

## Item 18:

The Board of Directors' motion concerning resolutions regarding a long-term performance-based incentive program plus the buyback and transfer of treasury shares

### **A. Long-term performance-based incentive program**

#### **The program in brief**

The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for senior executives and key personnel within the NCC Group (“**LTI 2014**”). In all significant respects, this motion complies with the long-term performance-based incentive program adopted by the AGM on April 9, 2013. The Board is of the opinion that incentive programs of this type are of benefit to the company's long-term development. The purpose of LTI 2014 is to ensure a focus on the company's long-term return on equity and to minimize the number of worksite accidents. It is proposed that LTI 2014 encompass a total of approximately 150 participants within the NCC Group. LTI 2014 is a three-year performance-based program under which the participants will be allotted, free of charge, performance-based share awards that provide entitlement to Series B shares and to performance-based synthetic shares that provide entitlement to cash remuneration in accordance with the terms, conditions and principles described below.

In view of the introduction of LTI 2014, the maximum short-term variable remuneration payable to the President and CEO and other members of Group Management will be adjusted downwards by 10 percentage points. For other participants in LTI 2014, the maximum short-term variable remuneration will be reduced by 5 or 10 percentage points.

#### **Terms and conditions for share awards and synthetic shares**

Share awards and synthetic shares are subject to the following terms and conditions:

- Share awards and synthetic shares will be allotted free of charge following the AGM.
- Share awards or synthetic shares may not be transferred or pledged.
- Each share award provides the holder with entitlement, free of charge, to receive one Series B share in the company three years after allotment of the share award (“**the Vesting Period**”).

- Following the Vesting Period, each synthetic share will entitle the holder to receive cash payment corresponding to the price of the NCC Series B share at the date of payment.
- A prerequisite for entitlement to receive shares on the basis of share awards or receive cash payment on the basis of synthetic shares, subject to certain exceptions, is that the participant at the time of the publication of NCC's interim report on the first quarter of 2017 is still employed by the NCC Group.
- In order to equate the participants' interests with those of the shareholders, the company will compensate the participants should total dividends paid during the Vesting Period exceed the level stipulated in NCC's dividend policy. Compensation will take the form of a cash amount corresponding to the portion of the dividends during the Vesting Period that when considered on the whole exceeds NCC's dividend policy.
- The number of share awards and synthetic shares encompassed by LTI 2014 is to be converted in the event that changes occur in NCC's capital structure, such as a bonus issue, merger or consolidation of shares, new issue, reduction of the share capital or similar measures.
- Share awards or synthetic shares may be issued by the company or other Group companies.
- A prerequisite for entitlement to receive shares on the basis of share awards and payment in accordance with synthetic shares is that the performance targets for LTI 2014 have been satisfied pursuant to the terms and conditions specified below.

### **Performance targets**

The performance-based share awards and the performance-based synthetic shares are to be divided according to two different performance targets encompassed by LTI 2014. The performance targets focus on NCC's long-term return on equity ("Performance Target 1") and on minimizing the number of occupational accidents in the Group ("Performance Target 2").

Of each participant's allotment of share awards and synthetic shares, two thirds will pertain to Performance Target 1 and one third will pertain to Performance Target 2. The allotment of Series B shares and the size of the payment that each participant will receive will depend, firstly, on the category to which the participant belongs and, secondly, achievement of the established performance targets as described below:

Performance Target 1: This target pertains to NCC's return on equity over a period of three years in relation to the benchmark group established by the Board of Directors. The benchmark group will comprise eight companies active in the same industry as NCC. 100 percent will be allotted/paid should NCC's average return on equity exceed that of the second best company in the

benchmark group. 25 percent will be allotted/paid should NCC's average return on equity amount to the median result of the benchmark group. In between these figures, allotment/payment will occur linearly. Should NCC's average return on equity be below the median result of the benchmark group, no allotment/payment will be made.

