

Sustainability report

NCC is one of the leading construction and property development companies in the Nordic region and is active throughout the value chain in its efforts to create environments for work, living and communication.

NCC develops commercial properties and constructs housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction, such as aggregates and asphalt, and accounts for paving, operation and maintenance of roads.

NCC aims to be a leading player in the markets the company serves and to proactively contribute to reduce the use of non-renewable materials, increase societal value and develop new technical solutions, products and work methods that promote sustainable development for the customers, the Group and society at large. For NCC, this involves taking into account the needs of current and future generations, increasing its competitiveness and ability to generate profitable growth and taking long-term responsibility in its daily operations.

Our vision is to renew the industry and provide superior sustainable solutions.

INDUSTRY BEST IN SUSTAINABILITY

In the Nordics' largest brand study on sustainability, Sustainable Brand Index B2B, customers in the construction sector named NCC the Sustainability Industry Leader 2018.

"This is confirmation that the sustainable solutions NCC delivers make a difference and meet our customers' needs. Clear examples of this are our more environmental production method NCC Green Asphalt, and that we continuously review what parts of our operations can be switched to the use of renewable fuels. In recent years, we have found that our emphasis on sustainability has driven business-centric innovation with the customer in focus," says Christina Lindbäck, SVP Corporate Sustainability at NCC.



NCC's values

- Honesty
- Respect
- Trust
- Pioneering spirit

NCC's sustainability framework and the global goals

NCC's sustainability work constitutes the foundation for NCC's future development. The purpose of NCC's sustainability work is to use NCC's offerings to create conditions for people to work, reside, travel and live in a sustainable manner, and to increase value for shareholders, customers and society as a whole. The framework clarifies the principal areas of NCC's sustainability work – Health and Safety, Social inclusion, Materials and Waste, Climate and Energy, Compliance and Portfolio performance. NCC has set sustainability targets for the strategy period of 2016–2020 for all areas in the framework. The targets and outcomes for the year are reported on pp. 78-79.

For each area, there are also long-term directions in sustainability that relate to the long-term changes in market conditions, outline the path ahead and provide a direction for the Group's long-term sustainability work, beyond the strategy period.

These long-term targets have also been supplemented by a selection of the UN Sustainable Development Goals. Agenda 2030 and the global goals help to ensure that NCC's business strategies create long-term value for the company and for the societies in which the

company is active by enabling change where it is needed the most.

NCC has selected four global goals that NCC has the greatest potential to contribute to through the Group's societal solutions, and another 11 targets that are fundamental to NCC's operations and offerings. Supplementing these, some 50 sub-targets have been selected as being relevant and guiding for NCC in its work to achieve the global goals. NCC intends to continue to implement the global goals in its operations, in part by developing new solutions and involving more functions in the Group. Read more at: www.ncc.group/globalgoals.

NCC'S POSITIVE IMPACT THROUGH THE CORE BUSINESS

NCC's expertise, knowledge and solutions will be imperative to the achievement of sustainable development at places where people work, reside, travel and live. Accordingly, NCC plays an important role in the Nordic contribution to achieve global goals 7, 9, 11 and 12. This includes building housing and infrastructure that everyone can afford and that remove physical and mental barriers in cities; i.e.

NCC'S POSITIVE IMPACT THROUGH THE CORE BUSINESS



NCC'S RESOURCE MANAGEMENT



inclusive societies. It also involves being resource-efficient by creating circular material flows and independence from fossil fuels. As the pace of climate change increases, NCC must help to build resilient societies that can cope with heavy rain and extreme heat.

NCC'S RESOURCE MANAGEMENT

For long, NCC has been proactive in the work to formulate offerings and work methods that improve the situation for people and the environment. Accordingly, NCC regards global goals 3, 6, 13, 14 and 15 as fundamental to its operations and a prerequisite for long-term access to the natural resources needed by NCC. In addition, people's health and well-being can be promoted through intelligent buildings and sustainable infrastructure. By integrating green areas into urban environments, NCC also contributes to improving biodiversity and sustainable ecosystems. Although the Nordic region currently has relatively favorable access to water, NCC considers it important to contribute to the achievement of global goals 6 and 14, for example,

NCC'S FOUNDATION



through ecosystem services and water efficiency throughout the value chain.

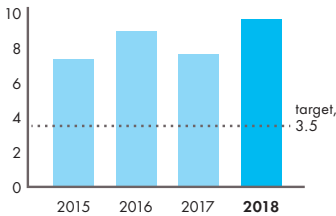
NCC'S FOUNDATION

NCC is a company guided by its values and our merits, products, services and people are the foundation for how we do business. NCC raises knowledge and expertise in society through the schools we build and the education we provide to both young people and employees, which contributes to achieving global goal 4. NCC complies with principles for equality, reduced inequality and decent labor standards and economic growth, which are directly linked to global goals 5, 8 and 10. By 2030, the company will also continue to promote employment for young people, ensure a safe work environment and proactively work to end discrimination of women. Cooperation and partnerships with various stakeholders are fundamental to transform to a sustainable world by 2030, as reflected in global goals 16 and 17.

| FOCUS AREA | DESCRIPTION AND EXAMPLES OF AREAS | LONG-TERM SUSTAINABILITY OBJECTIVE |
|---|---|---|
| <p>Health and Safety</p>  | <ul style="list-style-type: none"> • Safe and secure worksites • Design and choices of materials that promote good health for all stakeholders in the value chain | <p>We work in a zero accident environment</p> |
| <p>Social inclusion</p>  | <ul style="list-style-type: none"> • Better quality of life for workers, customers and society • Diversity and equality of workforce • Increased social sustainability in procurement processes • Empower local communities | <p>We are an empowering partner in an inclusive society</p> |
| <p>Materials and Waste</p>  | <ul style="list-style-type: none"> • Non-hazardous materials • Circular supplies • Resource efficiency and waste reduction | <p>We close the loop</p> |
| <p>Climate and Energy</p>  | <ul style="list-style-type: none"> • Less energy used and less greenhouse gases • Climate adaptation • Biodiversity as an asset | <p>We are climate neutral</p> |
| <p>Compliance</p>  | <ul style="list-style-type: none"> • Fair business and no corruption • Supply chain control and transparency • Sustainable purchasing | <p>We are a trustworthy partner acting with high ethical standards and transparency</p> |
| <p>Portfolio performance</p>  | <ul style="list-style-type: none"> • Provide superior sustainable solutions to our customers and the society | <p>We provide superior sustainable solutions</p> |

TARGETS FOR 2020 AND OUTCOME IN 2018

Accident frequency



Target for 2020
50%
reduction in number of accidents compared with 2015.

