onboarding of new employees, succession planning and work methods, and are also an important part of NCC's training programs. Read more about Star behaviors on p. 10.

Collective agreements and employees

NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer in all markets. In total, 91 percent of NCC's employees are covered by collective agreements. In Sweden and Norway, all employees are covered, while in Denmark and Finland collective agreements are applied, but also local agreements to some extent.

NCC has 12,401 employees (at the end of 2021). Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are mainly found in Building Sweden, Building Nordics and Infrastructure.

Employment contracts 2021

Number of employees ¹⁾	Number of employees			Permanent employment						Temporary employment					
	2021	2020	2019	2021		2020		2019		2021		2020		2019	
				Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Sweden	7,784	8,539	-	6,077	1,227	6,892	1,338	7,469	1,347	408	72	268	41	288	48
Norway	1,438	1,440	-	1,186	1,55	1,213	159	1,319	154	78	19	58	10	50	11
Denmark	2,001	2,269	-	1,704	2,56	1,945	280	1,912	275	34	7	37	7	34	7
Finland	1,178	1,393	-	922	2,34	1,079	276	1,169	281	15	7	32	6	45	6
Total, NCC	12,401	13,641	14,415	9,889	1,872	11,129	2,053	11,869	2,057	535	105	395	64	417	72

¹⁾ Employee data in the table pertains to the number of employees at the end of 2021 and was collected from the Group's HR and payroll systems. Some seasonal variations exist.

Collective bargaining agreements 2021

Number of employees ¹⁾	2021		2020		2019	
	Number covered by collective agreements	Percentage covered by collective agreements	Number covered by collective agreements	Percentage covered by collective agreements	Number covered by collective agreements	Percentage covered by collective agreements
Sweden	7,784	100	8,539	100	9,152	100
Norway	1,438	100	1,440	100	1,534	100
Denmark	1,097	55	1,325	58	1,311	59
Finland	934	79	1,200	82	1,343	83
Total, NCC	11,253	91	14,504	92	13,340	93

¹⁾ Employee data in the table pertains to the number of employees at the end of 2021 and was collected from the Group's HR and payroll systems.

Employment contracts, 2021

Number of employees ¹⁾	Full-time		Part-time	
	Men	Women	Men	Women
Sweden	6,434	1,233	51	66
Norway	1,256	164	8	10
Denmark	1,721	230	17	33
Finland	927	233	10	8
Total, NCC	10,338	1,860	86	117

¹⁾ Employee data in the table pertains to the number of employees at the end of 2021 and was collected from the Group's HR and payroll system.

Employee engagement

NCC implements regular employee surveys to capture opinions about such matters as leadership, development and job satisfaction. The surveys also include questions concerning the use of NCC's Code of Conduct. The latest Group-wide employee survey was implemented in 2020 and the next one will be arranged in 2022. During 2021, employee engagement included in-house training, workplace meetings and performance reviews, which were offered to all employees.

Individual development opportunities

Employees who start working at NCC have an onboarding plan that ensures that the individual has the training/education of relevance to his/her current position. Thereafter, the planning of the employee's skills development is switched to an individual development plan, which is evaluated and updated at the annual performance review.

NCC offers skills development in such areas as technical knowledge, leadership, work environment, project management and accounting. Some of the training is mandatory for certain positions. The training programs are intended to satisfy the individual's need to develop in his/her current role in terms of personal development, and ensuring that NCC retains its attractiveness in the labor market.

Leadership development initiatives

Access to the right competencies is crucial for NCC's continued success and growth; the ability to attract, develop and retain employees with the right competencies. NCC offers its employees continuous skills development adapted to the individual's and the company's needs.

NCC's leadership programs encompass all stages of a manager's development with the aim of ensuring successful succession planning. The various training initiatives consist of conventional teaching and e-learning, as well as composing training programs and longer courses, which are gathered in NCC Academy. A major

skills initiative was implemented during the year, which included further development of the following training programs:

- NCC Mega Project Management Program, for highly experienced employees with key competencies. This Group-wide program is targeted at those employees who are able and want to take the step to heading extremely large-scale and complex construction projects
- Strategic Leadership Program for future management talents
- Practical leadership for managers in various parts of the business

There is also the Supervisor Academy where skilled workers are able to train to become supervisors, and the Site Manager Program, where supervisors or the equivalent can take the next step in their career and train to become site managers. NCC has also formulated a Senior Executive Program together with IMD Business School in Lausanne.

Targets

- Recruit, develop and retain the most competent people in the industry
- Support the progress of high-performing teams
- Work actively so that no one is excluded unfairly or due to unconscious biases

Reporting principles

Employee data pertains to the number of employees at the end of 2021 and was collected from the Group's HR and payroll system.

Governance

The guiding framework for efforts to promote diversity and inclusion and to counter discrimination comprises NCC's Code of Conduct and Compliance Directive.

Training programs are continuously evaluated and monitored through, inter alia, questionnaires, interviews, tests and reports.

Ethics and compliance

GRI 205 Anti-corruption

GRI 206 Anti-competitive behavior

GRI 308 Supplier environmental assessment

GRI 414 Supplier social assessment

NCC shall act according to the highest ethical standards and transparency, serving as a trustworthy partner across the value chain.

The Group’s Code of Conduct is an important feature of the compliance agenda, both as an internal compass for describing how NCC’s employees should act and as external communication to clarify NCC’s expectations of its suppliers and business partners. The Code of Conduct also constitutes the foundation for the Code of Conduct for suppliers, which is part of NCC’s agreements with suppliers. Other stakeholders are informed about the Group’s Code of Conduct through NCC’s website, contracts and agreements.

NCC works continuously to ensure compliance with its Code of Conduct in all of the Group’s partnerships, and to ensure that no violations occur, for example, in connection with competitive situations and in terms of business ethics.

NCC evaluates management systems for compliance by analyzing statistics from the Ask Me/Tell Me functions, employee questionnaires and the results of internal audits. Through the Tell Me whistleblower function and through other reporting lines, 88 (64) suspected violations of the Code of Conduct were reported in 2021, somewhat higher than in 2020. The incidents involved such matters as fraud and theft, conflicts of interests and other transgressions from NCC’s Code of Conduct. Of the matters closed during the year, four led to dismissal and 42 to other actions, such as discussions, changes in procedures and processes or targeted communication measures.

Following an analysis of the risk of noncompliance with NCC’s Code of Conduct, three areas have been identified as being of particular importance to NCC: bribery and corruption, competition law and conflicts of interest.

NCC is active in an industry where complex projects and supply chains as well as both private and public-sector customers lead to an increased risk of corruption. Risks of corruption may arise in relation to NCC’s business partners, who include suppliers, and are also connected to the employees’ conduct in relation to public-sector officials and other customer representatives.

NCC has adopted an anti-corruption policy and arranges anti-corruption training that covers all operations and countries. NCC implements annual Group-wide risk assessments in which both Group staff units and NCC’s business areas evaluate and report on risks in the operations. In certain parts of the business, corruption has been identified as a risk; although not a high risk considering that NCC’s operations are conducted in countries with a low risk of corruption according to the Transparency International Corruption Perception Index. However, a portion of NCC’s suppliers operate in countries with a higher risk of corruption.

NCC also conducts operations in an industry where, historically speaking, anti-competitive activities have existed. For this reason, fair competition is an impact area at NCC.

NCC continuously evaluates and improves its governance of compliance. In 2021, NCC updated, communicated and introduced a number of guidelines as a feature of its work to counter corruption and anti-competitive infringements, including the Group’s Compliance Directive, which contains NCC’s Anti-corruption and Fair Competition policies. The number of suspected infringements of the Code of Conduct that were reported and dealt with increased during the year (see below), which NCC views as a positive development of the new guidelines and the communication and training initiatives implemented in 2021.

