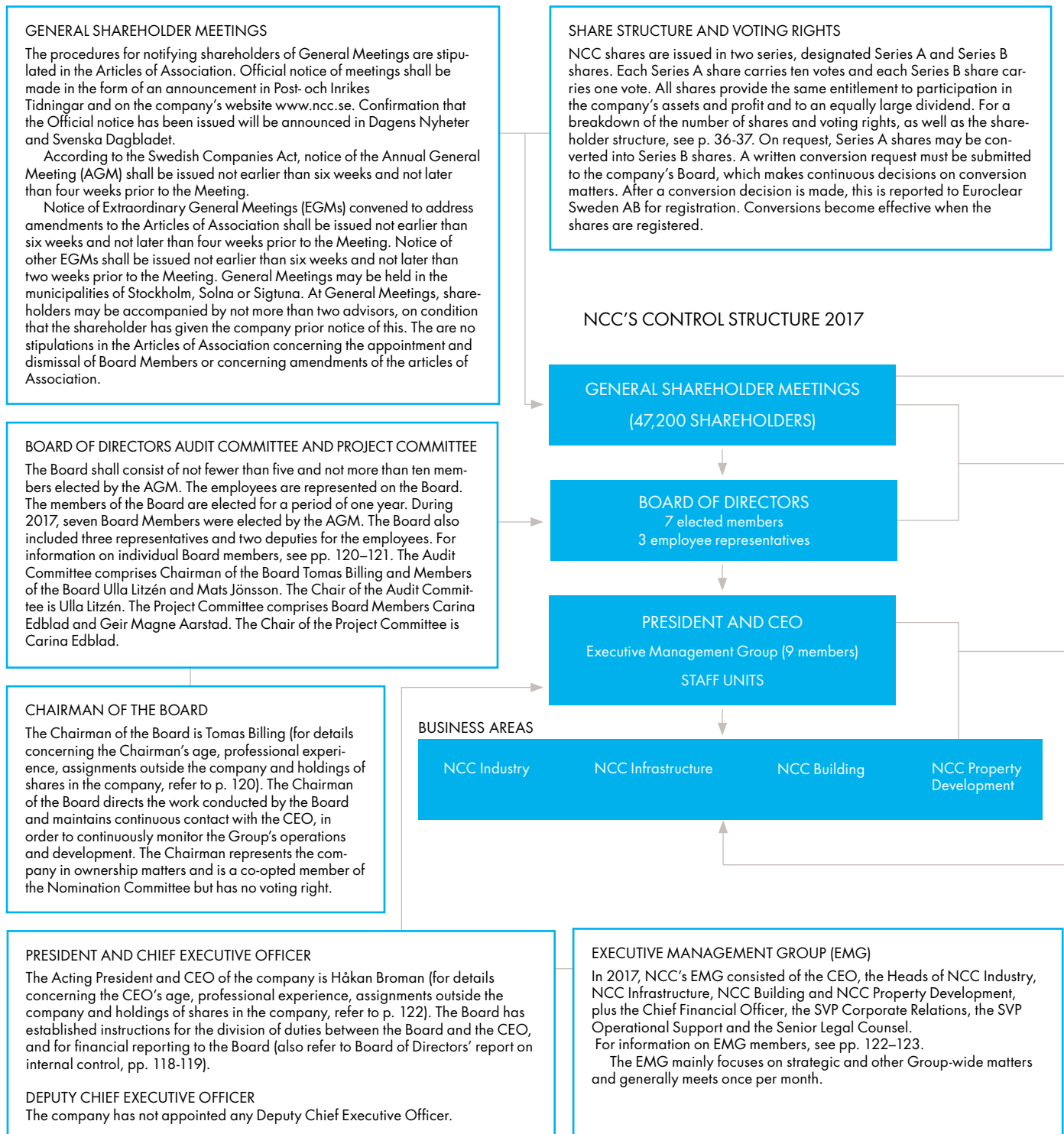


Corporate Governance report

NCC AB is a Swedish public limited liability company whose shares are registered for trading on Nasdaq Stockholm. NCC AB is governed in accordance with Swedish company law and other rules that apply to listed companies, which include the Swedish Code of Corporate Governance (for further information concerning the Code, refer to www.corporategovernanceboard.se).

