

Green Finance Framework



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Background and Rationale

NCC is one of the leading companies in the Nordic region in commercial property development, building and infrastructure project contracting, and asphalt and stone materials production, and works continuously and systematically to help the transition to a more sustainable society. NCC's core is its ability to manage the complexity of a construction process. Our strength is a proactive approach to take the customer through the construction process, for a positive result for all of stakeholders. As a knowledge-based company aiming to be data-informed and provide expertise, NCC constructs, maintains and develops the built environment with a focus on how materials, methods and processes can reduce the burden on the environment and make a positive contribution to society. NCC has 13,000 employees and operations in Sweden, Norway, Denmark, and Finland.

Approach to Sustainability

NCC aims to be an empowering partner and, through cooperation and dialogue with customers, various societal players, and other stakeholder groups, enable the construction of healthy, safe, and secure environments. Through property development, NCC serves as a support to urban planning in issues such as the health and wellbeing of people in both office buildings and their surroundings. NCC provides expertise and extensive digital information about processes and products to support decisions based on facts and high-quality data, thus contributing to a positive change now, and in the future.

NCC takes a long-term responsibility and works actively to reduce the climate impact throughout the construction process by: reducing carbon emissions, increasing energy efficiency, using resources responsibly, reducing the use of virgin materials and closing the loops, as well as by increasing the recycling and reuse of materials and the waste generated in the construction process.

NCC seeks to ensure a safe and healthy work environment for all employees, with the aim of reducing all types of accidents in accordance with NCC's vision zero, but with an increased focus on eliminating serious incidents and fatal accidents. NCC shall also maintain the highest ethical standards and conduct operations while ensuring sound working conditions. Through NCC's business areas, various activities are conducted to lower the climate impact of the Group's own manufacturing of materials and production as well as of the operation and maintenance of the finished products. Work to reduce carbon emissions in the value chain focuses on the four areas where our climate impact is the greatest: concrete, steel, asphalt, and transportation.

Sustainability organization

The CEO is ultimately responsible for NCC's sustainability efforts. The Group's Senior Management team (SMT) regularly follow up on the sustainability targets. The sustainability work is conducted in the five business areas and in the Group functions and is coordinated regularly both by country and at the Group level when relevant. Operations-specific targets are set in the business areas, which are followed up in regular business reviews and in the SMT where relevant. All business areas have a sustainability manager responsible for the work relating to climate, environment, and waste. All business areas also have a Health & Safety manager and designated responsible persons for other areas in the sustainability framework. The Board of Directors is informed continuously about various aspects of the Group's sustainability work. The Board of Directors reviews and follows up both sustainability work and strategy, and that NCC's operates in line with the Group's sustainability targets.

NCC's Sustainability Board addresses NCC's Group-wide sustainability-related activities. Group-wide targets and initiatives are coordinated by the Sustainability Reporting and Control unit. The Sustainability Reporting Forum mainly focuses on targets and sustainability data, and coordinates data collection and reporting. In addition, the various Group functions are responsible for steering the sustainability-related activities for which they hold responsibility.

Sustainability governance

The sustainability work is governed, inter alia, by the Group's sustainability framework, the Code of Conduct and such policies as a Sustainability Policy featuring an Environmental Policy, a Health and Safety Policy and a Compliance Directive.

NCC's sustainability framework

The Code of Conduct describes the expected conduct of employees, managers, Board members and business partners, and is a key feature of the compliance activities. It also constitutes the foundation for the Code of Conduct for suppliers.

NCC has a "question" function as well as a whistleblower function through which employees and other stakeholders can anonymously report their suspicions about behaviors or actions that contradict NCC's values and Code of Conduct.

NCC supports the UN's Global Compact initiative and its ten principles involving human rights, labor conditions, the environment and anti-corruption. NCC also complies with the UN declaration on human rights, the ILO's declaration on fundamental principles and rights at work, the OECD's principles and norms for multinational companies and the Rio Declaration including the precautionary principle, which entails that NCC undertakes to prevent and minimize risks in the environmental area.

