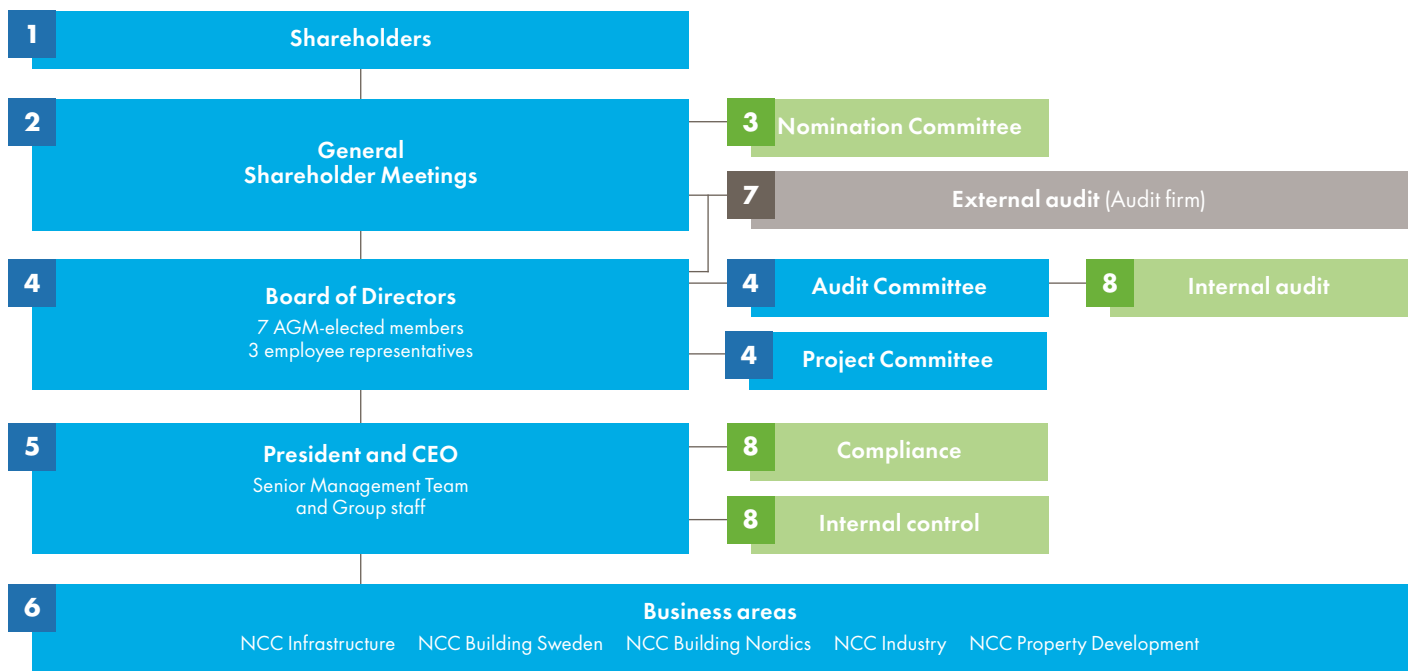


Corporate Governance Report

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.

NCC’s control structure 2020



How NCC is governed

1 Shareholders

The number of shareholders in NCC AB at year-end 2020 was 40,072, with Nordstjernan AB as the largest individual holder accounting for 16.83 percent of the share capital and 48.03 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 2020, 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. 104–105. 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. 104). 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. 106. 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. 102). The company has not appointed any Deputy Chief Executive Officer.

NCC's Senior Management Team (SMT) consisted during 2020 of the President and CEO, the Heads of NCC Infrastructure, NCC Building Sweden, NCC Building Nordics, NCC Industry and NCC Property Development and the Chief Financial Officer, who is also Head of Development & Operations Services (DOS). For information on members of the SMT, see pp. 106-107.

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 Senior Legal 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 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. PricewaterhouseCoopers AB (PwC) will serve as the company's auditor until the close of the AGM in 2021. Authorized Public Accountant Ann-Christine Hägglund has been appointed PwC's auditor-in-charge.