NCC’s objective is to provide training in ethical behavior, anti-competitive behavior, anti-corruption and GDPR to all white-collar workers. In 2021, 1,380 employees, including management teams, received compliance and anti-corruption training, including 554 in Sweden, 116 in Norway, 361 in Denmark and 349 in Finland. During the year, a total of 2,056 employees also underwent GDPR training

and 5,367 training in competition law, which is a new program that was rolled out in 2021 and is mandatory for all white-collar workers. It is mandatory for new employees to complete these three courses during their first month of employment. In 2021, NCC also worked on implementing its Star behaviors among employees, with values and ethics as a key feature of the desired behavior among employees. Approximately three quarters of the workforce, including blue-collar employees, participated in workshops in 2021.

NCC has also launched an annual certification of the Code of Conduct for the company’s most senior executives.

NCC is a member of Transparency International Sweden and the Swedish Anti-corruption Institute (IMM), complies with the Code of Business Conduct issued by the Swedish Anti-Corruption Institute and has a policy and guidelines for our anti-corruption activities. In cooperation with most other industry players in Sweden, a joint policy has been formulated: “Agreement on counteracting bribery and corruption.” NCC has also participated in the formation of a Swedish Ethical Trading Initiative (ETI), a joint initiative to promote good labor conditions in producing countries.

NCC works continuously to counter corruption in the supply chain. In 2021, no supplier agreements were terminated due to corruption. During the year, NCC investigated two cases of suspected corruption. NCC was unable to confirm corruption in one of the investigations and the other one is still in progress. No public legal corruption cases occurred in 2021.

Ten cases of conflicts of interest involving transactions with own companies, organizations and related parties that contravened NCC’s rules were also dealt with during the year. No transgressions of the Competition Act led to legal action in 2021.

	2021	2020	2019
Tell Me	88	64	53

Responsible purchasing

NCC is working to ensure a responsible supply chain, whereby the operations are conducted under sound working conditions and in an environmentally and socially sustainable manner. This work is based on the Group’s Code of Conduct for suppliers, which all suppliers must undertake to comply with.

The Code of Conduct for suppliers includes guidelines for regulatory compliance and ethical behavior, as well as guidelines to counter bribery and corruption, avoid conflicts of interest, respect competition law, protect human rights, promote diversity and inclusion, and for having safe and healthy worksites and reducing the environmental impact.

Most of the major framework agreement suppliers are also required to be certified under the ISO 9001/14001 management system or the equivalent.

Broad supplier base

NCC has business relationships with several thousands of suppliers through its purchases of everything from building materials to travel and office supplies.

Most of the suppliers are based in the Nordic region but are also found in such countries as Poland, Estonia, Latvia, Lithuania and China. The supplier base consists of framework agreement suppliers, international suppliers, Nordic project sourcing suppliers and internal suppliers.

Work on reducing the total number of suppliers is under way and includes increasing the proportion of purchases made under framework agreements. The aims are to improve controls, increase the efficiency of purchasing work, promote a sustainability focus in the value chain and reduce NCC’s purchasing costs. NCC has just over 1,400 framework agreements corresponding to 34.5 percent of the total purchasing volume in 2021.

The total purchasing volume is divided into different categories, whereby the ten largest production-related categories are: Earthwork & Transportation/Civil-engineering contracts, Technical installations, Building materials/Water and sewage materials and Wholesalers, Park/Road/Railroads, Rental, Interiors, Load bearing construction, Industry production materials, Concrete/Forms/Steel reinforcement and Exteriors.

Increased cooperation

NCC collaborates with the major framework agreement suppliers with a view to develop sustainable data-driven solutions, increase productivity and conduct continuous quality development.

In addition, NCC works together with the suppliers to reduce carbon emissions, promote responsible use of natural resources and increase circularity. One example during the year was NCC's analysis of the use of plastics, as a feature of Building Sweden's forthcoming requirement that the plastics delivered to worksites must contain a specified portion of recycled material and be designed for recycling.

For information about how NCC works with health and safety matters with its suppliers, refer to Health and Safety.

During the year, NCC also initiated an effort to evaluate, develop and improve collaboration with the suppliers in a more structured and uniform manner.

Audits

All of the major framework agreement suppliers are initially evaluated before any collaboration commences.

To ensure compliance with NCC's Code of Conduct and that the suppliers work in accordance with ISO 9001/14001, NCC performs audits of its framework agreement suppliers.

Eight framework agreement suppliers were third-party audited during the year. None of these were new in 2021.

All of the non-Nordic material suppliers, with active agreements in 2021, were evaluated initially before any collaboration commenced.

In order to evaluate and develop non-Nordic suppliers, NCC also works with supplementary audits of how these work with social responsibility, quality, environment and health and safety. During the year, NCC conducted about 110 audits of non-Nordic suppliers, including 25 new suppliers.

NCC is a member of Amfori BSCI (Business Social Compliance Initiative), through which it has access to additional tools for training its suppliers. NCC's own audits of suppliers in high-risk countries (according to Amfori BSCI's definition) are supplemented by the fact that these suppliers are integrated into Amfori BSCI's processes, for training and collaboration. NCC regularly follows up the audits of both framework agreement suppliers and non-Nordic suppliers. If any deviations or non-compliance are noted during the supplier audit, this must be corrected by the supplier according to an action plan. If the actions are not implemented, collaboration with the supplier may be terminated.

Economic performance

GRI 201 Economic performance

Sound and sustainable financial performance is the foundation for the Group's sustainability work. NCC strives to achieve a stable and sustainable improvement in financial performance and to create value for its stakeholders.

Economic value generated and distributed

SEK M	2021	2020	2019
Economic value generated			
Customers	53,561	53,940	58,262
Economic value distributed			
Suppliers	-40,497	-41,092	-44,673
Employees	-8,299	-8,671	-9,392
Lenders	-60	-80	-112
State (expensed tax and social security fees)	-3,197	-2,839	-3,211
Shareholders ¹⁾	-646	-538	-540
Economic value retained	862	720	334

¹⁾ Proposed dividend.

About the report

The company reports its sustainability work annually as part of the NCC Annual Report. We have applied the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information since 2010. The Sustainability Report, which pertains to the 2021 fiscal year, has been prepared according to GRI Standard Core option. It has been prepared according to the GRI reporting principles for defining report content (Stakeholder inclusiveness, Sustainability context, Materiality and Completeness), and also constitutes NCC's Communication on Progress in accordance with the UN Global Compact.

More detailed sustainability information and performance indicators are presented on pp.78–100. For the GRI content index, refer to the following pages. The report has not been examined by a third party. The Group's most recent sustainability report was published on March 8, 2021. Unless otherwise stated, all the information pertains to the entire NCC Group. No revisions of sustainability information provided in previous years have been made in this annual report. Furthermore, there are no essential changes have taken place in the organization, the share capital structure or the supply chain that have affected sustainability reporting in 2021.

Contact: CFO and Head of Finance & IT Susanne Lithander, +46 8 585 510 00, susanne.lithander@ncc.se

Statutory sustainability report

This statutory Sustainability Report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation. The Sustainability Report in accordance with the Annual Accounts Act is included in the Annual Report on the following pages: 2–3, 8–11, 23–25 and 78–103. NCC's business model and sustainability framework are presented on pp. 2 and 78–79, environment on pp. 83–85 and 87–94, social conditions on pp. 95–100, personnel on pp. 95–98, human rights on pp. 97–100 and anti-corruption on pp. 99–100. Risk descriptions are presented on pp. 23–25 and 84–85. Unless otherwise stated, all the information pertains to the entire NCC Group, including subsidiaries.