NCC has applied the Code since it was introduced in 2005. During the year, NCC AB complied with 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 but is not part of the formal Annual Report documentation.

How NCC is governed



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. The Nomination Committee shall also nominate auditors and propose the fees to be paid to them.

The Nomination Committee's work complies with the instructions adopted by the AGM.

EVALUATION OF THE BOARD AND AUDITORS

The Board of Directors is evaluated within the framework of the Nomination Committee's work. The Board also performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation (refer also to "Work of the Board of Directors," pp. 116–117).

The Board or, where appropriate, the Audit Committee appointed by the Board, also assists the Nomination Committee in evaluating the work of the auditors.

NOMINATION COMMITTEE
Election and remuneration of the Board of Directors and auditors

EXTERNAL AUDIT
(Audit firm)

INTERNAL CONTROL ENVIRONMENT

GOVERNANCE OF BUSINESS AREAS

The Group is composed of business areas. Each business area is managed by a business area head and has a Board of Directors, of which, among others, NCC AB's CEO, CFO and Senior Legal Counsel are members. For certain decisions, the approval of the CEO, NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function.

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.

AUDITORS

For the purpose of examining the company's Annual Report, consolidated financial statements, accounting records and the company's management by the Board and the CEO, the AGM appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. A registered firm of accountants may also be appointed auditor of the company. The Nomination Committee nominates auditors. Auditors are currently appointed for a period of one year. Until the close of the AGM in 2018, the registered firm of accountants PricewaterhouseCoopers AB (PwC) serves as NCC's auditors. Authorized Public Accountant Håkan Malmström has been elected PwC's auditor-in-charge. The Audit Report is also signed by Authorized Public Accountant Ann-Christine Häggglund. For more information on the elected auditors, see p. 121.

INTERNAL GOVERNANCE AND CONTROL

NCC's operations require a considerable amount of delegated responsibility. Group-wide decision-making procedures are in place to clarify exactly who is entitled to make decisions at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements. On top of the rules of procedure for decision making, a number of other Group-wide control documents govern 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 led 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 CEO, CFO and the Senior Legal Counsel. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be confirmed by the CEO. Tenders for projects exceeding SEK 500 M must be confirmed by NCC AB's Board. Proprietary property 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 corresponding to less than SEK 50 M are the responsibility of the particular business area.

CODE OF CONDUCT

A comprehensive program to develop and implement the Group's values has long been under way. These values have been translated into norms and rules governing how NCC employees are to behave in various situations. These regulations are summarized in a Code of Conduct. The Code of Conduct describes the requirements that NCC – the Board of Directors, management and all employees – have to meet in terms of behavior and conduct and that NCC in turn expects its business partners to respect.

NCC's revised Code of Conduct, including an expanded section about anticorruption, money laundering and personal data and a new section on how to behave in social media, was launched in the organization in 2017. The Code of Conduct has also been supplemented with practical advice in each area.

Every manager has an obligation, within his or her area of responsibility, to ensure that employees and business partners are informed about the contents of the Code of Conduct and the requirement that they be observed. NCC managers must always set a good example. Adherence to the Code of Conduct is followed up continuously as a natural part of ongoing operations.

In 2017, NCC continued to refine its compliance program in line with the new Group-wide, needs-adapted process that was launched in 2013. NCC Compass focuses on providing straightforward and tangible advice to the organization, in order to prevent the risk of irregularities. Three areas have been identified as especially important in NCC Compass: bribery and corruption, competition law and conflicts of interest. Another area, diversity, was added to NCC Compass in March 2017. Accordingly, all forms of potential discrimination are included in a more distinct way in the support and reporting procedures provided through NCC Compass. At the same time, the responsibility that all NCC employees have for creating an inclusive workplace was clarified and concrete advice collected for preventing the risk of all forms of discrimination. NCC Compass is available via NCC's intranet. All NCC employees can make use of the content of NCC Compass and seek guidance. NCC has also appointed and provided special training to about 55 employees in business ethics and how NCC Compass is to be applied in various situations. These employees are called Navigators since their assignment is to assist employees at NCC to correctly navigate the areas covered by NCC's Code of Conduct. NCC has also introduced advanced system support for the internal and external reporting of irregularities. Everything within the framework of the value-driven and transparent corporate culture that NCC is working to refine. Moreover, NCC has undertaken a comprehensive overhaul of the operations and identified risk areas and risk processes. The purpose of NCC's new procedures is to make it easier for employees to dare to ask questions in difficult situations, rather than letting ignorance or thoughtlessness lead them to take the wrong decisions or behave in an undesired manner. The work methods include guidelines covering such areas as how to handle the most prevalent risk situations. Implementation combined with training and discussions with NCC employees continued in 2017. All NCC employees are covered by the training programs. In December 2016, further training was launched in this area in the form of shorter, Web-based courses which 5,700 employees had undergone by December 31, 2017.