For more information on the auditor, see p. 105.

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 page 103, item 5, Follow-up.

Compliance

The Compliance function's responsibility is to investigate and evaluate matters concerning regulatory compliance within the organization to ensure that management and the employees comply with laws, regulations and ethical guidelines involving the principal risk areas, such as anti-corruption and competition law. The Compliance function also monitors implementation of programs for ensuring proper processing of personal data in the Group. This function is also responsible for overall strategy and coordination of sustainability matters. On a semi-annual basis, NCC's Group Compliance Officer summarizes, in a written Compliance Report, any incidents and the status of ongoing inquiries, which are then reported to the NCC Board. The function is headed by the Group Compliance Officer, who reports to the Senior Legal Counsel. For more information, refer to the separate Sustainability Report.

NCC's compliance-related efforts are conducted via the NCC Group Compliance Officer 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. Group Sustainability Reporting & Control is responsible for reporting, data collection and assuring the quality of data for forthcoming requirements. NCC's compliance-related efforts are conducted via the NCC Group Compliance Officer.

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 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 2020

Annual General Meeting 2020

NCC's 2020 Annual General Meeting (AGM) was held at Norra Latin in Stockholm on April 1. The AGM was attended by 189 shareholders, in person or through powers of attorney, representing 56.4 percent of the share capital and 69.4 percent of the total number of votes. The minutes of the AGM are available at www.ncc.se. The 2020 AGM passed the following resolutions, among others: No dividend is to be paid and the Parent Company funds available for distribution by the AGM were carried forward.

A new Chairman of the Board was elected. It was resolved that fees for the Board of Directors and its committees would total SEK 4,650,000.

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 2020) for senior executives and key personnel.

To cover the commitment under LTI 2020, 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 2020.

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 2018, LTI 2019 and LTI 2020).

Income statements and balance sheets for 2019 were adopted and discharge from liability was granted to the Board and the CEO.

Extraordinary General Meeting 2020

An Extraordinary General Meeting was held virtually on November 12, 2020 by postal voting, pursuant to Section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198). At this Extraordinary General Meeting it was resolved that a dividend of SEK 2.50 per share would be paid to the shareholders for the 2019 fiscal year. An amendment of the Articles of Association was also resolved, which empowered the company to implement general meetings by means of postal voting and/or the collection of powers of attorney.

Work of the Board of Directors

In 2020, NCC's Board held seven scheduled meetings, four unscheduled 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, financial accounts, major investments and divestments, plus other decisions that have to be addressed by the Board. During 2020, the Board of Directors continuously evaluated the situation caused by the coronavirus, resulting in a proposal to withdraw the dividend ahead of the AGM. Following further assessments, a dividend was proposed for resolution by the Extraordinary General Meeting. Due to the coronavirus, the Board did not 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 Senior Legal 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. 103 Item 5, Follow-up. In 2020, the Audit Committee held seven meetings at which all members were present.

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 2020, the Committee addressed five projects and held five 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.

Buyback of company shares

The company holds 764,267 Series B shares to cover its commitments under long-term incentive programs. In 2020, 0 shares were sold to cover costs, 0 shares were transferred to participants in LTI 2017 and 234,000 shares were bought back.

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. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits.

The 2020 AGM resolved on a long-term performance-based incentive program (LTI 2020), comprising the CEO, members of the SMT and an additional approximately 172 executives in the Group. LTI 2020 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 2022. 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 5, on pp. 37-40.

Nomination Committee 2020

The AGM on April 1, 2020 reelected Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Anders Oscarsson (equity manager AMF/AMF Funds) and Simon Blecher (fund manager Carnegie Funds) and elected Mats Gustafsson (fund manager and head of corporate of governance at Lannebo Funds) as members of the Nomination Committee, with Viveca Ax:son Johnson as Chairman. At the request of AMF & AMF Funds, Anders Oscarsson was later replaced by Peter Guve (equity manager AMF 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 2021 AGM are available at ncc.se.

BOARD OF DIRECTORS' WORKING YEAR 2020

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

