

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 in accordance with Swedish company law and other rules that apply to listed companies, which include the Swedish Code of Corporate Governance (for further information concerning the Code, refer to www.corporategovernanceboard.se). NCC AB has applied the Code

since it was introduced in 2005. During the year, NCC AB complied with 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 GENERAL SHAREHOLDER MEETINGS**

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association.

Official notice of meetings shall be made in the form of an announcement in Post- och Inrikes Tidningar and on the company's website www.ncc.se. Confirmation that the Official notice has been issued will be announced in Dagens Nyheter and Svenska Dagbladet.

According to the Swedish Companies Act, notice of the Annual General Meeting (AGM) shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting.

Notice of Extraordinary General Meetings (EGMs) convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other EGMs shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. 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.
- 2 SHARE STRUCTURE AND VOTING RIGHTS**

NCC shares are issued in two series, designated Series A and Series B shares. 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. For a breakdown of the number of shares and voting rights, as well as the shareholder structure, see ncc.se. On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the company's Board, which makes continuous decisions on conversion matters. After a conversion decision is made, this is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered. The number of shareholders at year-end was 42,010, with Nordstjärnan AB as the largest individual holder accounting for 16.83 percent of the share capital and 47.62 percent of the voting rights.
- 2 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 AGM. The employees are represented on the Board. The members of the Board are elected for a period of one year. During 2019, eight 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 p. 101. The Audit Committee comprises Members of the Board Ulla Litzén, Angela Langemar Olsson and Mats Jönsson. The Chair of the Audit Committee is Ulla Litzén. The Project Committee comprises Board Members Alf Göransson and Geir Magne Aarstad. The Project Committee is chaired by Alf Göransson.
- 2 CHAIRMAN OF THE BOARD**

The Chairman of the Board is Tomas Billing (for details concerning the Chairman's age, professional experience, assignments outside the company and holdings of shares in the company, refer to p. 101). 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.
- 3 PRESIDENT AND CHIEF EXECUTIVE OFFICER**

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. 103.) 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. 98).
- 3 DEPUTY CHIEF EXECUTIVE OFFICER**

The company has not appointed any Deputy Chief Executive Officer.
- 3 EXECUTIVE TEAM**

NCC's Executive Team (ET) consists of the President and CEO, the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry and NCC Property Development, the Chief Financial Officer and Head of Operational Development and IT. For information on members of the ET, see p. 103.

The ET mainly focuses on strategic and other Group-wide matters and generally meets once per month.
- 4 GOVERNANCE OF BUSINESS AREAS**

The Group is composed of business areas. Each business area is led by a business area manager and has a board of directors whose members include NCC AB's CEO, CFO and Senior Legal Counsel. For certain decisions, the approval of the CEO, NCC AB's Board Chairman or Board of Directors is required.

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.
- 5 NOMINATION COMMITTEE**

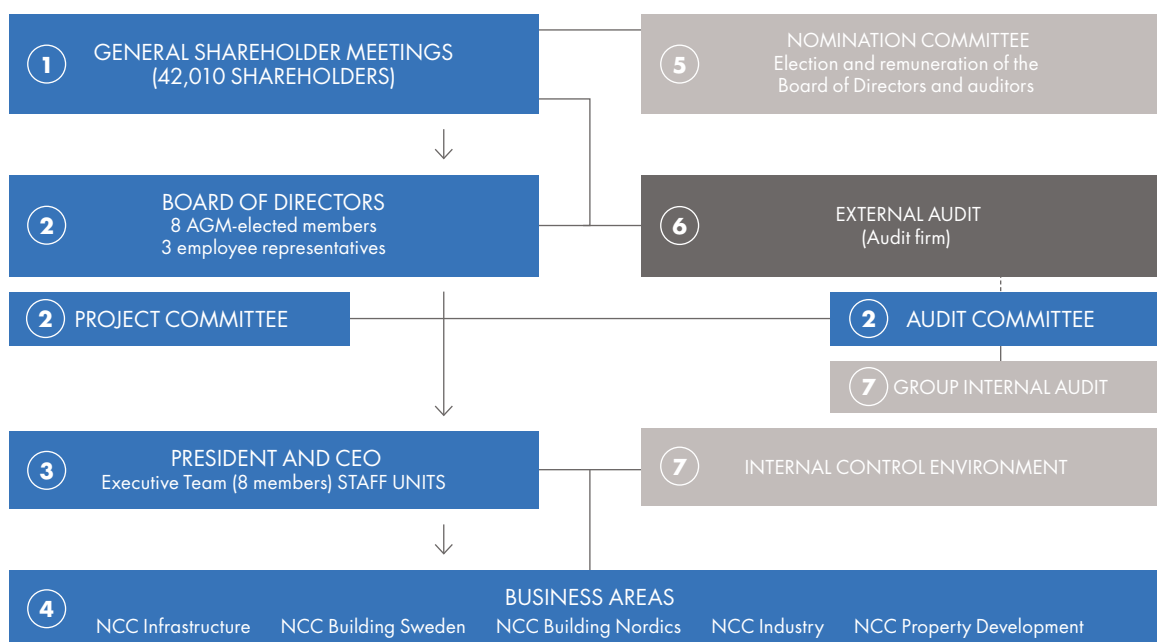
The AGM elects a Nomination Committee whose task is to nominate candidates to the AGM for election as Chairman of the Meeting, Chairman of the Board and Board members, and to propose the fees to these officers. Another task of the Nomination Committee is to nominate auditors and propose the fees to be paid to them. The Nomination Committee's work complies with the instructions adopted by the AGM.
- 5 EVALUATION OF THE BOARD AND AUDITORS**