Employees who suspect unethical behavior or improper action should firstly report this to the immediate superior. A procedure for reporting anonymously is also in place. The function has two purposes: firstly, to protect the reporting party and, secondly, to make sure that the reported matter is dealt with securely. All tips containing sufficient information result in an investigation and a written report compiled by an independent party. Disciplinary action will be taken where called for.

IMPORTANT EXTERNAL RULES AND REGULATIONS

- Swedish Companies Act
- Listing agreement with Nasdaq Stockholm
- Swedish Code of Corporate Governance
- Annual Accounts Act
- Bookkeeping Act

INTERNAL RULES AND REGULATIONS

- Articles of Association
- Operating procedures for Board work
- Audit Committee's operating procedures
- Project Committee's operating procedures
- Division of work between Board/CEO
- Decision-making procedures for Group and business areas
- NCC's Code of Conduct
- NCC Compass
- Governing documents in the form of policies, regulations, guidelines and instructions

Corporate governance at NCC in 2017

ANNUAL GENERAL MEETING 2017

The 2017 Annual General Meeting (AGM) was held at the Royal College of Music in Stockholm on April 5. 415 shareholders were present representing 43.7 percent of the share capital and 60.5 percent of the total number of votes. The minutes of the 2017 AGM and from previous AGMs are available at www.ncc.se. The 2017 AGM passed the following resolutions, among others:

Dividend for the 2016 fiscal year of SEK 8.00, divided into two payments.

Tomas Billing, Carina Edblad, Viveca Ax:son Johnson and Ulla Litzén were reelected as Members of the Board. Birgit Nørgaard, Geir Magne Aarstad and Mats Jönsson were elected as new Board members. Reelection of Tomas Billing as Chairman of the Board.

It was resolved that director fees would amount to SEK 4,100,000, excluding remuneration for committee work, distributed so that the Chairman of the Board would receive SEK 1,100,000 and that each other AGM-elected member would receive SEK 500,000. The adopted fees to be paid to the Chairman and the Board members is unchanged. Fees will be paid to the members of the Audit Committee as follows: the chairman of the Committee will receive SEK 175,000 and each other Committee member will receive SEK 125,000.

Guiding principles 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 plan (LTI 2017) for senior executives and key personnel.

To cover the commitment under LTI 2017, the AGM authorized the Board, until the next AGM, to buy back a maximum of 867,486 Series B shares and to transfer a maximum of 300,000 Series B shares to participants of LTI 2017. 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 outstand-

ing long-term performance-based incentive programs (LTI 2014, LTI 2015 and LTI 2016) and LTI 2017.

Income statements and balance sheets for 2016 were adopted and discharge from personal liability was granted to the Board and the CEO.

WORK OF THE BOARD OF DIRECTORS

In 2017, NCC's Board held seven scheduled meetings, three non-scheduled meeting and the statutory meeting held directly after the AGM. The Board's work focuses primarily on strategic issues, the adoption and follow-up of operational goals, business plans, the financial accounts, major investments and divestments, plus other decisions that, in accordance with NCC's decision-making procedures, have to be addressed by the Board. Project impairments and management changes gave rise to a number of non-scheduled Board meetings during the year. Reporting on the progress of the company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made a number of worksite visits in connection with Board meetings. In addition to the CEO and the CFO, other senior NCC executives participated in Board meetings in order to present matters. NCC's Senior Legal Counsel was secretary of the Board.