Auditor's statement on the statutory sustainability report

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2021 on the pages set out in the left hand box and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

Opinions

A sustainability report has been prepared

Stockholm, March 11, 2022
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Accountant
Auditor in Charge

Erik Bergh
Authorized Public

GRI content index

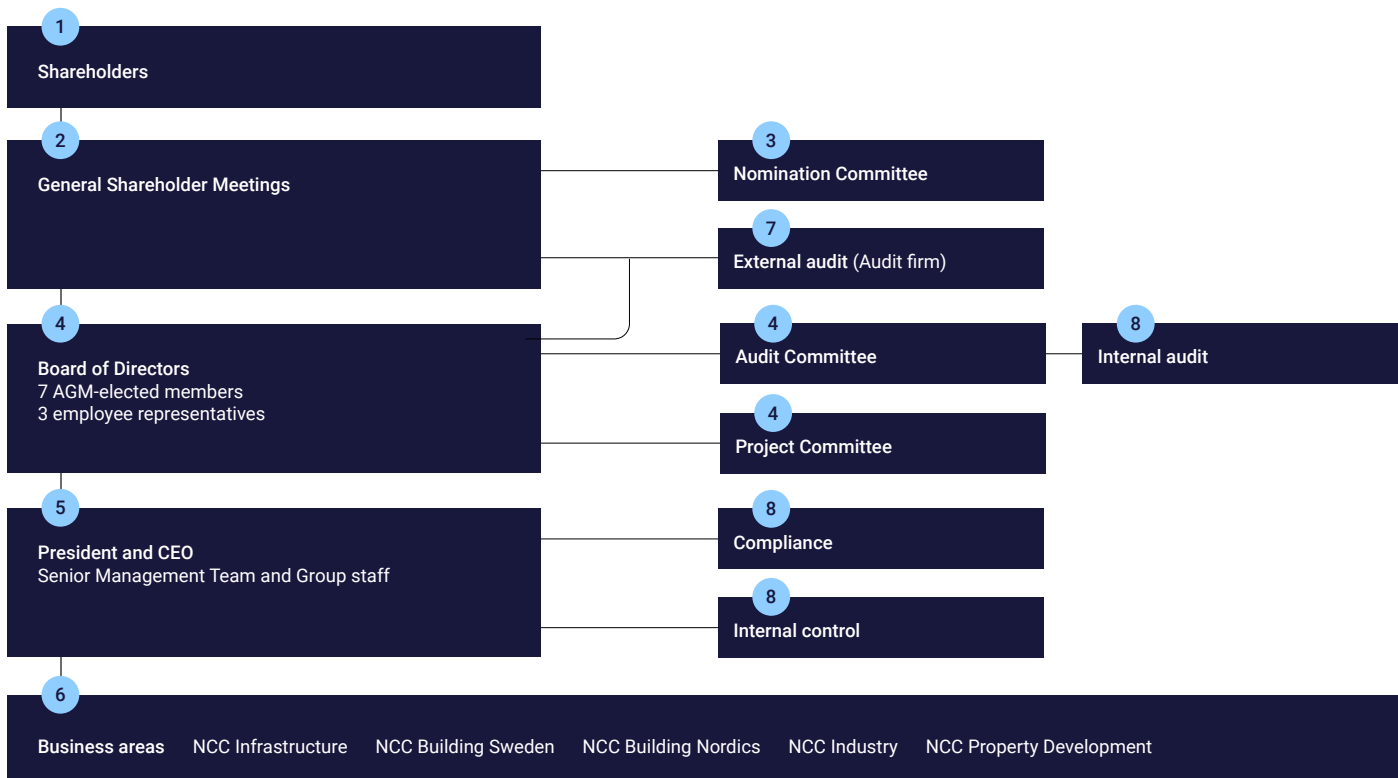
GRI standard	Disclosure	UN Global Compact Principles	Page reference (Annual Report)	Omissions
GRI 101: Foundation 2016				
GRI 102: General Disclosures 2016				
Organizational profile				
102-1	Name of the organization		12	
102-2	Activities, brands, products and services		2, 12	
102-3	Location of headquarters		12	
102-4	Location of operations		2	
102-5	Ownership and legal form		12, 21–22, 104	
102-6	Markets served		2	
102-7	Scale of the organization		2–3, 26–28	
102-8	Information on employees and other workers		20, 97–98	
102-9	Supply chain	1–10	99–100	
102-10	Significant changes to the organization and its supply chain		51, 100	
102-11	Precautionary Principle or approach	7	80	
102-12	External initiatives		79, 99	
102-13	Membership of organizations		79	
Strategy				
102-14	Statement from senior decision-maker		4–5	
102-15	Key impacts, risks and opportunities		23–24, 84–85, 93	
Ethics and integrity				
102-16	Values, principles, standards and norms of behavior	1–10	10–11, 79–80, 99–100	
Governance				
102-18	Corporate governance		80, 84, 104–107	
Stakeholder engagement				
102-40	List of stakeholder groups		81	
102-41	Collective bargaining agreements	3	97–98	
102-42	Identifying and selecting stakeholders		81	
102-43	Approach to stakeholder engagement		81	
102-44	Key topics and concerns raised		81–82	
Reporting practice				
102-45	Entities included in the consolidated financial statements		20, 45, 100	
102-46	Defining report content and topic Boundaries		82, 100	
102-47	List of material topics		82	
102-48	Restatements of information		100	
102-49	Changes in reporting		82	
102-50	Reporting period		100	
102-51	Date of most recent report		100	
102-52	Reporting cycle		100	
102-53	Contact point for questions regarding the report		100	
102-54	Claims of reporting in accordance with the GRI Standards		100	
102-55	GRI content index		101–103	
102-56	External assurance		100	
GRI 200: Economic standards				
Economic performance				
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach	78, 82, 104–109	
GRI 201: Economic Performance 201	201-1	Direct economic value generated and distributed	100	
	201-2	Financial implications and other risks and opportunities due to climate change	24, 84–85	Some information not available. Work is underway to develop TCFD reporting in 2022.

GRI standard	Disclosure	UN Global Compact Principles	Page reference (Annual Report)	Omissions
Anti-corruption		10		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	23, 78–80, 82, 99–100, 105	
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	99	Information not available.
	205-2	Communication and training about anti-corruption policies and procedures	99	
	205-3	Confirmed incidents of corruption and actions taken	99	
Anti-competitive behavior		10		
GRI 103: Management approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	23, 78–80, 82, 99–100, 105	
GRI 206: Anticompetitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices, and results	99	
GRI 300: Environmental standards				
Material		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	23, 78–80, 82, 84, 88–90, 105	
GRI 301: Materials	301-2	Recycled input materials used	89	
Energy		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 91–93, 105	
GRI 302: Energy 2016	302-1	Energy consumption in the organization	92–93	
Water and effluents		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 88, 105	
GRI 303: Water and Effluents, 2018		Information is missing	–	Information is missing. Work is ongoing to begin report in 2022.
Biodiversity		7, 8, 9		
GRI 304: Biodiversity 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 87, 105	
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	Missing information. Work with mapping the quarries from this perspective is ongoing
Emissions		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	3, 8-9, 24, 78–80, 82–85, 91–94	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	8–9, 91–94	
	305-2	Energy indirect (Scope 2) GHG emissions	8–9, 91–94	
	305-4	GHG emissions intensity	94	
	305-5	Reduction in GHG emissions	93–94	
Waste		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 88–90	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	90	
	306-2	Management of significant waste-related impacts	90	
	306-3	Generated waste	90	
Supplier environmental assessment		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 99	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	99–100	
GRI 400: Social standards				
Occupational health and safety				
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	3, 10, 23, 78–80, 82, 95–96	
GRI 403: Occupational Health and Safety 2018	403-1	Health and safety management systems	95–96	
	403-2	Hazard identification, risk assessment, and incident investigation	95–96	
	403-3	Occupational health services	95–96	
	403-4	Worker participation, consultation, and communication on occupational health and safety	95–96	
	403-5	Worker training on occupational health and safety	95–96	
	403-6	Promotion of worker health	95–96	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	95–96	
	403-8	Workers covered by an occupational health and safety management system	95–96	
	403-9	Work-related injuries	95–96	

GRI standard	Disclosure	UN Global Compact Principles	Page reference (Annual Report)	Omissions
	Training and education	1–10		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	23, 78–80, 97–98	
GRI 404: Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	97–98	
	Diversity and equal opportunity	6		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	23, 78–80, 82, 97–98	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	97–98	
	Non-discrimination	1, 2, 6		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	23, 78–80, 82, 97–98	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	97–98	
	Supplier social assessment	1–6, 10		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 99	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	99–100	
	Certified constructions and buildings	9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78–80, 82, 86–87	
Company-specific disclosure: Certified constructions and buildings	NCC–1	Type and number of sustainability certifications, rating and labeling schemes	86–87	

Corporate Governance Report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed by and conforms with Swedish company law and other rules that apply to listed companies, such as the Swedish Code of Corporate Governance, Nasdaq Stockholm's Rule Book for Issuers and generally accepted practices on the stock market. This report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation.