Accident frequency*
≤3.5
Outcome 2018
9.5
*Worksite accidents resulting in one day or more of absence from work per million worked hours.

The construction industry at large, including NCC, has experienced an increase in work-related injuries due to the high rate of construction in recent years. The work environment and health constitute one of our foremost focus areas for 2019 and our long-term aim of halving accidents between 2015 and 2020 stands firm.

Target, gender:
No gender should represent a higher share of a team* than 70%.

Target, diversity:
The team should mirror society.

Target, age:
No age group (≤34 years, 35–49 years, ≥50 years) should represent a higher share of a business area than 70 percent.

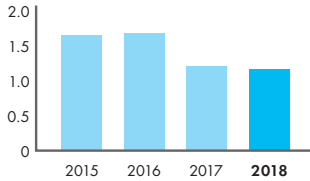
During 2018, a higher number of management teams had achieved the gender target. NCC also noted positive development during the year in terms of ethical diversity.

Outcome 2018
66%
*Management teams

Outcome 2018
45%

Outcome 2018
The target has been fulfilled at business area level. NCC is also striving to meet the target for age diversity in all operational teams, which the various business areas are monitoring.

Ton waste/SEK M turnover decreases

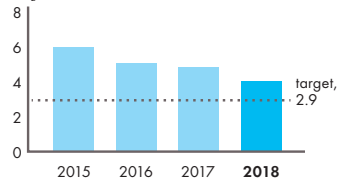


Target for 2020
70%
of NCC's building and construction waste is reused or material recycled by 2020. The number of tons of building and construction waste per SEK M of turnover decreases.

Outcome 2018
50%

The amount of building and construction waste per SEK 1 M of sales declined during 2018, from 1.64 tons/SEK M in 2015 to 1.17 tons/SEK M in 2018. The recycling rate increased but certain of the actions taken have yet to generate any effect. Work is proceeding to ensure that the rate of waste sorting continues to increase up to 2020.

Emissions of greenhouse gases from its own operations per turnover SEK M



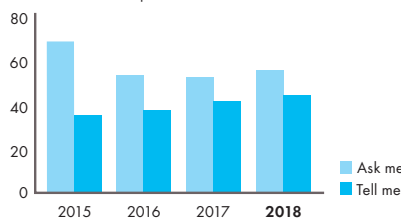
Target for 2020
50%
reduction in CO₂ emissions by 2020, compared with 2015.

Outcome 2018
32%

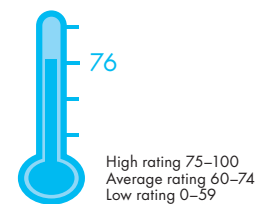
NCC continued to work to replace fossil fuels with renewable fuels, to switch to only purchasing electricity from renewable sources and increasing energy efficiency. This is generating results: relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 32 percent since 2015.

CULTURE Our aim is to have strong compliance culture in NCC, and very active compliance work.
PERCEPTION We track all employees' perception of our compliance culture in the employee survey, NCC Pulse, with the aim of significantly increasing the index score during the strategy period.
Transparency We disclose our number of Tell Me matters and Ask Me questions in our Annual Report.

Number of Ask-me questions and Tell-me matters



Index rating in NCC Pulse



OUR VISION A prerequisite for achieving our vision – “to renew our industry and provide superior sustainable solutions” – is to transform the conventional operations in a more sustainable direction. NCC has therefore decided to measure how the company's portfolio of sustainable products is developing by tracking net sales of sustainable products, services and concepts. Work is under way to develop a governing follow-up process for sustainable offerings.

Sustainability governance

Sustainability work in NCC is governed by the Group’s framework for sustainability, the Code of Conduct and other policies, such as a sustainability policy featuring an environmental policy, a health and safety policy and a diversity policy.

NCC supports the UN’s Global Compact initiative and has thus taken a stance in relation to issues 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 on the precautionary approach, 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, such as the World Economic Forum’s Partnering Against Corruption Initiative (PACI) and the UN Global Compact. Principles for human rights, work methods, the environment and anti-corruption are stated in these initiatives. 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 Executive Management Group is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Knowledge of the Code of Conduct at NCC is very high. According to NCC’s employee survey, NCC Pulse, employees believe to a great extent that NCC’s values and Code of Conduct provide guidance in their work.

NCC COMPASS

NCC Compass is a support to employees in their daily work, and makes it easier for them to make the right decisions. The tool is easily accessible on the company’s intranet and, in addition to guidelines and general advice, also features an “Ask Me” and a “Tell Me” function.

The Ask Me function was created to assist employees in always making the right decisions. It is managed by 58 specially trained employees, known as navigators, who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails.

The Tell Me function 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 by specially trained internal resources jointly with external expertise, to guarantee legally secure treatment.

The Ask Me function received 55 questions (52) during the year, in line with 2017. Many questions were about business entertainment and gifts. Frequently asked questions are compiled in NCC Compass. In 2018, 27 (16) cases were reported in the Tell Me function, representing an increase compared with last year. A number of incidents were also reported in other ways, which resulted in a total of 44 (41) cases that warranted investigation. 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 19 to other actions, such as the employees deciding to resign, to changes in procedures and processes or to targeted communication measures.

Matters related to personal data and integrity, in line with the EU’s General Data Protection Regulation (GDPR), were added to NCC Compass during the year. Information on how the Group manages personal data and any inquiries and incidents is available on both NCC’s external website and intranet.

In recent years, extensive training initiatives have been implemented to establish and facilitate understanding of the issues addressed by NCC Compass. During 2018, the main focus was on training NCC employees in matters related to the handling of personal data. All employees whose work involves the new Data Protection Regulations have been offered web-based training in the area. Certain occupational groups received additional training on the basis of their existing knowledge and duties.

SUSTAINABILITY ORGANIZATION

The CEO is ultimately responsible for NCC’s sustainability efforts. Sustainability work is governed by the Group’s SVP Corporate Sustainability in cooperation with the sustainability managers of each business area. The group meets regularly and sets shared targets, while following up on the sustainability work. The SVP Corporate Sustainability is responsible for implementation and has a staff that works daily with sustainability issues. Operational sustainability work is performed in NCC’s business areas. The unit cooperates with other functions in the organization, such as representatives of purchasing and HR functions. NCC’s compliance efforts are conducted via the NCC Group Compliance Officer together with selected representatives in each business area and Group staff.