The Board of Directors is evaluated within the framework of the Nomination Committee's work. The Board also performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation (refer also to "Work of the Board of Directors," p. 96).

The Audit Committee also assists the Nomination Committee in evaluating the work of the auditors.
- 6 AUDITORS**

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. The registered firm of accountants PricewaterhouseCoopers AB (PwC) will serve as NCC's auditor until the close of the AGM in 2020. Authorized Public Accountant Ann-Christine Hägglund has been appointed PwC's auditor-in-charge. For more information on elected auditors, see p. 100.

NCC'S CONTROL STRUCTURE 2019

**7 INTERNAL GOVERNANCE AND CONTROL**

NCC's operations require a considerable amount of delegated responsibility. Group-wide rules of procedures are in place to clarify exactly who is entitled to make decisions at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements. On top of the rules of procedure for decision making, a number of other Group-wide governing documents govern 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 led 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, CFO and Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be confirmed by the CEO. Tenders for projects exceeding SEK 500 M are subject to special assessment at Group level and by the CEO and must be confirmed by the NCC AB Board. 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 corresponding to less than SEK 50 M are the responsibility of the particular business area.

Concerning internal audit, see page 99, item 5, Follow-up.

7 CODE OF CONDUCT

A comprehensive program to develop and implement the Group's values has been under way for some time. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. These regulations are summarized in a Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the

contents of the Code of Conduct and the requirement that they be observed. NCC managers must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of operating activities.

During the year, a Code of Conduct for Suppliers was implemented to additionally clarify what NCC expects of suppliers in terms of compliance with NCC's Code of Conduct.

NCC Compass is a governing document with a focus on providing straightforward and tangible guidance to the organization, in order to prevent the risk of irregularities. Five areas have been identified as especially important in NCC Compass: bribery and corruption, competition law, conflicts of interest, diversity and the handling of personal data. NCC Compass is available via NCC's intranet. All NCC employees can make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to 55 employees in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist employees at NCC to correctly navigate the areas covered by NCC's Code of Conduct. In addition, NCC has introduced advanced system support for internal and external reporting of irregularities, all within the framework of the values-driven and transparent corporate culture that NCC is working to refine. The purpose of NCC's procedures and support is to make employees feel at ease and have the courage to ask questions in difficult situations, rather than letting ignorance or thoughtlessness lead them to take the wrong decisions or behave in an undesired manner. The work methods include guidelines covering such areas as how to handle the most prevalent risk situations. Implementation combined with training programs and discussions with NCC employees continued during the year. All NCC employees are covered by the training programs. Further training in the area is provided in the form of shorter, e-learning courses. During the year, online training in GDPR also continued to be provided to NCC employees.

Employees who suspect unethical behavior or improper action should firstly report this to their immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information result in an investigation. Disciplinary action will be taken where called for.

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

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
- Rules of procedure for the Group and business areas
- NCC's Code of Conduct and NCC Compass
- Finance Policy and Information Policy
- Other governing documents in the form of policies, directives, regulations, guidelines and instructions

Corporate governance at NCC in 2019

Annual general meeting 2019

NCC's Annual General Meeting (AGM) was held at Norra Latin in Stockholm on April 9, 2019. 297 shareholders were present representing 47.9 percent of the share capital and 65.6 percent of the total number of votes. The minutes of the 2019 AGM and from previous AGMs are available at www.ncc.se. The 2019 AGM passed the following resolutions, among others:

Dividend for the 2018 fiscal year of SEK 4.00, divided into two payments.

Tomas Billing, Viveca Ax:son Johnson, Geir Magne Aarstad, Mats Jönsson, Angela Langemar Olsson, Ulla Litzén and Birgit Nørgaard were reelected as Members of the Board. Alf Göransson was newly appointed to the Board. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees would total SEK 4,600,000, excluding remuneration for committee work, distributed so that the Chairman of the Board would receive SEK 1,100,000 and that each other AGM-elected member would receive SEK 500,000. The adopted fees for the Chairman and per Board member are unchanged. Fees to the members of the Audit Committee are payable as follows: the chair of the Committee will receive SEK 175,000 and each other member will receive SEK 125,000. A special fee is paid to the members of the Project Committee, which amounts to SEK 125,000 for the chair and SEK 100,000 for each other member.