How NCC is governed

1 Shareholders

The number of shareholders in NCC AB at year-end 2021 was approx 39,704, with Nordstjernan AB as the largest individual holder accounting for 16.83 percent of the share capital and 48.18 percent of the voting rights.

2 General Shareholder Meetings

At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the company prior notice of this. There are no stipulations in the Articles of Association concerning the appointment and dismissal of Board Members or concerning amendments of the Articles of Association. Each Series A share carries ten votes and each Series B share carries one vote. All shares provide the same entitlement to participation in the company's assets and profit and to an equally large dividend. The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association.

3 Nomination Committee

The AGM elects a Nomination Committee whose task is to nominate candidates to the AGM for election as Chairman of the Meeting, Chairman of the Board and Board Members, and to propose the fees to these officers. Another task of the Nomination Committee is to nominate auditors and propose the fees to be paid to them. The Nomination Committee's work complies with the instructions adopted by the AGM. The Board of Directors is evaluated within the framework of the Nomination Committee's work.

The Audit Committee assists the Nomination Committee in evaluating the work of the auditors.

4 Board of Directors, Audit Committee and Project Committee

The Board shall consist of not fewer than five and not more than ten members elected by the Annual General Meeting (AGM) for a term of one year. The employees are represented on the Board. During 2021, seven Board Members were elected by the AGM. The Board also included three representatives and two deputies for the employees. For information on individual Board Members, see pp. 110–111. The Chairman of the Board is Alf Göransson (for details concerning the Chairman's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 110). The Chairman of the Board directs the work conducted by the Board and maintains regular contact with the President and CEO in order to continuously monitor the Group's operations and development. The Chairman represents the company in ownership matters and is a co-opted member of the Nomination Committee but has no voting right.

The Board's Audit Committee comprises Board Members Angela Langemar Olsson, Mats Jönsson and Birgit Nørgaard. The Chairman of the Audit Committee is Angela Langemar Olsson. The Board of Directors' Project Committee comprises Board Members Alf Göransson and Geir Magne Aarstad. The Project Committee is chaired by Alf Göransson.

5 CEO and Senior Management Team

The President and CEO of the company is Tomas Carlsson (for details concerning the CEO's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 112. The Board has established instructions for the division of duties between the Board and the CEO and for financial reporting to the Board (also refer to "Board of Directors' report on internal control," p. 108). The company has not appointed any Deputy Chief Executive Officer.

NCC's Senior Management Team (SMT) consisted during 2021 of the President and CEO, the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry and NCC Property Development, the General Counsel, the Head of Human Resources, the Head of Purchasing, the Head of Communication and the Chief Financial Officer. For information on members of the SMT, see pp. 112–113.

The SMT mainly focuses on strategic and other Group-wide matters and generally meets once per month.

6 Governance of business areas

The Group is composed of business areas. Each business area is headed by a business area manager and has a supervisory council whose members include the President and CEO, CFO and General Counsel. The approval of the President and CEO or NCC AB's Board of Directors is required for certain decisions.

The individual Group-staff heads are responsible for Group-wide functional issues that fall under the position and mandate of the individual head of Group staff.

7 External audit

The AGM appoints an Authorized Public Accountant to examine the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. The current auditor is appointed for a period of one year. PricewaterhouseCoopers AB (PwC) will serve as the company's auditor until the close of the AGM in 2022. Authorized Public Accountant Ann-Christine Hägglund has been appointed PwC's auditor-in-charge. For more information on the auditor, see p. 111.

8 Internal Governance and Control

NCC's operations require a considerable amount of delegated responsibility. A Group-wide directive is in place to clarify exactly who is entitled to make decisions concerning various matters. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties and contracting undertakings. There are also a number of other Group-wide governing documents concerning such matters as communication, finance, Code of Conduct, the environment and work environment.

The number of ongoing projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is headed by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the business area manager, the CEO and the CFO. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the business area manager responsible for the project. Tenders for projects exceeding SEK 500 M are subject to special assessment at Group level and are approved by the CEO. The Board's Project Committee is involved in projects exceeding SEK 1,500 M. Projects exceeding SEK 300 M are also followed up via the NCC Project Trend Report (PTR) process. Proprietary property development projects representing an investment exceeding SEK 50 M must be approved by the CEO

and such projects exceeding SEK 150 M must be authorized by NCC AB's Board. Decisions regarding investments of less than SEK 50 M are the responsibility of the particular business area.

Concerning the internal audit, see p. 109, item 5, Follow-up.

Compliance

The Compliance function's responsibility is to review and evaluate matters concerning regulatory compliance within the organization to ensure that management and employees comply with laws, regulations and ethical guidelines involving the main risk areas, such as anti-corruption and competition law. The Compliance function also monitors implementation of programs for ensuring proper handling of personal data in the Group. On a semi-annual basis, NCC's Group Head of Compliance summarizes, in a written Compliance Report, potential incidents and the status of ongoing investigations, which are then reported to the NCC Board. The function is headed by the Group Head of Compliance, who reports to the General Counsel. For more information, refer to the separate Sustainability Report.

NCC's compliance-related efforts are conducted via the NCC Group Head of Compliance together with selected representatives in each business area and Group staff.

Sustainability work

The CEO is ultimately responsible for NCC's sustainability efforts. The SMT is responsible for establishing and following up sustainability targets. Operational sustainability work is performed in NCC's business areas.

The business areas are responsible for establishing strategies and activities for achieving the targets. This work is coordinated by the business areas' sustainability managers. This coordination occurs between the business areas and also through other functions in the organization, such as the purchasing and HR functions.

The Board is continuously informed about various parts of the Group sustainability work. The Board reviews and follows up on sustainability work and sustainability strategy, as well as that NCC works in line with the Group's sustainability goals.

NCC's Sustainability Board addresses NCC's Group-wide sustainability-related activities. Permanent members are the business areas' sustainability managers, the Head of Sustainability Governance, the Head of Sustainability Communication and representatives of R&I and Purchasing. Group-wide targets and initiatives are coordinated by the Sustainability Reporting and Control unit, which is also responsible for reporting, data collection and assuring the quality of data for forthcoming requirements.

Internal rules and regulations

- Articles of Association
- Rules of procedure for Board work and instructions for the CEO
- Audit Committee's rules of procedure
- Project Committee's rules of procedure
- The Group's and business areas' directives on delegation of authorities and internal governance
- NCC's Code of Conduct and Code of Conduct for suppliers
- Group Compliance Directive
- Group Tax Policy, Group Treasury Policy and Information Policy
- Other governing documents in the form of policies, directives, regulations, guidelines and instructions for the CEO

Important external rules and regulations

- Swedish Companies Act
- Listing agreement of NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act
- Market Abuse Regulation

Corporate governance at NCC in 2021

Annual General Meeting 2021

In order to counter the spread of the coronavirus, NCC's 2021 Annual General Meeting (AGM) was held solely by means of postal voting, without the physical presence of shareholders, proxies or external parties, on March 30, 2021. 182 shareholders were represented at the AGM, accounting for 56.2 percent of the share capital and 69.2 percent of the total number of votes. The minutes of the AGM are available at ncc.com. The 2021 AGM passed the following resolutions, among others:

Payment of a dividend for the 2020 fiscal year of SEK 5.00 per share, divided between two payment occasions.

Alf Göransson, Viveca Ax:son Johnson, Geir Magne Aarstad, Simon de Château, Mats Jönsson, Angela Langemar Olsson and Birgit Nørgaard were reelected as members of the Board of Directors. Alf Göransson was reelected Chairman of the Board. It was resolved that fees for the Board of Directors and its committees would total SEK 5,150,000.

Guidelines were adopted for determining the salary and other remuneration of the CEO and other members of the company's management, as well as the remuneration report. In addition, the AGM resolved to introduce a long-term performance-based incentive program (LTI 2021 Share Program) for senior executives and key personnel.