NCC’S POLICIES

| Area | Anti-corruption | The environment | Social issues incl. HR and human rights |
|------------|---|---|---|
| Policies | Code of Conduct | Code of Conduct Sustainability policy featuring an environmental policy | Code of Conduct Health and safety policy Diversity policy |
| Main areas | <ul style="list-style-type: none"> • Business ethics • Compliance and tools for business ethics | <ul style="list-style-type: none"> • Environmental responsibility • Product and service development • Precautionary approach | <ul style="list-style-type: none"> • Human rights • Occupational health and safety • Recruitment • Training and education |

Employees

NCC is a large employer. In all of our markets, NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer. 92 percent of NCC's employees are covered by collective agreements. In Sweden and Norway, all employees are covered by collective agreements. In Denmark and Finland, fewer are covered by collective agreements; local agreements are applied instead.

Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas. NCC, together with the company Infabric, has designed Subcontractor Chain, a digital service that makes it easier to track all the subcontractors active at construction sites, and who has been commissioned for what. During 2018, the service was tested in the construction of NCC's new office Navet in Uppsala and in the expansion of the Ryhov County Hospital in Jönköping. Following the pilot period, it could be stated that the service works well, despite being put into operation in the middle of ongoing projects with a number of subcontractors already on site. The value is expected to

become even greater when the EU requirement for subcontractor chains applies at an early stage of projects, and are included in construction contracts. The service is currently being used in some ten projects around Sweden. NCC continues to be involved in close dialog with Infabric and will continue its work on implementation the function during 2019.

Employee data pertains to the number of employees at the end of 2018 and was collected from the Group's HR and payroll system.

EMPLOYMENT CONTRACTS 2018

| Number of employees | PERMANENT EMPLOYMENT | | TEMPORARY EMPLOYMENT | |
|---------------------|----------------------|--------------|----------------------|------------|
| | Men | Women | Men | Women |
| Sweden | 8,036 | 1,314 | 328 | 66 |
| Norway | 1,481 | 159 | 52 | 18 |
| Denmark | 1,953 | 301 | 21 | 11 |
| Finland | 1,247 | 290 | 24 | 5 |
| Total, NCC | 12,717 | 2,064 | 425 | 100 |

Health and Safety

Material topics under GRI: Occupational health and safety, Training and education.

Health and safety include both a safe and secure worksite for the Group's employees and subcontractors and good employment conditions and a healthy work-life balance. Health and safety also pervades the products and services provided by NCC, such as healthier buildings, improved indoor climate and well-planned outdoor environments.

OCCUPATIONAL HEALTH AND SAFETY

Health and safety work at NCC's worksites is governed by the Group's Health and Safety Policy. Health and safety incidents are reported to Synergi, the Group's digital system. The system is used to report accidents and incidents, as well as negative and positive observations. By following up all accidents, incidents and their causes, the most common causes and the most serious causes can be identified and actions taken. This information further improves the ability to conduct safety-enhancing efforts and thus to prevent worksite accidents. Synergi is available as both a web-based system and an app.

According to Synergi, injuries caused by slips, slides, cuts and the use of handheld equipment are the most prevalent accidents at NCC. Since the introduction of Synergi, a substantial increase in the reporting of incidents, as well as negative and positive observations, has been noted, which is leading to more accurate analyses and to actions being taken where the need is the greatest. Three areas at a high risk of serious injuries have been identified as focus areas in order to secure access to competencies, support and procedures in line with NCC's zero vision for accidents: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments. NCC has also identified three high-risk areas for illness among the Group's employees and subcontractors: working with asbestos, strain injuries and working with quartzite dust.

Every year, NCC implements a number of activities to increase occupational health and safety, including the Awareness Day and the Health and Safety Week. The aim is to highlight inspiring activities that enhance occupational health and safety awareness.

In September 2018, the Awareness Day was held for the eighth consecutive year and the theme for the year was to reflect on our behaviors and how health and safety can continue to be a natural part of NCC's culture. Tools were downed at 9:00 a.m. at all worksites in all NCC markets. A Group-wide discussion was held at the worksite, giving everyone the opportunity to put forward thoughts and ideas on how the worksite can be made even safer and what each individual can do to help foster a safety culture.

During the year's Health and Safety Week, NCC's 3,000 projects reserved time for various exercises, lectures, rescue training and health and safety walks at NCC's production facilities. The focus at offices throughout the Nordic region was primarily on the organizational and social work environment.

During 2018, the Group continued to implement and improve work methods and procedures in health and safety work that have been developed in recent years. These measures include safe behavior, safety equipment, work aids and tools and have led to favorable results. NCC did not experience any work-related fatality during 2018. Unfortunately, the construction industry at large, including NCC, has experienced an increase in work-related injuries due to the high rate of building production in recent years. Health, safety and work environment efforts are included in the workshops implemented within the framework of the value-based work launched in the Group during the year. Read more on p. 83.

| ABSENTEE RATE ¹⁾ , NCC EMPLOYEES | Sickness leave, % All types of illness and poor health | | Lost day rate ²⁾ Sickness absence due to injuries | |
|--|--|------------|---|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | Sweden | 3.7 | 3.7 | 21.63 |
| Norway | 4.8 | 5.4 | 16.52 | 5.82 |
| Denmark | 4.1 | 3 | 38.54 | 23.38 |
| Finland | 3.6 | 2.8 | 59.59 | 34.24 |
| Total | 3.8 | 3.6 | 27.44 | 24.07 |

¹⁾ Collected through Synergi and payroll systems.

²⁾ Number of lost working days during the year per 100 full-time employees.

INCIDENTS AND OBSERVATIONS, NCC EMPLOYEES AND SUBCONTRACTORS

| Number of days | 2018 | 2017 |
|----------------|---------------|---------------|
| Sweden | 6,494 | 3,508 |
| Norway | 5,012 | 4,495 |
| Denmark | 8,385 | 7,005 |
| Finland | 14,412 | 19,834 |
| Total | 34,303 | 34,842 |

Since the introduction of the Synergi reporting and analysis system, reporting of incidents and negative and positive observations has improved. To date, NCC Finland has succeeded best in securing sound and qualitative reporting of positive observations.

WORK RELATED INJURIES, INJURY FREQUENCY AND FATALITIES

| Number | | Injuries ¹⁾ Injuries resulting in one day or more of sickness absence | | Injury frequency Injuries per million worked hours | | Work related fatalities | |
|--------------|-----------------------|--|---------------|---|------------|-------------------------|----------|
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | Sweden | NCC employees | 148 | 143 | 9.5 | 8.4 |
| | Subcontractors | 113 | 81 | 12.8 | 2.7 | 0 | 0 |
| Norway | NCC employees | 20 | 10 | 5.4 | 3.1 | 0 | 0 |
| | Subcontractors | 10 | 0 | 2.8 | 0 | 0 | 0 |
| Denmark | NCC employees | 44 | 26 | 13.4 | 6.9 | 0 | 0 |
| | Subcontractors | 32 | 27 | 9.5 | 7.7 | 0 | 0 |
| Finland | NCC employees | 34 | 25 | 11.6 | 7.7 | 0 | 0 |
| | Subcontractors | 39 | 51 | 14.5 | 15.5 | 0 | 0 |
| Total | NCC | 257 | 204 | 9.5 | 7.5 | 0 | 1 |
| | Subcontractors | 238 | 164 | 11.9 | 4.0 | 0 | 0 |

¹⁾ Crushing and cuts are the most common injuries.

