

Board of Directors' motion concerning guidelines for executive remuneration

The guidelines encompass the CEO and other members of the company's executive management (Executive Team/ET), currently totaling eight people. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 Annual General Meeting (AGM). These guidelines do not apply to any remuneration resolved or approved by the AGM.

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

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. The company has been working for some time in accordance with a distinct plan for reversing the profitability performance of operations that have not delivered earnings, and to create a common basis for long-term, sustainable improvements to profitability throughout NCC. NCC is striving to create safe and secure worksites for the Group's employees and subcontractors.

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

Long-term share-based incentive programs that are performance-based have been established in the company. The long-term share-based incentive program that the Board of Directors has proposed for adoption by the 2020 AGM essentially corresponds to existing programs. The programs encompass the ET and other senior executives and key personnel within the NCC Group, currently approximately 180 people.

These are three-year programs and have a distinct link to the business strategy and thus to the company's long-term value creation, including its sustainability. The performance requirements currently comprise the operating margin (EBIT) and the number of worksite accidents. For more information on these programs, and the criteria upon which outcomes are dependent, refer to the company's Annual Report, Note 5, Long-term incentive programs.

Types of remuneration

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The AGM may also – regardless of these guidelines – adopt remuneration based on, for example, share and share-price-related incentive schemes.

Fixed remuneration

When determining the fixed salary, the individual executive's sphere of responsibility, experience and achieved results are to be taken into account. The fixed salary is to be revised annually.

Short-term variable remuneration

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

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

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

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

Assuming that a long-term share-based incentive program is adopted by the 2020 AGM, the short-term variable remuneration for the CEO will be capped at 65 percent of fixed salary. For other members of the ET, it will be capped at 40 percent of fixed salary. The variable short-term remuneration is to be revised annually.

It is estimated that full utilization of the company's commitments for short-term variable remuneration in relation to the executives concerned will cost the company a maximum of about SEK 21.5 million, including social security fees. Should the AGM not adopt a long-term performance-based incentive program, the variable remuneration payable to the CEO will be capped at 75 percent of fixed salary and that for other members of the ET will be capped at 50 percent of fixed salary, which at maximum outcome is estimated to correspond to a cost of about SEK 26 million including social security fees.

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

Pensions and other benefits

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

solutions in accordance with local practices, which must to the extent possible comply with the principles stated in these guidelines.

NCC is endeavoring to achieve a harmonization of the retirement age of the ET at 65 years.

Other benefits

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

Termination of employment

Periods of notice and severance pay

A member of the ET who terminates employment at NCC's initiative normally has a six-month period of notice and is entitled to severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new employer. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report prior to the following AGM.

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

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

Derogation from the guidelines

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