To cover commitments under the LTI 2021 Share Program, the AGM authorized the Board, until the next AGM, to buy back a maximum of 560,000 Series B shares and to transfer, for the allotment of Performance Shares to the participants of the LTI 2021 Share Program, a maximum of 365,000 Series B shares.

Not more than 100,000 Series B shares will be transferable on Nasdaq Stockholm in order to administrate the participants' purchases of Savings Shares. It will also be possible to transfer a maximum of 200,000 Series B shares to cover costs, mainly for compensation for dividends, social security fees and payments on the basis of the synthetic shares, pursuant to outstanding long-term performance-based incentive programs (LTI 2019, LTI 2020 and LTI 2021 Share Programs).

Income statements and balance sheets for 2020 were adopted and discharge from liability was granted to the Board and the CEO.

Work of the Board of Directors

In 2021, NCC's Board held six scheduled meetings, one unscheduled meeting and the statutory meeting directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, financial accounts, major investments and divestments, plus other decisions that have to be addressed by the Board. In conjunction with one Board meeting, the Board of Directors performed a worksite visit in Gothenburg. Otherwise, due to the coronavirus, the Board was unable to implement worksite visits to the same extent as in prior years. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters, and the General Counsel served as secretary.

The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial reporting and preparing matters related to the company's financial statements and audit; refer to p. 109, item 5, Follow-up. In 2021, the Audit Committee held six meetings, attended by all members.

The Board's Project Committee assists in the preparation, analysis and decisions regarding tenders in contracting operations for projects exceeding SEK 1.5 billion. In 2021, the Committee addressed eight projects and held seven meetings, attended by all members.

The Board's evaluation of its work was conducted by asking all Board Members to anonymously respond to a questionnaire. The results were then compiled and discussed by the Board. This documentation was also presented to the Nomination Committee.

Repurchase of own shares

The company holds 841,072 Series B shares to cover its commitments under long-term incentive programs. In 2021, 6,570 shares were sold to cover costs, 4,625 shares were transferred to participants in LTI 2018, and 88,000 shares were repurchased.

Remuneration of the Senior Management Team

According to the Swedish Code of Corporate Governance (the Code), the Board must establish a remuneration committee to prepare matters involving remuneration and other terms of employment for the Senior Management Team (SMT). If, as in the case at NCC, the Board considers it more appropriate, the entire Board may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the SMT are resolved by the AGM. Remuneration paid to the CEO is proposed by the Chairman and adopted by the Board. Remuneration of other senior executives is proposed by the CEO and approved by the Chairman of the Board, according to a mandate from the Board of Directors. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits.

The 2021 AGM resolved on a long-term performance-based incentive program (LTI 2021 Share Program), comprising the CEO, members of the SMT and an additional up to 180 executives in the Group. The LTI 2021 Share Program is a three-year program whereby the participants, through their own investment, become shareholders at the start of the program. Short-term variable remuneration is decided by the Board. The variable remuneration potentially payable to the CEO and other senior executives is linked to predetermined and measurable criteria, which have also been designed to promote long-term value generation in the company. The maximum outcome of variable remuneration is also subject to distinct limits. The Board follows up and evaluates application of the remuneration program applicable for the company's senior executives. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise the SMT. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 4, on pp. 37–40.

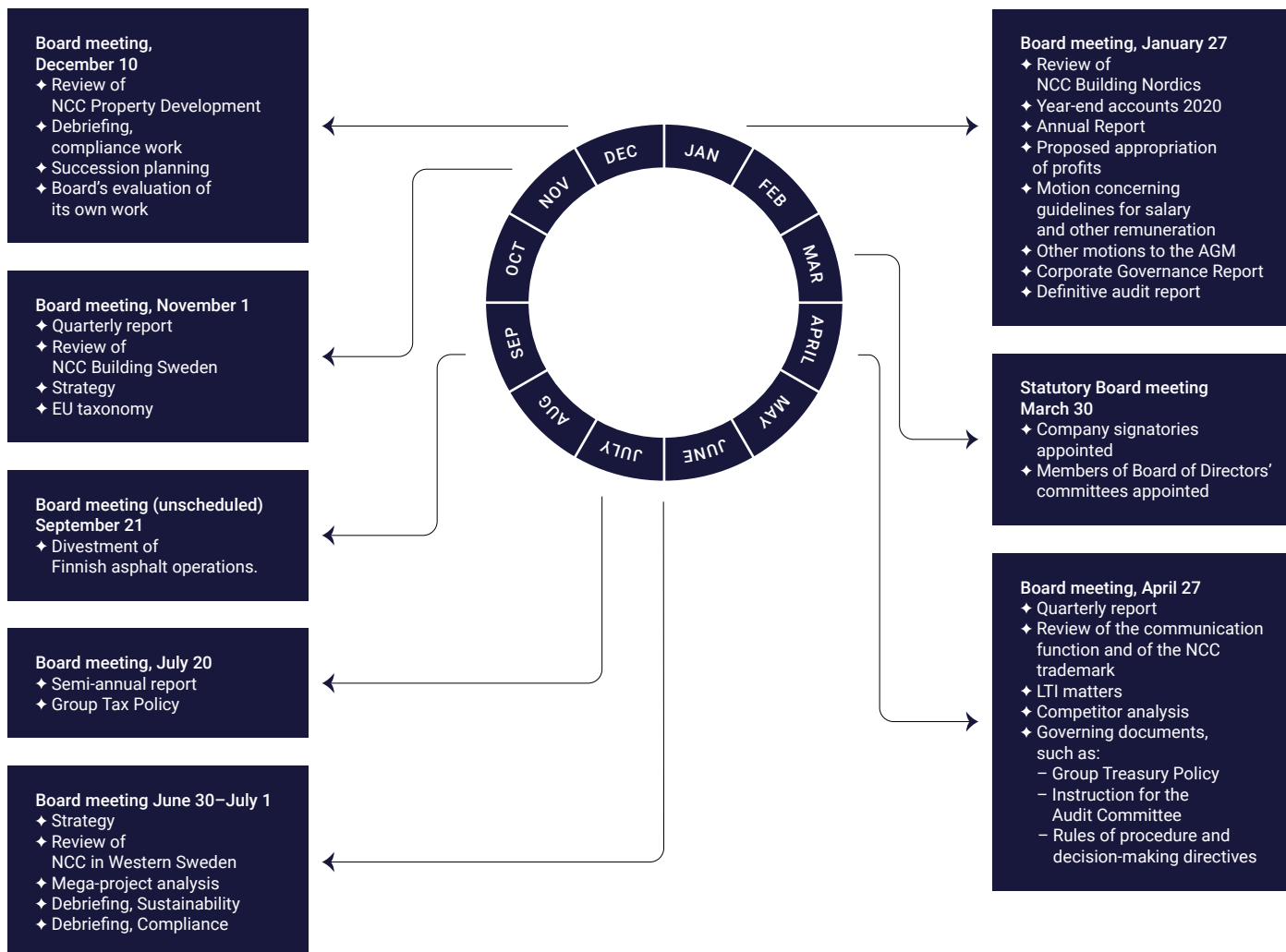
Nomination Committee 2021

The AGM on March 30, 2021 reelected Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Simon Blecher (fund manager Carnegie Funds), Peter Guve (fund manager AMF Funds) and Mats Gustafsson (fund manager and head of corporate governance at Lannebo Funds) as members of the Nomination Committee, with Viveca Ax:son Johnson as Chairman. Peter Guve was subsequently replaced by Sussi Kvarn (Handelsbanken Funds). Alf Göransson, Chairman of the NCC Board, is a co-opted member of the Nomination Committee but has no voting right. No remuneration was paid to members of the Nomination Committee. The Diversity Policy applied by the Nomination Committee complies with Article 4.1 of the Swedish Code of Corporate Governance.

The Nomination Committee's proposals to the 2022 AGM are available at ncc.com.