Our impact areas

Data & Expertise

- ◆ Certified constructions and buildings
- ◆ Products and concepts with sustainable profiles
- ◆ Environmental product declarations and climate calculations

Natural resources & Biodiversity

- ◆ Biodiversity
- ◆ Raw materials
- ◆ Water

Materials & circularity

- ◆ Design and material selection
- ◆ Recycling and reuse
- ◆ Waste

Climate & Energy

- ◆ Greenhouse gas emissions
- ◆ Energy
- ◆ Climate adaptation

Health & Safety

- ◆ Occupational health and safety

People & Team

- ◆ Diversity and inclusion
- ◆ Employee engagement
- ◆ Non-discrimination
- ◆ Learning and development

Ethics & Compliance

- ◆ Anti-corruption
- ◆ Fair competition
- ◆ Human rights
- ◆ Supplier assessment

Economic performance

Stable, sustainable financial performance

Our foundation

Our core

The ability to manage the complexity of a construction process

Our purpose

To take the customer through the construction process to a positive end-result for all stakeholders

Our values

Trust / Respect / Honesty

Our Star behaviors

Act with passion to perform / Build together / Follow through and follow up / Act with care

Reporting

NCC reports its sustainability work annually as part of the company's Annual Report. The Sustainability Report also constitutes NCC's Communication on Progress in accordance with the UN Global Compact. NCC reports climate disclosures to the CDP annually. In addition, NCC has initiated a project to report climate risks and opportunities according to the TCFD. The principal climate-related risks and opportunities are reported in the Annual Report. During 2022, NCC will develop this work further. NCC is subject to the EUs taxonomy, which is also reported in the Annual Report.

Climate strategy and Climate targets

NCC strives to eliminate emissions from the entire value chain, increase energy efficiency and enable adaptation to climate change. NCC's target is to become climate-neutral by 2045. The construction industry accounts for considerable GHG emissions and the climate is a high-priority issue for NCC. NCC works in a focused and determined manner to eliminate carbon emissions from the entire value chain, which is essential to achieve climate neutrality.

NCC's interim target for climate neutrality is to reduce emissions from its own operations (Scopes 1 and 2)¹ by 60 percent by 2030 (tons CO₂e/SEK M), and to reduce emissions in the four areas in which the climate impact is greatest (Scope 3),² that is, emissions related to concrete, asphalt, steel and transport, by 50 percent, compared with 2015.

In our Property Development projects, the target is to reduce the climate impact under Scope 3 by 50 percent by 2030.

Energy

Central efforts to reduce the carbon footprint include the energy efficiency of processes and production and replacing fossil energy sources with renewable ones. Carbon emissions related to purchased fuels, and electricity, district heating and district cooling, have declined since 2015. To continue to reduce carbon emissions, NCC is working with a series of initiatives such as continued energy-efficiency improvements, an increased mix of renewable fuel in machinery, a continued transition to renewable electricity and electrification of machinery and worksites.

NCC continues to convert asphalt plants to allow them to operate on biofuel. All asphalt plants in Sweden have now been converted, and work is also in progress in Norway and Denmark. Other measures include replacing fossil bitumen with bio-resins in the asphalt, developing more environmentally compatible asphalt products and increasing the share of recycled asphalt in production.

¹ Scope 1: Emissions related to fuel consumption in asphalt plants, and from own vehicles and machinery.

Scope 2: Emissions related to the production of electricity, district heating and district cooling used in the operations.

² Scope 3: Indirect emissions from purchased material and external services, travel, subcontractors' vehicles and machinery and transportation, as well as demolition of the Group's products and waste. Base year 2015.

Additionally, NCC works to reduce the number of starts and stops in the asphalt plants and to reduce the moisture in stone materials and recycled asphalt that is mixed with the asphalt and to keep this dry in order to reduce energy consumption in asphalt production. NCC also works with mass balance, which means utilizing all stone materials that are extracted from a quarry. A successful focus on mass balance contributes to reducing energy consumption and carbon emissions. Property Development has a strong focus on reducing the energy requirement and increasing the use of renewable energy in its projects and monitors the energy performance in all its projects.

Reduced energy consumption

NCC has conducted an energy audit of its own operations in Sweden in order to identify possible energy-saving potential in production. The audit includes worksite visits, measurements and calculations at asphalt plants and quarries, as well as at construction sites. On the basis of the audit, actions to reduce energy consumption can be identified and taken. NCC is conducting a number of development projects and initiatives aimed at reducing energy consumption. NCC has the objective of only purchasing renewable electricity. NCC develops environmentally compatible asphalt products and endeavors to increase the share of recycled asphalt in production. NCC Green Asphalt is the collective name for NCC's method of producing asphalt that results in significantly lower carbon emissions than conventionally produced asphalt. The method involves the mixing in of recycled asphalt, a lower manufacturing temperature and the use of biofuel.