Performance Target 2: The intention of this target is to contribute to a reduction in the number of occupational accidents that occur at NCC and to support NCC's zero vision in terms of the number of occupational accidents. The comparative figure that will be used is a well-known standard measurement in the industry. The comparative figure will be calculated on the basis of the number of occupational accidents resulting in absence of one or more day from regular work per one million working hours during a specific measurement period. At the end of 2011, NCC's comparative figure was 14.6; at the end of 2012 it was 10.8 and at the end of 2013 it was 10.6. 100 percent will be allotted/paid should NCC's number of occupational accidents resulting in absence of one or more day from regular work per one million working hours for 2016 be less than 5.0. 25 percent will be allotted/paid should the number of occupational accidents resulting in absence of one or more day from regular work per one million working hours for 2016 be less than 8.0. In between these figures, allotment/payment will occur linearly. Should the number of occupational accidents resulting in absence of one or more day from regular work per one million working hours for 2016 exceed 8.0, no allotment/payment will be made.

For any payment from LTI 2014, a further requirement is that the NCC Group report a pretax profit when considered on the whole during the three-year performance period, as well as during the final performance year (year 3).

The Board of Directors will present the rate of achievement of the performance-based targets in the 2016 annual report.

### **Allotment**

The participants are divided into three categories: CEO; other members of Group Management; and business area management and other key personnel. The number of share awards and synthetic shares that a participant may be allotted depends on the participants' gross annual salary and the category to which the participant belongs.

For each participant, the Board of Directors establishes an allotment value relative to the participant's annual salary. The allotment value is 50 percent of annual salary for the CEO, and 30 percent of annual salary for other members of the Executive Group Management. The allotment value for other key personnel is either 15 percent or 30 percent of the annual salary. The share price that is to form the basis for calculating the number of share awards and synthetic shares

is to correspond to the average last price paid during a given period of trading. This period comprises the first ten days of trading immediately following the date of the 2014 AGM, a period when the share is traded ex-rights to dividends. The share price is then divided by the individual allotment value in order to arrive at the total number of rights per participant, of which half will be allotted in the form of share awards and half in the form of synthetic shares

Based on an average share price of SEK 210, participants in the various categories could receive the maximum total of share awards and synthetic shares stated in the table below.

<b>Category</b>	<b>Number of share awards per participant</b>	<b>Number of synthetic shares per participant</b>	<b>Total number of share awards and synthetic shares per category</b>
CEO	6,571, of which 4,381 pertaining to Performance Target 1 and 2,190 pertaining to Performance Target 2	6,571, of which 4,381 pertaining to Performance Target 1 and 2,190 pertaining to Performance Target 2	13,143
Executive Management Group (approx. 12 participants)	1,637, of which 1,091 pertaining to Performance Target 1 and 546 pertaining to Performance Target 2	1,637, of which 1,091 pertaining to Performance Target 1 and 546 pertaining to Performance Target 2	39,284
Members of business area management and key personnel (approx. 135 participants)	580, of which 387 pertaining to Performance Target 1 and 193 pertaining to Performance Target 2	580, of which 387 pertaining to Performance Target 1 and 193 pertaining to Performance Target 2	156,542

**Reason for the motion**

The purpose of LTI 2014 is to ensure a focus on NCC's long-term return on equity and to provide prerequisites for retaining and recruiting key personnel. Another aim of LTI 2014 is to provide competitive remuneration and to enhance the community of interests between shareholders and key personnel. An additional reason for LTI 2014 is to minimize the number of worksite accidents in the NCC Group. The synthetic shares will enable the participants to pay the tax resulting from LTI 2014, without having to immediately divest the Series B shares they have been awarded. Against this background, the Board of Directors believes that the introduction of LTI 2014 will have a positive impact on the Group's continued development and that LTI 2014 will thus benefit the shareholders and the company.

**Design and management**

Within the framework of the specified terms, conditions and guidelines, the Board of Directors is to be responsible for the more detailed design and management of LTI 2014. The Board is to be entitled to make any adjustments required for LTI 2012 to fulfill special regulations or market conditions outside Sweden. The Board is also to be entitled to introduce other long-term incentive solutions for participants in LTI 2014 active in countries where participation in LTI is not appropriate.