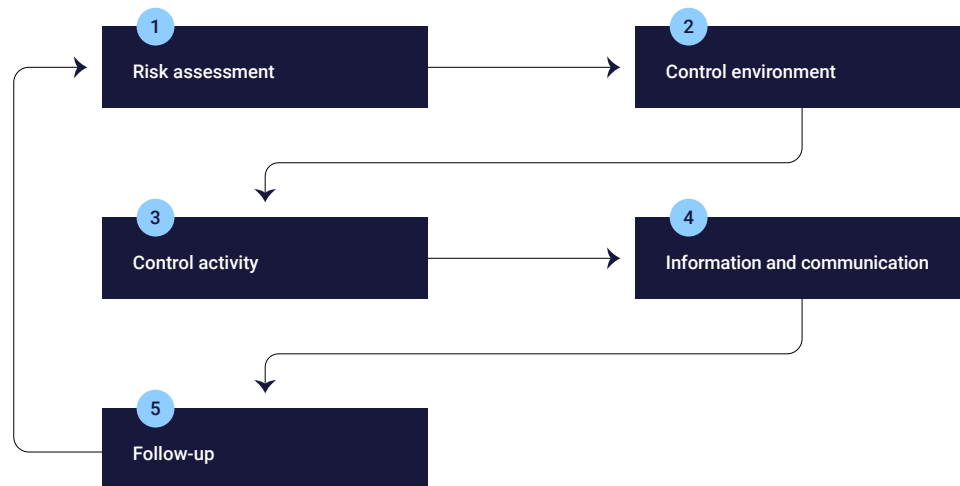
Board of Directors' working year 2021

In addition to such standing items as investments and divestments within NCC Property Development, and Finance



Board of Directors' report on internal control

The Board's responsibility for internal control is regulated in the Swedish Companies Act and in the Swedish Code of Corporate Governance. The Corporate Governance Report must contain disclosures concerning the principal features of the company's internal-control and risk-management systems in connection with financial reporting and in the preparation of the company's consolidated financial statements. Information on this is provided in this section.



1 Risk assessment and risk management

As a feature of its internal control efforts, NCC implements methodical risk assessment and risk management for ensuring that the risks to which NCC is exposed, and that can impact the internal control and financial reporting, are addressed within the company's established processes.

The material risks that have to be taken into account include market risks and operating risks as well as the risk of errors in financial reporting. With respect to the latter, systematic and documented updates occur once annually. The material risks that have to be considered mainly comprise the risk of errors in percentage-of-completion profit recognition and items based on estimates and assessments, such as valuations of land held for future development and ongoing development projects, goodwill and provisions.

At NCC, the ways risks are followed up include the following:

- Regular status checks are performed, according to a structured plan, by the CEO and CFO together with the business area manager, business area controller and other relevant functions of the Group, business areas and/or specialist functions. The participants in these meetings vary depending on the areas being addressed. The areas may include earnings, financial position and cash flow in terms of outcome, forecast and alternative budget. These meetings and checks also cover orders received, major ongoing and problematic projects, outstanding accounts receivable, tenders and major investments. The meeting structure encompasses both quarterly major meetings and monthly meetings. Forecasts are formulated and are checked in connection with the quarters ending March, June and September, and for the following-year budget in November.
- NCC AB's Board receives monthly financial reports and NCC's current financial status is presented at each Board meeting.
- Quarterly follow-up of material claims and disputes, which are also reported to the Board.
- Annual analysis of business operations and the Group's committee for the follow-up of strategic risks.

Financial risk positions, such as interest-rate, credit, liquidity, exchange rate and refinancing risks, are managed by the specialist function, Group Treasury. NCC's Group Treasury Policy stipulates that Group Treasury must always be consulted and, in cases where Group Treasury sees fit, that it must manage financial matters. Risks that could also influence reporting include breach of NCC's Code of Conduct and discrepancies in insurance coverage. These risks are monitored by the Compliance function or by NCC Försäkring.

2 Control environment

The Board has overall responsibility for internal control and financial reporting. A good control environment is characterized by the company having prepared and complied with established policies, directives, guidelines, control framework, manuals and job descriptions. These must be documented and kept available. In NCC, this means that the Board establishes rules of procedure for the Board's work each year, including instructions for the CEO. According to this instruction, the CEO is responsible for ensuring that work on the internal control contributes to an efficient control environment.

The NCC Group is an international organization that governs and conducts its operations in a Nordic operational structure. Operational management of the Group is based on a Group directive on the delegation of authorities and internal governance adopted annually by the Board. The directive stipulates the matters that require the Board's approval. In turn, this is reflected in the corresponding directives and attestation regulations applying to the business areas. The basis for the internal control of financial reporting comprises everything that is documented and communicated in governing documents, such as internal policies, directives, guidelines, control framework, instructions and other manuals. The NCC Group's legal governance occurs on the basis of a corporate structure with subsidiaries in each country.

3 Control activities

At NCC, the management of risks is based on a number of control activities that are conducted at various levels for business areas, Shared Service Centers (SSCs) and staff units.

The purpose of the control activities is to ensure both the efficiency of the Group's processes and efficient internal control of identified risks. Operational control systems form the basis for the established control structure for the business operations and these focus on important stages in the business operations, such as investment decisions, assessment of tenders and authorization to start up projects. NCC attaches considerable weight to project follow-up.

A strong focus is placed on ensuring the correctness of the business transactions included in the financial reporting.

For a number of years, NCC has had several SSCs, in part NCC Business Services (NBS), which manages most of the financial transactions of the Nordic operations, and in part the Human Resources Services (HRS), which manages NCC's payroll administration for the Nordic countries. IT also has central responsibility for the shared IT systems in NCC.

The functions require that their processes include activities that manage identified risks in a manner that is efficient for NCC in relation to the cost incurred. The units systematically and continuously develop their processes, using control matrixes that connect risks and control and ensure that the control is documented and that proof of control exists.

4 Information and communication

Information and communication regarding the internal policies, directives, guidelines, manuals and codes to which the financial reporting is subject are available on NCC's Intranet (MyNCC).

The information also contains methodology, instructions and supporting documentation in the form of checklists etc., and overall time schedules. It is a living regulatory system that is updated regularly through the addition of, for example, new regulations concerning IFRS and requirements from Nasdaq Stockholm. NCC's CFO has principal responsibility for documents intended for the management of the internal control of financial reporting. MyNCC includes, among other documents, the following:

- Policies and regulations for the valuation and classification of assets, liabilities, revenues and expenses.
- Accounting and reporting instructions.
- Framework for self-evaluation of internal controls.
- Attestation instructions

All financial reporting must comply with the above rules and regulations.

Financial reporting occurs in part in the form of figures in the Group-wide reporting system and in part in the form of written comments in accordance with specially formulated templates. Regular training programs and conferences are arranged for management and financial control personnel in respect of joint principles and frameworks concerning the requirements to which the internal control is subject.

A debriefing on internal control occurs annually to the NCC AB Board through the Audit Committee. Debriefing also occurs at business area level. The CFO of the NCC Group is responsible for ensuring that information and communication regarding the internal control have been established and are effective.

5 Follow-up

Follow-ups to safeguard the efficiency and quality of the internal controls are conducted in various ways within NCC. NCC has developed a system (framework) for documented self-evaluation of internal control. Self-assessments are performed regularly for NCC's business areas, staff units and Group offices and comprise a component of the Board's assessment of internal control.

Operational control systems, which are the business areas' management systems, are evaluated through audits of business areas' operations, during which any shortcomings are rectified. The internal controls are followed up via business area meetings in the various business areas and, if targeted action is considered necessary, the financial control and controller organization is utilized, or external consultants are engaged with suitable expertise for the assignment.

NCC has an independent internal audit function. The function is led by the head of the internal audit and is responsible for providing independent and objective assurance and evaluation of risk management and internal control processes. The function plans its work in consultation with the Audit Committee and it reports directly to the Board of Directors through the Audit Committee.

PwC participated in all of the Audit Committee's meetings in 2021. The duties of the Audit Committee in terms of financial reporting include monitoring the efficiency of the company's internal controls, internal audit and risk management. The Board meets the external auditor at least once a year. In addition, the Chairman of the Board has direct contact with the external auditor on a number of occasions during the year. Prior to these meetings, views from the audit of the business areas and subsidiaries have been presented to the Board meetings held in the particular business area/subsidiary or to the respective business area management. The views that arise are to be considered and followed up within the particular unit. NCC's external auditor also reviewed the company's nine-month report.