The tasks of the Audit Committee, within the framework of the work of the Board, include monitoring the company's financial statements and preparing matters related to the company's financial statements and audit in accordance with Chapter 8, Section 49 b of the Swedish Companies Act, and fulfill the duties pursuant to EU ordinance No. 537/2014. The Committee held six meetings in 2017 at which all members were present. The Board also assessed the need of a special audit function (internal audit). The Board concluded that there will be a need in the future for a separate internal audit or audit

BOARD OF DIRECTORS 2017

Elected	Independent in relation to the company and executive management	Independent in relation to major shareholders	Fees, SEK 000s	Fees for the Audit Committee, SEK 000s	BOARD MEETINGS AND ATTENDANCE 2017											
					26 Jan	5 April	5 April ¹⁾	27 April	28 June	18 July	24 Sept	25 Oct	29 Oct	8 Dec	12 Dec	
Board Members elected by the AGM																
Tomas Billing	1999	yes	no	1,100	125	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Viveca Ax:son Johnson	2014	yes	no	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Carina Edblad	2014	yes	yes	500		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Geir Magne Aarstad ³⁾	2017	yes	yes	370				✓		✓	✓	✓	✓	✓	✓	✓
Sven-Olof Johansson ²⁾	2012	yes	yes	130		✓	✓									
Mats Jönsson ³⁾	2017	yes	yes	370	125			✓	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	2008	yes	yes	500	175		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Birgit Nørgaard ³⁾	2017	yes	yes	370				✓		✓	✓			✓	✓	✓
Christoph Vitzthum ²⁾	2010	yes	yes	130		✓	✓									
Regular employee representatives																
Lars Bergqvist	1991			-		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl G. Sivertsson	2009			-		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Karl-Johan Andersson	2011			-		✓	✓	✓								✓

1) Statutory Board meeting.

2) Sven-Olof Johansson and Christoph Vitzthum stepped down as Board Members at the AGM on April 5, 2017.

3) Geir Magne Aarstad, Mats Jönsson and Birgit Nørgaard were elected Board Members at the AGM on April 5, 2017.

No special fee was paid to the members of the Project Committee.

function, which is under construction; refer also to the “Board of Directors’ report on internal control,” pp. 118–119). The Board’s evaluation of its work was conducted by the a Board member engaging in separate interviews of other Members. The results of these interviews were then compiled and discussed by the Board. Documentation for this matter has been submitted to the Nomination Committee.

In July 2017, the Board established a Project Committee, which is to assist in the preparation, analysis and decisions regarding tenders in contracting operations in respect of projects exceeding SEK 1.5 billion. The Committee addressed two projects during the year and held two meetings at which all members were present. No special fee was paid to members of the Committee.

BUYBACK OF COMPANY SHARES

The company holds 353,323 Series B shares to cover its commitments under long-term incentive programs. In 2017, 37,987 shares were sold to cover costs, 25,144 shares were transferred to participants in LTI 2014 and 54,232 shares were bought back.

REMUNERATION OF EXECUTIVE MANAGEMENT

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 executive management. 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 company’s senior executives 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. Remuneration of the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. The 2017 AGM resolved on a long-term performance-based incentive program (LTI 2017), comprising the CEO, members of the EMG and an additional 159 executives in the Group. LTI 2017 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 2019. 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. In the Code, it is stipulated that for agreements signed as of July 1, 2010, the total amount of pay during a period of notice and severance pay may not exceed a sum corresponding to two years of fixed salary. The Board follows up and evaluates application of the remuneration program applicable for senior executives. The term “other senior executives” pertains to the executives who, in addition to the CEO, comprise the Executive Management Group. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, on p. 69.

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NOMINATION COMMITTEE 2017

At the AGM on April 5, 2017, Viveca Ax:son Johnson (Chair of the Board of Nordstjernan AB), Johan Strandberg (Analyst at SEB Fonder) and Anders Oscarsson (equity manager AMF/AMF Fonder) were reelected as members of the Nomination Committee, with Viveca Ax:son Johnson as Chair. Tomas Billing, Chairman of the NCC Board of Directors, 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 proposal to the 2018 AGM is available on www.ncc.se.

THE BOARD OF DIRECTORS’ 2017 WORKING YEAR – IN ADDITION TO STANDING POINTS ON THE AGENDA SUCH AS BUSINESS PLANS, INVESTMENTS AND DIVESTMENTS, AS WELL AS FUNDING