NCC, like the construction industry at large, has recently experienced an increased number of injuries of a minor nature, which is strongly linked to the boom in the construction sector and the consequential high rate of employee turnover.

TRAINING

Recruitment and ensuring that the right expertise will be available in the future are key issues for the industry. The construction industry is facing a generation shift over the next few years, and NCC is working on multiple fronts to contribute to skills development in the industry. Employees are offered continuous skills development in the form of traditional courses, e-learning or mentorship, all adapted to the requirements and needs of the individual. In Sweden, for example, NCC's training catalog offers more than 350 courses.

NCC also started a special project management training course for large projects during the year as a first step in a wider effort to strengthen the competency of key individuals at various levels. The program is a one-year Nordic initiative arranged in cooperation with the Royal Swedish Institute of Technology.

Sustainability training is a high-priority area and, since its launch in spring 2017, some 4,000 white collar employees at NCC have completed or started a digital interactive course in sustainability comprising the six components of NCC's sustainability framework. During 2018, the course was made downloadable, thereby also enabling blue collar employees without access to a computer with internet connection at the worksite, to also take part in the training program. In spring 2018, a successful pilot project featuring courses for blue collar employees that have been adapted with a clearer local focus, such as on the sorting of waste and the effect of leaving engines idling, was

conducted at a number of worksites. An analysis is under way to determine whether that training program can be rolled out on a broad front in coming years.

Due to technical difficulties in collecting data, the reported statistics below do not encompass parts of NCC's local training programs and certain interactive courses.

HOURS OF TRAINING, SWEDEN

| | 2018 ¹⁾ | | | 2017 |
|------------------------|--------------------|-------|-------|------|
| | Men | Women | Total | |
| White-collar employees | 41.1 | 17.5 | 34.8 | 40.8 |
| Blue-collar employees | 10.7 | 17.6 | 10.8 | 13.7 |

¹⁾ Includes compulsory training programs implemented in 2018 for new employees before their employment at NCC commenced.

HOURS OF TRAINING, NORDIC REGION

| | 2018 | 2017 |
|------------------------|------|------|
| White-collar employees | 27.5 | 28.8 |
| Blue-collar employees | 8.7 | 14.5 |

Social inclusion

Material topics under GRI: Diversity and equal opportunity, Non-discrimination.

NCC is a major player in the industry and endeavors to be a driving force in efforts to achieve an inclusive society. By means of cooperation with other players in society and via increased dialog with citizens, NCC enables the construction of healthy, safe/secure and inclusive environments. One example is NCC's Sustainable Refurbishment holistic concept, which results in profitable synergies between refurbishment, energy-efficiency and maintenance.

DIVERSITY AND EQUAL OPPORTUNITY

Diversity and equal opportunity are important elements of NCC's efforts to offer an inclusive worksite where employees thrive, perform and develop. This also constitutes a key issue in terms of satisfying NCC's recruitment and competency needs. The guiding framework for efforts to promote diversity and equality are the Group's diversity policy, and associated diversity targets for the strategy period (read more on p. 79), NCC's Code of Conduct and NCC Compass.

NCC's diversity policy is based on the conviction that diversity contributes to workplace satisfaction and increased business value, and that NCC will become a better business partner for customers if the company reflects the society that NCC is involved in building. The Code of Conduct and NCC Compass clarify how NCC supports and respects international human rights conventions. Equal treatment and providing the same opportunities must apply regardless of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, physical impairments or age. No confirmed cases of violations of human rights were reported during the year.

NCC is pursuing a number of proactive initiatives for increasing diversity and equality, both in the construction industry and in the Group. Through NCC Diversity Councils, good examples regarding diversity are disseminated to bring about a tangible increase in diversity in the Group.

In 2018, NCC initiated a comprehensive initiative based on the Group's values. Through workshops and dialog exercises, employees contribute to shaping the Group's culture. The purpose of this initiative is to deepen the significance the Group's values and simultaneously to teach the employees more about diversity and inclusion. At year-end, more than 60 employees had been trained to facilitate such workshops and about ten management teams and some 400 employees have already received the training. The initiative will be intensified and expanded in 2019.

NCC's female network Stella celebrated its 20th anniversary in 2018. In addition to promoting more gender-equal norms in the construction industry and working to facilitate more female managers, the network has pursued such practical issues as parental salaries, increased flexitime, bans on discriminatory photos at the worksite, workwear for women and succession planning, and also influenced the formation of a Diversity Committee within NCC. The network currently has more than 550 members and offers network meetings, lectures and workshops.

Since 2016, the Group offers the NCC Nystart labor market program aimed at foreign-born engineers who are seeking employment. The education has been designed in cooperation with the Kunskapsskolan school and the Swedish Public Employment Service to meet NCC's considerable recruitment need and promote integration and diversity. For 30 weeks, theoretical studies at Kunskapsskolan are mixed with practical work at NCC's worksites. The aim is to offer employment to the participants when they have completed the program. Since the start, 36 people have completed the training program and 25 have been offered employment at NCC.

GENDER DIVERSITY AT NCC

| Proportion, % | 2018 | | 2017 | |
|------------------------|-------|-----|-------|-----|
| | Women | Men | Women | Men |
| Board of Directors | 63 | 37 | 57 | 43 |
| Executive Team | 50 | 50 | 33 | 67 |
| Management groups | 40 | 60 | 37 | 63 |
| Managers | 14 | 86 | 14 | 86 |
| Employees | 14 | 86 | 13 | 87 |
| White-collar employees | 26 | 74 | 25 | 75 |
| Worker | 3 | 97 | 2 | 98 |

A movement in a positive direction was noted in 2018 concerning NCC's overall diversity target of reflecting the society in which we operate in respect of gender.