→ For more information on governance and control of NCC, see the Group's website www.ncc.com. The information also includes such documents as the Articles of Association and the Code of Conduct.

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2021 on pages 104–113 and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 11 March 2021
PricewaterhouseCoopers AB

Ann-Christine Hägglund
Authorized Public Accountant
Auditor in Charge

Erik Bergh
Authorized Public Accountant

Board of Directors



Alf Göransson
Chairman of the Board
Chairman of Project Committee

Born 1957. International B.Sc. in Economics and Business Administration.

Elected (year): 2019 (member), Chairman since 2020

Other assignments: Chairman of the Board of Loomis, Hexpol and AxFast and Board Member of Sweco, Attendo, Melker Schörling, Sandberg Development Group and Anticimex.

Previous experience includes: CEO of Securitas, CEO of NCC and CEO of Svedala Industri.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 1,526,000

Shareholding in NCC AB:* 10,000 Series B Shares



Geir Magne Aarstad
Board Member
Member of Project Committee

Born 1960. M.Sc. in Engineering

Elected (year): 2017

Other assignments: Chairman and partner of GRAA AS, Chairman of Beerenberg AS and Segulah Brekke & Strand Akustikk AS.

Previous experience includes: CEO of AL Rahhi Contracting Company Ltd (Saudi Arabia), CEO of Skanska Norway and regional head of Skanska Norway.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 600,000

Shareholding in NCC AB:* 5,200 Series B shares via private companies



Viveca Ax:son Johnson
Board Member

Born 1963.

Elected (year): 2014

Other assignments: Chairman of the Board of Nordstjernan and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Board Member of Bonava, FPG Media, Prima Vård Sverige and the Axel and Margaret Ax:son Johnson Foundation, as well as Parkinson Research Foundation.

Previous experience includes: Deputy Chairman of Nordstjernan, Chairman and various positions in the Nordstjernan Group.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: No

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 500,000

Shareholding in NCC AB:* 64,000 (including related-party holdings), as well as 25,000 Series A shares and 41,000 Series B shares via private companies



Simon de Château
Board Member

Born 1970. M.Sc. in Business Administration

Elected (year): 2020

Other assignments: Chairman and founder of Alma Property Partners. Board Member of Atrium Ljungberg and Akka Egendom. Previous experience includes: Partner and CEO of Sveafastigheter, Partner and Head of Corporate Finance and Research at Leimdörfer.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 500,000

Shareholding in NCC AB:* 40,000 Series B shares



Mats Jönsson
Board Member
Member of Audit Committee

Born 1957. M.Sc. in Engineering

Elected (year): 2017

Other assignments: Chairman of the Board of Bonava, Tengbomgruppen and Lekolar and Board Member of Coor and Assemblin.

Previous experience includes: President and CEO of Coor Service Management, Business Unit Manager of Skanska Services and Division Manager of Skanska Sweden.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 625,000

Shareholding in NCC AB:* 20,000 Series B shares



Angela Langemar Olsson
Board Member
Chairman of Audit Committee

Born 1970. M.Sc. in Economics Senior Advisor, Nordstjernan AB.

Elected (year): 2018

Other assignments: CFO of Bonnier Group, Senior Advisor at Nordstjernan, Board Member of Bonava and Voxear Technologies.

Previous experience includes: Investment Director and CFO, Nordstjernan, Group Controller, Hufvudstaden and Assistant Controller, Swedish Match.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: No

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 675,000

Shareholding in NCC AB:* 5,700 Series B shares



Birgit Nørgaard
Board Member
Member of Audit Committee

Born 1958. M.Sc. Economics and MBA

Elected (year): 2017

Other assignments: Chairman of the Board of Norisol A/S (and the Group companies NRSL Holding A/S and NO Invest A/S), Deputy Chairman of the Board of NNE A/S, the Danish Government's IT Council and Dansk Vækstkapital I. Board Member of DSV A/S, WSP Global Inc., RGS Nordic A/S, ABP, Dansk Vækstkapital II and Consolis Group SAS.

Previous experience includes: President and CEO of Carl Bro A/S, COO of Grontmij NV and CFO of Danisco Distillers A/S.

Independent in relation to the company and the SMT: Yes

Independent in relation to major shareholders: Yes

Attendance, Board meetings: 8 (8)

Total remuneration: SEK 625,000

Shareholding in NCC AB:* 6,500 Series B shares.



Karl G. Sivertsson
Board Member
Employee representative

Born 1961. Carpenter and crane operator.

Elected (year): 2009

Employed by NCC since 1981. Shop steward in NCC. Employee representative of Swedish Building Workers Union (Byggnads).

Other assignments: Board Member of Byggnads' Central Northern Sweden region.

Shareholding in NCC AB:* 200 Series B shares



Karl-Johan Andersson
Board Member
Employee representative

Born 1964. Paver.

Elected (year): 2011

Employed by NCC since 1984.

Shop steward in NCC.

Employee representative of SEKO (Union for Employees in the Service and Communication Sectors).

Other assignments: Chairman of SEKO's Road and Rail Department in Skåne.

Chairman of SEKO's negotiating organization at NCC.

Shareholding in NCC AB:* 0



Harald Stjernström
Board Member
Employee representative

Born 1962. Project Manager within NCC Building, Building Stockholm Dept.

Elected (year): 2018

Employed by NCC since 1984. Shop steward in NCC. Employee representative of Ledarna (Swedish Association of Supervisors).

Shareholding in NCC AB:* 0



Mats Johansson
Deputy
Employee representative

Born 1955. Construction carpenter. Elected (year): 2011

Employed by NCC since 1977. Shop steward at NCC, and occupational health and safety officer. Employee representative of Swedish Building Workers Union (Byggnads).

Other assignments: Board Member of Ronneby Industrifastigheter and Deputy Chairman of Byggnads in the Småland/Blekinge region.

Shareholding in NCC AB:* 510 Series B shares

Auditors – PricewaterhouseCoopers AB

Ann-Christine Häggglund

Auditor-in-charge. Born 1966.

Other significant assignments: Auditor-in-Charge at JM, Atrium Ljungberg, Scandi Standard and Business Sweden.

Erik Bergh

Authorized Public Accountant. Born 1979.

Other significant assignments: Auditor-in-Charge at Formpipe Software and co-signing auditor in Cloetta.

Secretary of the board

Ann-Marie Hedbeck

Born 1972. Master of Laws

NCC AB's General Counsel since 2018.

Previous experience includes: Chief Legal Counsel in NCC Infrastructure and General Counsel at Skanska AB. Employed by NCC since 2017.

Shareholding in NCC AB: 430

*The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2021.

Senior Management Team



Tomas Carlsson
President and CEO

Born 1965. M.Sc. in Engineering and MBA.

President and CEO since 2018.

Employed by NCC since 2018 and 1991–2012.

Previous experience includes: CEO of Sweco, Head of NCC Construction Sweden and Regional Manager of NCC Construction Western Sweden.

Other assignments: Board member of Alimak Group.

Shareholding in NCC AB:* 71,334 Series B shares and 130,376 call options on Series B shares.



Susanne Lithander
CFO and Head of Finance & IT

Born 1961. B.Sc. in Economics

CFO since 2018 and Head of Finance & IT since 2020.

Employed by NCC since 2018.

Previous experience includes: CFO of Billerud Korsnäs, CEO of Mercuri International and several key positions at Ericsson.

Other assignments: Board Member of Svedbergs Group.

Shareholding in NCC AB:* 2,335 Series B shares



Kenneth Nilsson
Head of NCC Infrastructure business area

Born 1961. M.Sc. in Engineering

Head of NCC Infrastructure since 2018.

Employed by NCC since 2018.

Previous experience includes: 20 years of experience from various executive positions at Skanska, such as Deputy CEO of Skanska Sweden and Head of Skanska's Road and Civil Engineering operations, and CEO of Skanska in Finland. An additional ten years of experience as foreman, project manager and supervisor.

Shareholding in NCC AB:* 2,408 Series B shares and 14,957 call options on Series B shares.



Henrik Landelius
Head of NCC Building Sweden business area

Born 1975. M.Sc. in Engineering

Head of NCC Building Sweden since 2018.