In addition, the Board is to be entitled to make any other adjustments should material changes occur in the NCC Group or its business environment that would entail that the decided terms and conditions for allotment and the opportunity to exercise the share awards or the synthetic shares in accordance with LTI 2014 no longer be deemed viable. Prior to finally determining allotment of Series B shares on the basis of share awards and payment on the basis of synthetic shares, the Board will assess whether the outcome of LTI 2014 is reasonable. This assessment will be conducted in relation to the company's financial earnings and position, conditions in the stock market and other circumstances. Should the Board not consider the outcome to be reasonable, the number of shares to be allotted and the cash payment will be reduced.

**Scope and costs of the program**

Assuming a share price of SEK 210 and the maximum outcome in accordance with LTI 2014, meaning full achievement of the performance targets in terms of both shares and cash amount, it is estimated that the cost of LTI 2014, including costs for social security fees, will amount to MSEK 57, corresponding to approximately 0.25 percent of the total number of shares in the company at a share price of SEK 210.

Assuming a share price of SEK 210 and target fulfillment of 50 percent, it is estimated that the cost of LTI 2014, based on the above principles, will amount to about MSEK 28.5, including costs for social security fees.

LTI 2014 will be recognized in accordance with IFRS 2, which entails that the share awards will be expensed as personnel costs and accrued over the Vesting Period. It also entails that the fair value of the synthetic shares on the date of allotment will be expensed as personnel costs, accrued over the Vesting Period, and be continuously remeasured at each reporting occasion.

The maximum value that a participant may receive at allotment of Series B shares and cash payment is limited to an amount per share that corresponds to 400 percent of the share price. The share price is calculated on the basis of the average last price paid during a period of ten trading days immediately following the date of the 2014 AGM, a period when the share is traded ex-rights to dividends. Moreover, LTI 2014, including costs for social security fees, can never encompass more than 0.8 percent of the total number of shares.

#### **Effects on key performance data**

If LTI 2014 had been introduced in 2013, based on the conditions described above, it would have had an adverse impact of 0.9 percent on earnings per share, meaning from SEK 18.40 to SEK 18.23 on a pro forma basis. The annual cost of LTI 2014, including social security fees, is estimated to amount to approximately MSEK 19 in accordance with the conditions described above. This cost may be compared with NCC's total personnel costs, including social security fees, of MSEK 11,550 for 2013.

#### **Preparation of the motion**

LTI 2014 has been initiated by NCC's Board of Directors and formulated in accordance with the guidelines decided by the 2013 AGM for LTI 2013. In relation to LTI 2013, LTI 2014 contains two adjustments: firstly, the target in respect of the frequency of occupational injuries has been sharpened, from a target range of 7 to 10 to 5 to 8, and, secondly, the allotment value for the CEO has been increased from 40 percent of basic salary to 50 percent of basic salary.

**Buyback of company shares**

The Board of Directors will propose to the Annual General Meeting that the Board be empowered on one or several occasions during the period up to the following AGM to make decisions on the buyback of Series B shares based on the terms and conditions described below. The purpose of the authorization is to secure delivery of Series B shares and to cover costs, including costs for social security fees and payments on the basis of the synthetic shares, in accordance with LTI 2014.

1. The buybacks may not exceed 867,486 Series B shares.
2. The shares may be bought back on NASDAQ OMX Stockholm
3. The shares bought back on NASDAQ OMX Stockholm may only be acquired at a price within the registered span of share prices at the particular time, by which is meant the span between the highest price paid and the lowest asked price.
4. The shares are to be paid for in cash.

**Transfer of treasury shares**

In order to secure delivery of Series B shares in accordance with LTI 2014, the Board proposes that the AGM resolve to permit the transfer of no more than 303,620 Series B shares to the participants of LTI 2014. In accordance with the terms and conditions for LTI 2014, each participant is to be entitled during a specified period of time to receive a certain number of Series B shares.