AGE DIVERSITY AT NCC

| Proportion, % | 2018 | | | 2017 | | |
|------------------------|-----------|-------------|-----------|-----------|-------------|-----------|
| | ≤34 years | 35-49 years | ≤50 years | ≤34 years | 35-49 years | ≤50 years |
| Board of Directors | 0 | 13 | 87 | 0 | 0 | 100 |
| Executive Team | 0 | 50 | 50 | 0 | 44 | 56 |
| Management groups | 3 | 43 | 54 | — | — | — |
| Managers | 10 | 46 | 43 | — | — | — |
| Employees | 29 | 34 | 37 | 28 | 34 | 38 |
| White-collar employees | 25 | 40 | 35 | 24 | 39 | 37 |
| Worker | 34 | 28 | 38 | 32 | 28 | 40 |

During the year, NCC entered into a three-year partnership with Fryshuset that is intended to lead to inclusive construction sites, stimulate young people to take part in training and promote integration into society. Partnerships are a feature of NCC's role as a community developer and NCC believes that partnerships can lead to new methods for making the Group's construction projects places that enable integration, training and recruitment. The project is being initiated with a pilot project in Rinkeby.

NON-DISCRIMINATION

NCC does not accept any form of discrimination and acts forcefully when incidents are reported. In NCC's employee satisfaction survey NCC Pulse, 6 percent (5) responded that they had experienced discrimination due to gender or age, harassment or bullying during 2018.

NCC has formulated an action plan to counter harassment, discrimination and bullying. The discrimination issue is also being illuminated in conjunction with value-based workshops in management teams and workshops in the operating activities.

NCC's Ask Me/Tell Me function is available for all types of issues, both external and internal, where events that are perceived as not being compliant with NCC's Code of Conduct can be reported anonymously.

Materials and Waste



Material topics under GRI: Materials, Effluents and waste.

The construction process is material intensive and considerable resources are required for completing a building or structure. Thus, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products and minimizing and responsibly managing the waste that arises from the construction process, as well as by means of project engineering and design that facilitates reuse and recycling. The aim for the strategy period is to increase the proportion of materials sent for reuse or materials recycling while reducing the total amount of waste. Read more on p. 79.

TRACEABILITY THROUGHOUT THE PRODUCTION CHAIN

NCC aims to produce buildings and civil engineering structures that are content-declared and only comprise sustainable products that are sound from an environmental and health perspective. In the long term, this will result to a greater extent in buildings being designed to allow for their input materials to be recycled when their useful life expires.

In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose appropriate requirements on suppliers and to work with traceability throughout the production chain.

In April 2018, NCC together with industry actors made the decision to take shared responsibility for meeting future requirements for a digitalized, traceable and sustainable construction process through the use of GTIN (Global Trade Item Number), a joint and global standardized method for identifying products. GTINs are created by the respective producers and are allocated to each unique product. This unique identification provides traceability and serves as a platform for an unbroken information flow concerning the construction products from manufacturing and project design to management and demolition. In 2018, NCC developed a new purchasing system, which now directly imports sustainability performance data on products from various databases with the help of GTIN. This digital solution increases the efficiency of the purchasing process and facilitates sustainable product selection.

CIRCULAR INITIATIVES

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of reducing construction waste and reintroducing it into production are being developed. For example, NCC has initiated an effort to create a platform that enables projects to share surplus materials in other projects within the Group. Other examples of efforts to contribute to a circular flow include the acclaimed Loop Rocks platform, which contributes to a smarter way of managing building residue, stones, soil and gravel. Loop Rocks became a separate company in 2018 and is now available in all Nordic countries, with Norway as the latest market in February 2018.

NCC cooperates closely with the Group's waste-management partners in a number of areas to enable the recycling or reuse of materials. Examples include the use of recovered concrete as construction materials in the reinforcing and bearing structure, garden waste that becomes new topsoil, metal scrap that is recycled into new metals, corrugated board that becomes new paper and shrink wrap that is used in the production of new plastic. NCC also contributes to research projects in collaboration with other players concerning the recycling of glass wool, plastics and gypsum.

Every year, NCC handles large amounts of construction pallets, some of which are thrown in containers at construction sites. In 2018, NCC Building Sweden and NCC Infrastructure implemented an initiative to increase the proportion of pallets that are resold to the Byggpall returnable system, an industry initiative aimed at collecting and recycling construction pallets. The initiative contributes to financial savings through reduced container costs and compensation for returned pallets, while also reducing the amount of waste at construction sites and carbon emissions from the production of new pallets.

In May 2018, NCC together with Axfood, H&M, Houdini, IKEA, SSAB, Tarkett and the Swedish Recycling Industries' Association, launched the Circular Sweden corporate forum. The aim is to move policies and development towards more circular material flows. The point of departure is that resource-efficient societal responsibility is an important part of the solution for climate adjustment and that a shift from linear to circular material flows is necessary to maintain welfare levels in the future.

NCC also continuously improves its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2018, recycled asphalt granulate accounted for 21 percent (20) of hot asphalt production.

WASTE PER TYPE AND DISPOSAL METHOD

| | 2018 | | 2017 | |
|--|-------------------|----|-------------------|----|
| | total weight, ton | % | total weight, ton | % |
| Non-hazardous waste | | | | |
| Sorting (mixed waste) | 11,083 | 21 | 13,135 | 26 |
| Energy recycling (combustible waste) | 12,112 | 22 | 11,192 | 22 |
| Landfill | 3,863 | 7 | 2,987 | 6 |
| Reuse/materials recycling | 26,548 | 49 | 22,351 | 45 |
| Special treatment (hazardous waste) | 629 | 1 | 436 | 1 |
| Total amount of waste | 54,054 | | 50,102 | |

¹⁾ The data has been collected from NCC's waste-management partners.

The total amount of waste increased by 8 percent compared with 2017. This was due largely to the increased number of projects compared with 2017. The amount of building and construction waste per SEK 1 M of sales continued to decline during 2018, from 1.64 tons/SEK M in 2015 to 1.17 tons/SEK M in 2018.

The rate of sorting increased but some of the actions implemented have yet to generate effect. Work is continuing to ensure that the rate of sorting continues to increase up to 2020.

The statistics cover traditional construction waste. Soil, stone and fill materials, which are directly dependent on the projects' geography, are sorted separately and reused to a large extent and are thus not included in statistics in the table.

Climate and Energy



Material topics under GRI: Energy, Emissions.

Since the construction industry has a considerable environmental impact, which includes large emissions of greenhouse gases, NCC works actively to influence development in a sustainable direction. By using new technology, for example, emissions from production, operations and maintenance of finished products are being reduced. Accordingly, NCC is able to contribute to lower climate impact throughout the value chain.

TOWARDS CLIMATE NEUTRALITY

Increasingly efficient energy consumption, internal process improvements, more resource-efficient products and a transition from fossil fuels to more eco-friendly energy sources are high on NCC's agenda for reducing the Group's climate impact. These measures also contribute to increased competitiveness and reduced costs for the Group's customers. NCC is also working to influence external players towards improving the industry's sustainability work, such as by supporting advances in procurement, lifecycle analysis and training.