Employed by NCC since 2014 and 2005–2011.

Previous experience includes: Division Manager of NCC Building Sweden, Vice President of NCC Construction Sweden, Head of Project Development Fastighets AB L E Lundberg, CEO of Byggnads AB L E Lundberg and Business Manager NCC Construction Sweden.

Shareholding in NCC AB:* 4,844 Series B shares and 6,518 call options on Series B shares.



Catarina Molén-Runnäs
Head of NCC Building Nordics business area

Born 1966. M.Sc. in Engineering

Head of NCC Building Nordics since 2020.

Employed by NCC since 2020 and 1988–1999.

Previous experience includes: CEO Nordic Property Management and CPO Nordic Choice Hotels. Project and property development in the Nordic region and Germany for a number of years, and a background in NCC, 1988–1999.

Other assignments: Board Member of Helvar OY.

Shareholding in NCC AB:* 1,356 Series B shares



Ylva Lagesson
Head of NCC Industry business area

Born 1971. M.Sc. in Engineering

Head of NCC Industry since 2020.

Employed by NCC since 2018 as well as 1997–2000 and 2006–2017.

Previous experience includes: Head of Development and Operations Services, NCC, CEO of Nobelhuset. Prior to that, such positions as Deputy Division Manager of NCC Building, Head of Market and Operational Development at NCC Construction Sweden and a number of construction contract and production roles.

Other assignments: Board Member of Aros Bostadsutveckling and Svensk Byggtjänst.

Shareholding in NCC AB:* 5,415 Series B shares



Joachim Holmberg
Head of NCC Property Development business area

Born 1971. M.Sc. in Engineering

Head of NCC Property Development since 2019.

Employed by NCC since 2019.

Previous experience includes: Head of Skanska Sweden's Commercial Project Development, Operational Development Head of Skanska Sweden's commercial project development, District Manager Skanska Sweden, Project Manager Skanska Sweden.

Shareholding in NCC AB:* 3,200 Series B shares



Maria Grimberg
Head of Communication

Born 1969. M.Sc. in Economics

Head of Communication since 2019.

Employed by NCC since 2019.

Previous experience includes: Communication consultant and manager at JKL.

Other assignments: Chairman of the Board, Insamlingsstiftelsen Operation Smile Sverige.

Shareholding in NCC AB:* 4,165 Series B shares



Ann-Marie Hedbeck
General Counsel

Born 1972. Master of Laws
General Counsel since 2018.
Employed by NCC since 2017.

Previous experience includes: Chief Legal Counsel in NCC Infrastructure and General Counsel at Skanska.

Shareholding in NCC AB:* 430 Series B Shares



Johan Lindqvist
CPO, Head of Purchasing

Born 1975. M.Sc Business Administration & Economics

Head of Purchasing and Chief Procurement Office since November 1, 2021.

Employed by NCC since 2021.

Previous experience includes: Vice President & Head of Purchasing North America Volvo Bus Corporation 2016–2021, Vice President Global Purchasing Volvo Buses 2015–2016, Purchasing Director Volvo Buses 2012–2015, Volvo Global Trucks Purchasing 2001–2011.

Shareholding in NCC AB:* 1,356 Series B shares



Marie Reifeldt
Head of HR

Born 1963. B.Sc. in Social Work
Head of HR since 2018.

Employed by NCC since 2007.

Previous experience includes: HR Manager at NCC Construction Sverige, Corporate HR Manager at Bravida group, Head of HR Teracom, HR Manager at Stokab and HR Manager at Stockholm Energi Elnät.

Shareholding in NCC AB:* 2,926 Series B Shares.

As of January 1, 2021, Klaus Kaae was acting Head of Purchasing. Johan Lindqvist took office as Head of Purchasing on November 1, 2021.

*The details regarding shareholdings in NCC pertain to shares that were directly owned, owned via related parties or owned via companies at December 31, 2021.

Financial information and contact details

NCC will publish financial information regarding the 2022 fiscal year on the following dates:

April 5	Annual General Meeting
April 28	Interim report, January–March
July 19	Interim report, January–June
November 1	Interim report, January–September
January 31, 2023	Year-end report 2022

NCC's interim reports are downloadable from the NCC Group's website, ncc.com, where all information regarding the NCC Group is organized in English and Swedish versions.

The website also includes an archive of interim reports dating back to 2013 and annual reports dating back to 1996. NCC does not print or distribute its interim reports or Annual Report.

The price performance of NCC's Series A and B shares, updated every 15th minute of each day of trading, is presented under the "Investor Relations" tab, as are relevant key figures. NCC's press releases are available on the website. NCC's financial information can be ordered either by using the order form available on the ncc.com website, by e-mailing ir@ncc.se, writing to NCC AB, SE-170 80 Solna, Sweden, or calling NCC AB at +46 8 585 510 00. The person at the NCC Group responsible for shareholder-related issues and financial information is Maria Grimberg (Tel: +46 70 896 12 88; e-mail: ir@ncc.se).

Annual General Meeting

The AGM will be held on April 5, 2022 at 4.30 p.m. Location: Norra Latin, Drottninggatan 71 B, Stockholm. For more information concerning registration, refer to the official notification of the AGM.

Notice of the AGM is available on the NCC Group's website, ncc.com, and was published in Post- och Inrikes Tidningar on February 24, 2022. Confirmation that the official notification had been issued was announced in Dagens Nyheter and Svenska Dagbladet.

NCC AB (publ), Corp. Reg. No. 556034-5174, Registered Head Office: Solna. Addresses to the companies in the NCC Group are available at ncc.com.

Shareholder information on ncc.com

All financial information concerning the NCC Group and everything that concerns you as an NCC shareholder is available on NCC's website under the Investor Relations tab.

NCC's ten largest shareholders*

Name	NCC A	NCC B	Share capital	Voting rights
Nordstjernan	10,000,000	8,251,759	16.83%	48.18%
Carnegie Fonder		6,890,000	6.35%	3.07%
Lannebo Fonder		6,244,150	5.76%	2.78%
State Street Bank and Trust co, w9	30,906	4,020,664	3.74%	1.93%
Handelsbanken Fonder		3,978,263	3.67%	1.77%
Länsförsäkringar fondförvaltning AB		3,746,039	3.45%	1.67%
Nordea Nordic Small Cap Fund		2,467,893	2.28%	1.10%
JP Morgan Chase bank na	113,065	2,354,328	2.28%	1.55%
Verdipapirfondet Odin Sverige		2,450,000	2.26%	1.09%
CBNY-Norges Bank	4,239	2,373,915	2.19%	1.08%
Total, ten largest shareholders	10,148,215	43,364,123	49.35%	64.47%
Other shareholders	2,765,908	52,157,576	50.65%	35.53%

* As of Dec 31, 2021.

Subscription service

Contact our subscription service to subscribe for the information you would like to receive.

NCC share and financial key figures

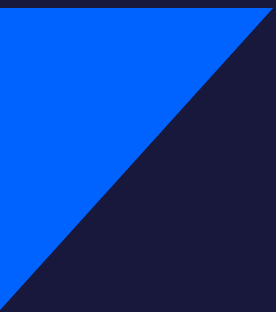
Share-price information with a 15-minute delay is available and you can also see the total return (including reinvested dividends) and compare NCC's share performance with that of Nordic competitors.

Here, you will find a list of the analysts who regularly monitor NCC.

More information/contact

Maria Grimberg
Head of Communication
Tel: +46 70 896 12 88
E-mail: ir@ncc.se

Please read our virtual Annual Report:
ncc.com/annualreport2021





Granåsen winter sport facility (from front cover)

In the development phase, NCC has made extensive use of digital tools and 3D modeling in its communication within the project organization and with external parties, such as local, national and international ski jumping organizations. This ensures that all of those involved have the same understanding of the plans established at every given time.



NCC is one of the leading construction companies in the Nordics. Based on its expertise in managing complex construction processes, NCC contributes to the positive impact of construction for its customers and society. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production. In 2021, NCC had sales of SEK 53 billion and 13,000 employees. NCC's shares are listed on Nasdaq Stockholm.