

## Item 17:

The Board of Directors' motion concerning guidelines for salary and other remuneration of the Chief Executive Officer and other members of the company's management (Group Management).

### **Background and reasons**

The Board has evaluated the application of the guidelines for determining salary and other remuneration of the CEO and other members of the company's management (Group Management), as resolved by the 2013 AGM, and the applicable remuneration structures and remuneration levels in the company.

As a result of the evaluation of the total remuneration package for the company's Group Management, the Board proposes that the long-term performance-based incentive program be repeated for 2014 and, accordingly, that the short-term variable remuneration be reduced by 10 percentage points from the basic level. The motion concerning a long-term performance-based incentive program is addressed separately under Item 18 on the AGM agenda.

The guidelines encompass Group Management, including the CEO, approximately 12 people.

The objective of the guidelines for salary and other remuneration of Group Management is to enable NCC to offer market-aligned remuneration that facilitates the recruitment and retention of the best possible competencies within the NCC Group. The aim is that the total remuneration package will support NCC's long-term strategy. The amount payable to Group Management comprises fixed salary, variable remuneration, the long-term performance-based incentive program, pension and other benefits.

#### 1. Fixed salary

When determining the fixed salary, the individual executive's sphere of responsibility, experience and achieved results shall be taken into account. The fixed salary is to be revised either annually or every second year.

#### 2. Short-term variable remuneration

The short-term variable remuneration must be maximized and related to the fixed salary, as well as being based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term operational and financial objectives. Assuming that a long-term performance-based incentive program is adopted by the 2014 AGM, the short-term variable remuneration for the CEO will be maximized at 40 percent of fixed salary and that for other members of Group Management will be maximized at 30-40 percent of fixed salary. The variable short-term remuneration is to be revised annually. It is estimated that the company's undertakings in relation to

the executives concerned will cost the company a maximum of MSEK 16.9, 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 maximized at 50 percent of fixed salary and that for other members of Group Management will be maximized at 40-50 percent of fixed salary, which is equal to a cost of MSEK 21.4, including social security fees, at the maximum outcome.

3. Long-term performance-based incentive program

Group Management will participate in a long-term incentive program in the form of a three-year performance-based program featuring payment in shares and cash. The motion concerning a long-term performance-based incentive program is addressed separately under Item 18 on the AGM agenda.

4. 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. Members of Group Management active in Sweden are entitled, in addition to basic pension which is normally based on the ITP plan, to receive a defined-contribution supplementary pension for salary increments exceeding 30 income base amounts. The income base amount for 2014 is SEK 56,900. Members of Group Management active in another country are covered by pension solutions in accordance with local practices.

NCC is endeavoring to achieve a harmonization of the retirement age of Members of Group Management at 65 years.

*Other benefits*

NCC provides other benefits to members of Group Management in accordance with local practices. The combined value of such benefits in relation to total remuneration may constitute only a limited value and correspond essentially to the costs normally arising in the market.

*Periods of notice and severance pay*

A member of Group Management who terminates employment at NCC's initiative is normally entitled to a 12-month period of notice combined with 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 is normally six months if employment is terminated on the initiative of the employee.

These guidelines may be disappplied by the Board if there is special reason to do so in individual cases.

5. Long-term performance-based incentive program

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. A total of 132 employees are included in LTI 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 the LTI-programs 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. More detailed information on the long-term incentive program is presented on [www.ncc.se](http://www.ncc.se).