NCC joined Fossil-free Sweden in February, 2018. This organization constitutes a platform for collaboration and dialog among 300 players that want to make Sweden free from fossil fuels. In April 2018, the construction and civil engineering industry submitted a joint road map to the Swedish government concerning how the industry aims to use existing technology to halve its emissions by 2030.

NCC's asphalt production accounts for approximately 60 percent of the Group's own carbon emissions. A large share of the carbon emissions derives from the combustion of fossil fuels at the 66 stationary plants that produce hot asphalt. By switching to such renewable fuels as wood pellets or bio-oil, and reducing the moisture level in stone materials and asphalt granulate, the climate impact has been mitigated in recent years. In Sweden, NCC has converted 23 of a total of 28 asphalt plant for the use of biofuel. NCC is also endeavoring to develop more eco-friendly products, in part by increasing the portion of recycled asphalt in production. Another example of environmental activities is NCC Green Asphalt®, which is warm asphalt produced by a manufacturing method that generates significantly lower carbon emissions than conventional production of hot asphalt. NCC currently has some 50 facilities that can produce NCC Green Asphalt®, which corresponds to nearly 80 percent of the facilities.

To reduce the Group's other carbon emissions, NCC's various business areas are working on a range of quantity initiatives such as energy-efficiency improvements, an increased mix of renewable fuel in machinery and vehicles, energy-efficient modules and a continued transition to electricity from renewable sources.

ELECTRICITY USE IN THE ORGANIZATION

| MWh | 2018 | Change compared with base year 2015, % | 2017 | 2016 | 2015 ¹⁾ |
|--|----------------|--|----------------|----------------|--------------------|
| Electricity from renewable sources ²⁾ | 152,259 | 49 | 118,754 | 108,927 | 102,360 |
| Other electricity | 18,559 | -86 | 55,259 | 102,861 | 131,120 |
| Electricity, total | 170,817 | -27 | 174,013 | 211,787 | 233,480 |

¹⁾ Excluding Bonava.

²⁾ Hydroelectric and wind power.

During 2018, nearly 90 percent of all electricity purchased by NCC was either eco-labeled as a good environmental choice or origin-labeled using guarantees of origin. The amount of fossil-based electricity has been reduced by 86 percent since 2015.

DISTRICT HEATING/DISTRICT COOLING USE WITHIN THE ORGANIZATION

| MWh | 2018 | Change compared with base year 2015, % | 2017 | 2016 | 2015 ¹⁾ |
|---|---------------|--|---------------|---------------|--------------------|
| District cooling | 624 | 199 | 22 | 1,286 | 209 |
| District heating | 29,156 | -41 | 29,207 | 48,933 | 49,239 |
| District heating/district cooling, total | 29,780 | -40 | 29,229 | 50,219 | 49,448 |

¹⁾ Excluding Bonava.

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 at which they found themselves.

USE OF FUEL WITHIN THE ORGANIZATION

| MWh | 2018 | Change compared with base year 2015, % | 2017 | 2016 | 2015 ¹⁾ |
|---------------------|------------------|--|------------------|----------------|--------------------|
| Renewable fuels | 111,879 | 7 | 114,206 | 87,893 | 104,786 |
| Fossil fuels | 889,356 | -14 | 951,544 | 906,966 | 1,034,349 |
| Fuels, total | 1,001,234 | -12 | 1,065,750 | 994,859 | 1,139,135 |

¹⁾ Excluding Bonava.

NCC continues to reduce its use of fossil fuels. Since 2015, their use has been reduced by 14 percent, due largely to the continued conversion to biofuels in the Swedish asphalt plants.

GREENHOUSE GAS EMISSION FROM NCC'S OPERATIONS

| Market-based | 2018 | Change compared with base year 2015, % | 2017 | 2016 | 2015 ¹⁾ |
|---|--------|--|--------|--------|--------------------|
| Greenhouse gas emissions ²⁾ CO ₂ e (tons, 000s) | 227 | -27 | 260 | 267 | 312 |
| – of which, scope 1 ³⁾ | 217 | -15 | 234 | 223 | 255 |
| – of which, scope 2 ⁴⁾ | 10 | -83 | 26 | 44 | 57 |
| Net sales, SEK M | 57,346 | 8 | 54,608 | 52,934 | 53,116 |
| CO ₂ e (tons)/MSEK | 4.0 | -32 | 4.8 | 5.0 | 5.9 |

¹⁾ Greenhouse gases N₂O, CH₄ and CO₂ are included in the calculations

²⁾ Refers to direct emissions from NCC's operations, of which –0.5 (tons 000) derived from the combustion of biomass (2018).

³⁾ Refers to indirect emissions from electricity and heat.

⁴⁾ Excluding Bonava.

Carbon emissions related both to purchased fuels and to electricity, district heating and district cooling have declined since the base year 2015. This was because of an increased use of renewable fuels, the transition to electricity from renewable sources and energy-savings measures. Relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 32 percent since 2015.

DEFINITIONS

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 carbon emissions from electricity and heating. NCC does not use climate compensation. Information on purchases of fuels, electricity and heating/cooling energy is collected from NCC's suppliers. The Credit360 support system is used to compile the statistics.

In 2018, NCC worked to refine and develop procedures for collecting sustainability data, mainly concerning climate and energy. The aim is that this will enable more comprehensive sustainability reporting, both internally and externally.

CLIMATE CHANGE PROGRAM

NCC responds on an annual basis to the CDP's "Climate change program," in which additional details about the Group's energy consumption and emissions are reported. During 2018, NCC belonged to the top 5% of organizations in the world that are leaders in the effective management of carbon and climate change risk.



RISKS AND OPPORTUNITIES

Future climate changes are expected to affect both societies and people, and can be linked to both risks and opportunities for NCC. The Group manages this through risk assessments, climate adaptation of operations and targeted efforts to reduce NCC's climate impact. Demand for new business models is also growing, as customers become aware of the opportunities that, for example, digitization and sharing services can generate.

Sustainable products and services

As awareness of climate change increases, as well as the changes this entails in cities and societies, the customers' requirements and demand for NCC's offering could change and this could benefit more sustainable products and services. Through strategic sustainability and product development work, the Group ensures that its offerings match the requirements of customers. Products developed by NCC include NCC DrænStabil® – a stone-material product that prevents flooding by ensuring that water quickly and readily penetrates the soil. NCC is also working on site- and project-adapted solutions for outdoor environments, whereby development and construction are combined with retained diversity of natural services, such as temperature regulation, noise abatement, surface water management, esthetics and opportunities for recreation.

In the next few years, stricter legislation regarding the energy efficiency of buildings is expected. NCC welcomes this and works continuously to improve the energy performance of its buildings but regards follow-up as an important feature for attaining the full impact of new, more rigorous requirements. NCC is also reviewing its production processes and working to enhance efficiency so as to gradually reduce the negative environmental impact.