Climate risks

Climate change is impacting people and society and is leading to changes in work methods and products, and climate-change adaptation is essential if we are to remain competitive. NCC works continuously to integrate the issue of climate change into the project development process, and to drive development in order to promote the use of climate-adapted products and solutions, reduce its carbon emissions and work for increased resilience.

NCC depends on large quantities of raw materials, fuel and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future taxation of fuel, energy or carbon dioxide could affect NCC's cost base. Climate change, such as extreme weather, flooding and rising temperatures, can also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes can also have a negative impact on the safety of employees, as well as on the storage of materials at construction sites. NCC develops materials and products that help society to adapt to a changed climate, such as drainage products, while buildings and civil engineering projects are increasingly being designed to cope with future climate effects.

For further information on the greatest risks and opportunities related to the climate, see the Annual Report.

Cooperation with customers and suppliers

Achieving climate-neutral construction requires cooperation, product development, innovation, requirement specifications and knowledge sharing not only with suppliers, but also with customers and other players in the industry, which entails action and a modified work approach.

NCC participates in industry-wide collaborations and initiatives promoting sustainable business in all markets, and actively participates in the work of, for example, industry associations, business organizations and chambers of commerce. Among other activities, NCC has participated in Fossil-free Sweden since 2018. This initiative serves as a platform for collaboration and dialogue among more than 300 players intent on making Sweden independent of fossil fuels, including NCC. Others who have signed up for these commitments include the Swedish Aggregates Association (SBMI).

In addition, NCC is participating in external initiatives, such as developing an industry-wide standard for reporting emissions from transport and is playing an active role in the Energy Management System for Installations (ELSA) project, which is being implemented by the Swedish Transport Administration and the KTH Royal Institute of Technology, with the aim of reducing the use of energy in the transport sector. NCC also engages in cooperation within a number of different industry initiatives and development projects.

Environmental certification

NCC is certified and works in accordance with ISO 14001 and ISO 90001.

For Property Development, sustainability certifications form the basis of the sustainability work, and all projects conducted must have sustainability certification.

Minimum level for office, hotel, retail and logistics segments

- BREEAM Excellent in Finland, Norway, and Sweden
- DNGB Gold in Denmark

Minimum level for public and other segments

- BREEAM Excellent, Nordic Swan or Miljöbyggnad Silver in Sweden
- BREEAM Excellent or Nordic Swan in Finland and Norway
- DNGB Gold in Denmark

Sustainable Site

In addition, NCC has an internal sustainability certification method, Sustainable Site, for the governance of operational sustainability issues. Sustainable Site entails that all of NCC's workplaces have a shared foundation upon which to base their sustainability activities, regardless of country or operation, from planning and throughout the course of an entire project. The work method involves using a checklist containing a number of sustainability requirements, with climate impact as one of several important parameters.

The United Nations Sustainable Development Goals

NCC supports Agenda 2030 and the Sustainable Development Goals (SDGs). NCC intends to continue its efforts to implement the SDGs in its operations, in part by developing new solutions and involving more functions in the business areas and their respective operations in order to increase commitment and participation.

NCC's expertise and solutions influence sustainable development in places where people live, work, travel and spend their spare time together. NCC has an important role to play in the Nordic contribution to achieving SDG 7: Affordable and clean energy; 9: Industry, innovation, and infrastructure; 11: Sustainable cities and communities; and 12: Responsible consumption and production. By planning and shaping the physical environment, NCC can contribute to increased safety, security, well-being and inclusion. This will be achieved, for example, by creating inclusive societies with housing and infrastructure. It will also involve building resilient solutions and communities that can manage climate changes in the form of, for example, rising temperatures and increased amounts of rain. Work to increase resource efficiency, develop new circular material flows and reduce waste, as well as NCC's efforts towards independence from fossil fuels, are other important aspects in reducing the Group's environmental impact and increasing its operational efficiency.

The Group has long been proactive in its work to formulate offerings and work methods that improve the situation for both people and the environment. Accordingly, NCC regards SDG 3: Good health and wellbeing, 6: Clean water and sanitation; 13: Climate action; 14: Life below water and 15: Life on land, as fundamental to its operations and a prerequisite for the long-term retention of the natural resources needed by NCC. The health and well-being of people can be promoted by intelligent buildings and sustainable infrastructure. By integrating green areas into urban environments and promoting various species in quarries, NCC also contributes to increasing biodiversity and sustainable ecosystems. Although access to clean water is relatively favorable in the Nordic region, NCC regards clean water and life below water as important goals to promote, for example, through ecosystem services and water efficiency throughout the value chain.