Guidelines were adopted for determining the salary and other remuneration of the CEO and other members of the company's management. It was also resolved to introduce a long-term performance-based incentive program (LTI 2019) for senior executives and key personnel.

To cover the commitment under LTI 2019, the AGM authorized the Board, until the next AGM, to buy back a maximum of 867,487 Series B shares and to transfer a maximum of 300,000 Series B shares to the

participants of LTI 2019. It is also to be possible to transfer a maximum of 500,000 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 2016, LTI 2017, LTI 2018 and LTI 2019).

Income statements and balance sheets for 2018 were adopted and discharge from liability was granted to the Board and the CEO.

Work of the board of directors

In 2019, NCC's Board held nine scheduled meetings 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, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's rules of procedures, have to be addressed by the Board. The Board has established rules of procedure for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made a number of worksite visits in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

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 in accordance with Chapter 8, Section 49 b of the Swedish Companies Act, and to fulfill the duties pursuant to EU ordinance No. 537/2014. In 2019, the Audit Committee held seven meetings at which all members were present. In December 2018, in accordance with the Swedish Code of Corporate Governance, the Board of Directors established an independent internal audit function, Group

BOARD OF DIRECTORS 2019

BOARD MEETINGS AND ATTENDANCE 2019

	Elected (year)	Independent in relation to the company and the Executive Team	Independent in relation to major shareholders	Board fees, SEK 000s	Fees for work on committees, SEK 000s	Jan	Apr	Apr	Apr	Apr	Jun	Jul	Oct	Oct	Dec
						29	9	9 (statutory)	26	28	26	18	25	27	6
Board members elected by the AGM															
Tomas Billing	1999	Yes	No	1,100		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax:son Johnson	2014	Yes	No	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad ¹⁾	2014	Yes	Yes	137	34	✓	✓								
Geir Magne Aarstad	2017	Yes	Yes	500	100	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Angela Langemar Olsson	2018	Yes	No	500	125	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mats Jönsson	2017	Yes	Yes	500	125	✓	✓	✓	✓			✓	✓	✓	✓
Ulla Litzén	2008	Yes	Yes	500	175	✓			✓	✓	✓	✓	✓	✓	✓
Birgit Nørgaard	2017	Yes	Yes	500			✓	✓	✓	✓	✓	✓	✓	✓	✓
Alf Göransson ²⁾	2019	Yes	Yes	363	91			✓		✓	✓	✓	✓	✓	✓
Employee representatives															
Karl G. Sivertsson	2009			–		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			–		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Harald Stjernström	2018			–		✓	✓	✓			✓	✓	✓	✓	✓

¹⁾ Carina Edblad stepped down from the Board at the AGM on April 9, 2019.

²⁾ Alf Göransson was elected to the Board at the AGM on April 9, 2019.

Internal Audit, which has since conducted audits of the entire Group on assignment from the Audit Committee and the Board of Directors. The Board's evaluation of its work was conducted by the Board engaging in separate interviews of other Members. The results of these interviews were then compiled and discussed by the Board. Documentation for this matter was presented to the Nomination Committee.

The Board's Project Committee, which assists in the preparation, analysis and decisions regarding tenders in contracting operations for projects exceeding SEK 1.5 billion. In 2019, the Committee addressed five projects and held five meetings, which all members attended.

Buyback of company shares

The company holds 530,267 Series B shares to cover its commitments under long-term incentive programs. In 2019, 0 shares were sold to cover costs, 0 shares were transferred to participants in LTI 2016 and 128,217 shares were bought back.

Remuneration of the Executive 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 executive management. 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 company's ET 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. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. The 2019 AGM resolved on a long-term performance-based incentive program (LTI 2019), comprising the

CEO, members of the ET and an additional approximately 160 executives in the Group. LTI 2019 is a three-year program that entitles the participants to receive Series B shares, assuming that certain performance targets have been achieved at the end of the program; i.e. the end of 2021. 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 Executive Team. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, on p. 41–44.

Nomination Committee 2019

The AGM on April 9, 2019 reelected Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Anders Oscarsson (equity manager AMF/AMF Fonder) and Simon Blecher (fund manager Carnegie Funds) as members of the Nomination Committee, with Viveca Ax:son Johnson as Chair. Tomas Billing, Chairman of the NCC Board of Directors, 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 2020 AGM are available at ncc.se.

BOARD OF DIRECTORS' WORKING YEAR 2019

In addition to such standing items as investments and divestments within NCC Property Development and Finance