Internal processes

NCC depends on a large quantity 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. To minimize the impact, NCC endeavors to achieve a long-term reduction of its climate impact, phase out fossil fuels and move towards a more circular use of raw materials.

Climate change, such as extreme weather and flooding, could also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes could negatively impact the safety of employees, as well as the storage of materials at construction sites. NCC manages this risk by performing risk assessments of all projects.

Compliance



Material topics under GRI: Anti-corruption, Anti-competitive behavior, Supplier environmental assessment, Supplier social assessment.

NCC endeavors to be a trustworthy partner acting with high ethical standards and transparency. The Group's Code of Conduct is an important feature of NCC's compliance efforts, both as an internal compass for describing how the Group should act and as external communication to clarify NCC's expectations of its suppliers and business partners. The Code of Conduct constitutes a component of NCC's agreements with suppliers. Other stakeholders are informed about the 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 in respect of, for example, competitive situations and business ethics. NCC also cooperates with industry colleagues to promote healthy business practices. In cooperation with most other industry players in Sweden, a joint policy has been formulated: "Agreement on counteracting bribery and corruption."

Following an analysis based on the risk of noncompliance with NCC's Code of Conduct, three areas have been identified as being of particular importance: bribery and corruption, competition law and

conflicts of interest. No confirmed cases of corruption were reported during the year.

SUSTAINABLE PURCHASING

Developing sustainable and competitive purchasing is a key issue for NCC. The Group's Code of Conduct is the foundation for purchasing work and NCC works systematically to minimize risks and increase control. Towards the end of 2018, NCC launched a Code of Conduct for Suppliers, which is a condensed version of the Group's Code of Conduct. The aim is that it must be easy to understand, which makes it easier for the Group's suppliers to follow and disseminate to their own employees and further on in the value chain, thus facilitating positive supplier behavior.

NCC's supplier base is large and the company cooperates with several thousand suppliers through its purchases of everything from building materials and subcontractors to travel and office supplies. By far the majority of NCC's suppliers are Nordic, but NCC also has suppliers in other regions such as Poland, the Baltic countries and China. The supplier base consists of framework agreement suppliers,

international suppliers and Nordic project sourcing suppliers. Work on reducing the number of suppliers is under way and includes increasing the proportion of purchases under framework agreements. The aim is to reduce NCC's purchasing costs and to facilitate increased control.

To be able to manage NCC's staffing requirements during work peaks, NCC has developed its own staffing company, NCC Montage. NCC Montage has been tasked with securing NCC's capacity and competence supply of skilled workers and to transparently show that the right wages and terms and conditions are provided. This initiative minimizes NCC's risks and simultaneously strengthens control and healthy competitiveness in the industry. During 2018, NCC Montage supported projects in the Nordic region with some 350 skilled workers.

NCC works continuously on quality development of the follow-up of the Group's suppliers. According to NCC's purchasing processes, an assessment of a new supplier must be conducted before any cooperation commences. The scope of this assessment varies depending on the type of supplier. However, NCC still has no quantitative data to report on the follow-up of supplier assessments (in terms of the entire Group). To assess, monitor and develop non-Nordic suppliers, NCC focuses specifically on audits of social responsibility, quality, environment and work environment. To ensure compliance with NCC's

requirements and advances in these areas, NCC applies a one- to three-year supplier-assessment and supplier-performance audit cycle. Noncompliance that is noted under the supplier assessment and that is not corrected according to the action plan could lead to termination of cooperation with the supplier. For suppliers in high-risk countries (according to the BSCI definition), audits performed by own staff are combined with third-party audits performed with the help of external experts.

TCFD

NCC supports the recommendations that the TCFD (Task Force on Climate-related Financial Disclosure) has formulated concerning reporting of climate-related information. By working with climate-related risks, knowledge is enhanced and thus also opportunities to make well-founded decisions, develop new products and services, manage forthcoming regulations and become more competitive.

Portfolio performance



Material topic under GRI: Marketing and labeling.

The Group's product portfolio includes NCC's initiatives in the sustainability area, which facilitate a wide range of sustainable products, concepts and services that add value for NCC's stakeholders and also help the Group achieve its long-term sustainability targets, while strengthening its competitiveness and ability to generate long-term profitable growth.

SUSTAINABILITY-CERTIFIED PROJECTS

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljöbyggnad, CEEQUAL, BREEAM, LEED, DGNB and Citylab are used for housing and infrastructure projects, as well as city districts. BREEAM and DGNB are used for the projects that NCC develops itself. NCC sees that demand for environmentally certified buildings continues to increase. NCC certified 68 (47) commercial and residential buildings in 2018, a year-on-year increase of 45 percent. This shows that demand for certified buildings continues to rise. Read more about some of the Group's certified buildings on pp. 88.

SUSTAINABLE SOLUTIONS

NCC contributes to favorable social and urban development by providing sustainable solutions. The year's projects included the Markbygden ETT wind farm in Piteå and civil engineering works at Amagerverket in Copenhagen. Read more on pp. 88.

SUSTAINABLE SITES

During the year, NCC launched a Group-wide tool for sustainable sites that is linked to NCC's sustainability framework. The aim of the tool, which has been named "Sustainable Sites", is to create a shared platform upon which to base the sustainability work at all worksites, regardless of country or type of operation. Work is based on a checklist containing requirements that must always be fulfilled and requirements for which fulfillment would be advantageous. It is obligatory to document how the requirements have been attained and the projects' plans for regular follow-ups. The tool is already obligatory for all projects in NCC Building Sweden with a project value exceeding 50 MSEK. During autumn 2018, pilot projects were also initiated at NCC Infrastructure and within NCC Industry.

SUSTAINABILITY-CERTIFIED BUILDINGS

| Certification systems | NORDIC SWAN ECOLABEL | BREEAM | | LEED | | DGNB | | SWEDEN GREEN BUILDING COUNCIL | |
|---------------------------|----------------------|-------------|---------------|----------|--------------|----------|--------------|-------------------------------|----------------|
| | Number | Grade | Number | Grade | Number | Grade | Number | Grade | Number |
| | | Pass | | Bronze | | Bronze | | Bronze | |
| | | Good | | Silver | | Silver | | Silver | 43 |
| | | Very Good | 2 | Gold | | Gold | 2 | Gold | 5 |
| | | Excellent | 1 | Platinum | | Platinum | | | |
| | 15 | Outstanding | | | | | | | |
| Total, 2018 (2017) | 15 (9) | | 3 (10) | | 0 (1) | | 2 (0) | | 48 (27) |

MASTHUGGSKAJEN IN GOTHENBURG

Masthuggskajen in Gothenburg became the first urban-development project in Sweden to be certified under Guide 2.0, Sustainable Urban Development in the Planning Stage. This certification system, which has been developed by the Sweden Green Building Council, is the first one for sustainable urban development that has been completely adapted to Swedish conditions. The certification covers early and overall planning and program stages, and the project must fulfill 20 indicators to be approved. These include a distinct vision and tangible targets for the development and that the area offers various forms of tenure, meeting places, green spaces and sustainable modes of transport.