NCC also implements activities aimed at achieving SDG 4: Quality education; 5: Gender equality; 8: Decent work and economic growth; 10: Reduced inequalities; 16: Peace, justice and strong institutions; and 17: Partnerships for the goals. In these areas, NCC raises awareness and competencies internally through in-house training. NCC complies with principles for equality, reduced inequality, decent labor conditions and economic growth, which can be directly linked to SDGs 5, 8 and 10. NCC works to counteract corruption and bribery and to ensure compliance with the highest ethical standards. The company also works to promote employment for young people and ensure a healthy and safe work environment while proactively working to end all types of discrimination. Cooperation and partnerships with various stakeholders are prerequisites for making the transition to a sustainable world by 2030, as reflected in SDGs 16 and 17.

Green Financing Framework

This Green Financing Framework has been developed in accordance with both the 2021 ICMA Green Bond Principles (GBP), as well as the 2021 APLMA, LMA and the LSTA Green Loan Principles (GLP). Through this Framework NCC may issue different securities including, but not limited to, Green Bonds. The Green Financing Framework is aligned with the four core components of the GBP and GLP, as well as the recommended External Review component:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

Use of Proceeds

NCC has established this Framework to issue Green Finance Securities for which the proceeds will be exclusively allocated to finance, or refinance, in whole or in part financed by NCC, and subsidiaries. Eligible Projects will promote the transition towards a low-carbon and environmentally sustainable society, as determined by NCC in accordance with the categories in the tables below. NCC can finance new Eligible Projects and refinance existing Eligible Projects. There is no uniformed look-back period for refinanced Eligible Projects, the Green Finance Committee will assess the remaining lifetime of those assets and its remaining life cycle benefit once refinancing Eligible Projects. The distribution between new financing and refinancing will be reported in the Green Bond Investor Report. The legal documentation for each Green Finance Securities will refer to this Framework. Proceeds will be allocated to capital expenditures and R&D within the Eligible Asset Categories of this Framework.

Exclusions

Proceeds from Green Finance Securities will not be allocated to Projects for which the purpose of is nuclear power or fossil-fuel based energy generation projects.

United Nations Sustainable Development Goals

In this Framework, each Eligible Projects category has broadly been mapped towards the SDGs in accordance with the High-Level Mapping to the Sustainable Development Goals published by ICMA³

³ Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals

Eligible Project Category: Green Building

Financing of new and existing commercial, residential and societal buildings.

Substantial contribution to the EU environmental goal: Climate Change Mitigation

United Nation Sustainable Development Goal: 7, 11, 12, 13, 15



Construction of new buildings

Investments in development of building projects that have or will have a BREEAM Excellent, BREEAM Outstanding, Miljöbyggnad Silver, Svanen or DGNB Gold certification. Developments in Sweden will also have an energy use (PED) that is at least 20 % lower than Swedish national regulation (BBR).

Renovation of existing buildings

Investments in renovation of building projects complying with applicable requirements for major renovations or alternatively leading to reduction of primary energy demand (PED) of at least 30 %.

Eligible Project Category: Waste management

Financing of waste prevention, waste reduction, recycling and reuse.

Substantial contribution to the EU environmental goal: Climate Change Mitigation

United Nation Sustainable Development Goal: 12



Waste management

Investments in equipment for the recycling of reclaimed asphalt (RA).

Eligible Project Category: Renewable energy

Financing of renewable energy technologies where renewable energy is used in processes for production of asphalt and stone material.

Substantial contribution to the EU environmental goal: Climate Change Mitigation
United Nation Sustainable Development Goal: 7, 13



Renewable energy for asphalt production

Investments in conversion of asphalt plants from fossil to renewable fuels.

Renewable energy for stone crushing and other equipment

Investments in conversion of machinery and other equipment from fossil fuels to electricity.

Eligible Project Category: Environmentally sustainable management of living natural resources and land use

Financing of protection and restoration to preserve biodiversity and sustainable ecosystems and related infrastructure.

Substantial contribution to the EU environmental goal: Protection and restoration of biodiversity and ecosystems
United Nation Sustainable Development Goal: 15



Preservation and restoration of biodiversity and sustainable ecosystems

Investments in quarries and gravel pits to secure biodiversity and sustainable ecosystems to protect clean water, responsible use of natural resources and for species to thrive through initiatives such as creation of conditions for endangered bird species, insects, amphibians or plants that require infertile soil or other special habitats to thrive and reproduce.