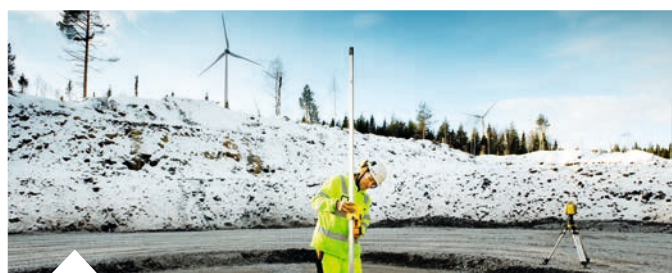


VALLE WOOD IN OSLO

Valle Wood is Norway's largest office building with a frame of solid wood and has attracted considerable interest during the development and construction phases. What is planned at Valle Wood includes an office concept featuring collaborative and entrepreneurial activities, as well as meeting rooms, conference facilities and various catering and service offerings. The building fulfilled rigorous environmental requirements during construction and achieved BREEAM Excellent certification.

NEW DISTRICT COURT IN LUND

NCC built Lund's new, environmentally certified district court on behalf of Specialfastigheter. The architectural expression of the new district court is modern and stylish, while meeting the stringent security requirements of the court's operations. The building comprises 12,400 square meters divided between seven floors, one of which is underground. The building was certified at the Gold level by the Sweden Green Building Council, meaning that energy consumption will be 38 percent lower than the level stated in construction regulations for southern Sweden. The indoor environment contains carefully selected materials with a focus on sustainability.



MARKBYGDEN ETT IN PITEÅ

NCC has been commissioned to conduct extensive infrastructure work at the Markbygden ETT wind farm in Piteå. With 179 wind turbines, it will be one of Europe's largest land-based wind farms and it will increase Sweden's share of wind power by 12.5 percent.

AMAGERVERKET IN COPENHAGEN

At the Amagerverket power plant in Copenhagen, NCC is assisting HOFOR, Copenhagen's energy company, by performing such civil engineering works as roads and green areas. Through comprehensive refurbishment, the power plant is being switched from the use of coal to sustainable biomass and is a feature of Copenhagen's ambition to be the world's first capital city to become climate neutral by 2025.



Stakeholder dialog and materiality analysis

NCC uses internal analyses of strategic issues, drivers in society and the results of stakeholder dialogs to define the most significant sustainability issues. The method for defining these significant issues follows the GRI guidelines and comprises identification, prioritization and validation. The participants in stakeholder dialogs are selected by the various business areas on the basis of relevance; for example, if they are affected by the Group's work.

In 2016, a web-based stakeholder survey was conducted to solidify NCC's sustainability framework and enable stakeholders to provide feedback on NCC's significant issues. More than 2,800 stakeholders from Sweden, Denmark, Finland and Norway participated in the survey, jointly representing employees, suppliers, customers, investors and students. The results of the survey reflected considerable commitment to NCC's sustainability work and shared views about the focus areas defined in the sustainability framework. The questions that were highlighted by the stakeholders were healthy and safe workplaces, sound business practices and no corruption, no discrimination at NCC's workplaces, healthy buildings and designs and choices of materials based on health and environmental properties.

Other types of dialog are also implemented regularly, for example, in the form of a quarterly customer survey (Net Promoter Score) and an employee survey (NCC Pulse). Every third year, NCC measures the Group's reputation among decision-makers, interest organizations and the general public.

During 2018, NCC focused the stakeholder dialog on investors, mainly major shareholders. The dialog primarily involved the Group's climate impact and reporting based on the framework of the Task Force for Climate Related Financial Disclosures,

Regular checks will continue to be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.

NCC'S MATERIAL ASPECTS

On the basis of NCC's sustainability framework, the Group has identified 14 material aspects according to the GRI Standards. The material aspects, which can be grouped according to economic, environmental and social responsibility, pervade every link of the value chain, and their significant impact on the value chain is presented in the table below.

SIGNIFICANT SUBSTANCES AND BOUNDARIES

| | Significant impact of suppliers | Significant impact of NCC's operations: | Significant impact of customers |
|-------------------------------|---------------------------------|---|---------------------------------|
| ECONOMIC IMPACT | | | |
| Economic performance | | ● | |
| Anti-corruption | ● | ● | |
| Anti-competitive behavior | ● | ● | |
| ENVIRONMENTAL IMPACT | | | |
| Material | | ● | ● |
| Energy | | ● | ● |
| Emissions | | ● | |
| Waste/effluents ¹⁾ | | ● | |
| Supplier assessment | ● | ● | |
| SOCIAL IMPACT | | | |
| Health and Safety | | ● | |
| Training | | ● | |
| Diversity/equality | | ● | |
| Supplier assessment | ● | ● | |
| Non-discrimination | | ● | |
| Product and service labeling | | ● | ● |

¹⁾ Limited to NCC's building and construction operations.

ABOUT THIS REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. Since 2010, the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information have been applied. The Sustainability Report, which pertains to the 2018 fiscal year, has been prepared according to GRI Standards Core and also constitutes NCC's Communication on Progress under the UN Global Compact.

More detailed sustainability information and performance indicators are presented on pp. 76–89. For the GRI index, refer to www.ncc.group/sustainabilitygovernance. The financial statements have not been examined by a third party. The Report on the 2018 fiscal year was published on March 15, 2019. Unless otherwise stated, all the information pertains to the entire NCC Group.

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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: pp. 1–7, pp. 17–19 and pp. 76–89.

NCC's business model and sustainability framework are presented on pp. 76–77, environment on pp. 78–79 and 84–86, social conditions on pp. 78–79, 83 and 86, personnel on pp. 78–79 and 81–83, human rights on pp. 78–80, 83 and 86 and anticorruption on pp. 78–80 and 86. Risk descriptions are presented on pp. 17–19.

Unless otherwise stated, 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 2018 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 the 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.

Opinion

A statutory sustainability report has been prepared.
Stockholm 13 March 2019

PricewaterhouseCoopers AB

Håkan Malmström
Authorised Public Accountant
Auditor-in-charge

Ann-Christine Hägglund
Authorised Public Accountant