Maintaining biodiversity and delivering ecosystem services

Investments in facilities to produce machine sand and phase out natural sand as a building material. Natural sand represents the second most exploited natural resource in the world after water and plays a strategic role in delivering ecosystem services and maintaining biodiversity⁴.

⁴ Sand and Sustainability: 10 Strategic Recommendations to Avert a Crisis

2. Process for Project Evaluation and Selection

NCC has since the start of issuing green bonds had a Green Finance Committee (GFC) consistent of representatives from the Treasury, Investor Relations and the Sustainability reporting and control team. The committee will meet on a regular basis and at least once a year, their decisions are made in consensus. The responsibilities of the committee are among other things to evaluate the compliance of the proposed Eligibility Assets with the eligibility criteria outlined in the Use of Proceeds section of this framework as well as applicable laws and regulations and NCC's policies and long-term goals for social and environmental sustainability. The Green Finance Committee is also responsible for replacing investments that no longer meet the eligibility criteria (following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.). The Committee will on a best effort basis, review and updating the content of these green elements of this Green Financing Framework and manage any future updates of this document to reflect relevant changes in NCC's corporate strategy, technology and market developments such as the EU classification of environmentally sustainable economic activities, the EU Taxonomy.

3. Management of Proceeds

An amount equal to the proceeds of any Green Finance Securities raised under this Framework will be credited to an earmarked account that will support NCC's financing of Eligible Assets. As long as Green Finance Securities is outstanding and the earmarked account has a positive balance, funds may be deducted from the earmarked account and added to NCC's lending pool in an amount up to all disbursements from that pool made in respect of Eligible Assets. The earmarked account will ensure monitor and track the Eligible Assets. NCC's Treasury team is responsible for the allocation of proceeds. If, for any reason, an Eligible Assets ceases to comply with the requirements set out in this Framework such asset will be removed from the earmarked pool. Proceeds yet to be allocated towards Eligible Assets will be placed in the liquidity reserves and managed as such.

4. Reporting

To enable investors to follow the development and to provide insight to prioritized areas NCC will provide a Green Financing Investor report on an annual basis. NCC intends to report on quantitative impact indicators where feasible and relevant data information is available. The Green Financing Investor Report will include:

4.1 Allocation Reporting

1. A description of the portfolio of Eligible Assets.
2. Type of financing Securities utilized and respective outstanding amounts per category.
3. Information on the split between new financing and re-financing.
4. A list of Eligible Assets including the amounts allocated.

4.2 Investor reporting

The investor reporting aims to disclose the environmental impact of the Eligible Assets financed under this Framework, based on NCC's financing share of each Asset. As NCC can finance large and small Eligible Assets, investor reporting may, to some extent, be aggregated. The investor reporting may also be aggregated due to confidentiality agreements or competitive considerations. The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis e.g. if an Eligible Asset is under development but not yet operational, NCC will provide best estimates of future environmental impacts. The impact assessment will, if applicable, be based on the Key Performance Indicators (KPIs) presented in the table below.

Green Building	Environmental certification Expected or actual environmental impacts from Eligible Projects when relevant and feasible. NCC follows the GHG protocol and will report in accordance with it for Scope 1 and 2 when relevant.
Waste management	Recycled waste
Renewable energy	Number of converted projects and expected or actual environmental impacts from Eligible Projects when relevant and feasible.
Environmentally sustainable management of living natural resources and land use	<p>Preservation and restoration of biodiversity and sustainable ecosystems Each investor report will include at least one example – where applicable – of an environmentally sustainable management of living natural resources and land use investment that has been funded with green net proceeds. KPIs will not be disclosed beforehand in this Framework.</p> <p>Maintaining biodiversity and delivering ecosystem services Number of facilities to produce machine sand and expected or actual environmental impacts from Eligible Projects when relevant and feasible.</p>

5. External Review

5.1 Second party opinion (pre-issuance)

To secure alignment with national and international guidelines, in accordance with the Guidelines developed by the Green Bond Principles, NCC has engaged Cicero Shades of Green to act as an independent external verifier of this Green Financing Framework. The Second Party Opinion report will be made publicly available on NCC's website.

5.2 Third-Party Review (post-issuance)

NCC will appointed an external independent auditor to annually assure that the selection process for the financing of Eligible Assets and that the allocation of the net proceeds of the Green Financing Securities are done in accordance with NCC's Green Financing Framework.

5.3 Publicly Available Documents

The Green Financing Framework, the second party opinion and the investor report will be publicly available on NCC's website.

Appendix

Documentation of Environmental and Sustainability work

#	Name
1	Annual Report
2	Sustainability Policy
3	CDP



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