

Operations – Material risks and uncertainties

Material risks and uncertainties

Management of operational, strategic, financial and sustainability risks is a key prerequisite for NCC’s business and efficient risk management is a necessity for a stable and profitable company. NCC has conducted an assessment of the company’s risks and describes below the risks regarded as the most probable and that are estimated to have the greatest impact on NCC’s potential to achieve its objectives in the long and the short term.

The aim of risk management is to identify, assess and prioritize risks within the operations. The organization can then take action to minimize the likelihood and impact of the incident.

Risk management is a central and essential part of NCC’s operations. We work actively with risk management. These activities are supported by experts in the relevant areas. Risk management measures are

integrated into internal processes for management and operations, with working procedures and guidelines that are often specifically designed for risk identification and implementation of mitigating measures.

Opportunities are handled separately at NCC and are not included in the same process and are designed using another methodology and approach.

Risk assessment is the most important tool for systematic risk management in our projects. It starts in the selling stage and is continuously updated throughout the construction process. The aim is to achieve a safe and predictable construction process, where the project is executed within established parameters. The purpose of the assessment is to take the unique conditions for each project and systematically identify, analyze and manage the risks. By taking suitable measures, the likelihood and consequences of risks are minimized.

Overview of top risk risks at Group level

Risk category	Risk	Likelihood	Consequence	Change
Market	1. Geopolitical situation	Most likely	Major	↗
	2. Market volatility	May occur	Serious	→
	3. Price increases and delivery shortage	May occur	Serious	→
People	4. Competence supply & Leadership	May occur	Major	→
	5. Health & Safety	May occur	Serious	→
Environment	6. Climate	May occur	Serious	→
	7. Resource use	May occur	Serious	→
Management	8. Management of operations	May occur	Major	→
	9. Supply chain	May occur	Serious	→
IT	10. Group Common IT Development	May occur	Major	→
	11. IT security (Information security)	May occur	Major	↗
Compliance	12. Compliance	May occur	Major	→

Definitions

Consequence¹⁾: Minor (>10 MSEK) Tangible (>50 MSEK) Serious (>100 MSEK) Major (>250 MSEK)

Likelihood: Most unlikely Unlikely May occur Most likely

↘ Decrease in consequence or likelihood from 2024

→ No changes in consequence or likelihood from 2024

↗ Increase in consequence or likelihood from 2024

1) The term "consequence" pertains to the effect on profit after financial items and means that potential results or consequences in conjunction with a risk assessment are measured on the basis of their financial impact.

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Top risks at Group level

Risk	Risk description	Key mitigating action plans
Market		
1. Geopolitical situation	<p>The global geopolitical situation remains unstable, affecting international relations, political events and sanctions (including intensified trade conflicts and geopolitical fragmentation) and creating increased complexity for companies. This includes inflationary pressures, economic uncertainty, volatile energy prices and interest rates, tighter financing conditions, heightened cyber security risks, and supply chain disruptions.¹⁾</p>	<ul style="list-style-type: none"> • NCC only conducts operations in the Nordic region, which limits direct exposure to international geopolitical situations and their consequences that would affect its economy and supply chain. However, interdependencies with global markets can still impact operations and require close monitoring • The organization has managed and mitigated challenges related to the geopolitical situation, including cost inflation and disturbances in the supply chains during 2025. The risk remains in the coming years with a potential broad impact on the business • See sections 2 and 11 below for more details about risk description and key action plans to mitigate the situation
2. Market volatility	<p>Risk of loss of revenue due to weakening market overall. More specifically a risk of underestimating the size and speed of the downturn of the market and then being too slow to respond. The market sentiment is a material risk for the property development operations both in terms of letting and divestments. Furthermore, there are cost increases linked to interest and inflation.</p>	<ul style="list-style-type: none"> • NCC carefully monitors developments in the market and the financial development of customers and suppliers • Internal processes are designed to ensure that price increases can be passed to customers (fixed prices from suppliers where appropriate) • NCC works continuously to steer operations through segment prioritization and portfolio governance to limit exposure to vulnerable parts of the economy where possible
3. Material and price increases	<p>Risk of shortage of materials and price increases in general, for instance metals, steel, energy, cement, plastics and freight, due to the external circumstances in the market as a consequence of the continued uncertain geopolitical situation.</p> <p>Stone material and asphalt plants are highly dependent on the supply of raw material, such as aggregates reserves, bitumen, recycled asphalt etc.</p> <p>Although the markets have maintained a high degree of deliverability last year and have continued to do so throughout this year it is still considered a potential risk given previous examples of volatility in the market.</p>	<ul style="list-style-type: none"> • Price and delivery stability are secured by long-term agreements and continuous supplier risk assessments. To guarantee deliveries, the supplier base has several key suppliers • Work with NCC's supplier relationship to ensure that we are a prioritized customer • Focus on hedging activities mainly for bitumen. Multiple sources and volume commitment to ensure supply. Hedging strategy for electricity and transportation contracts with indexation
People		
4. Competence supply and Leadership	<p>NCC is a knowledge-based company, and it is therefore imperative for us to have the right people with the right attitude, skills and experience. Successful recruitment, retention and development of people with necessary skills is crucial for the company.</p> <p>Lack of leadership increases the risk that NCC cannot deliver according to quality and profitability and will not be able to retain its employees. The development of managers is essential to drive and deliver quality in projects and retain personnel with the desired skills.</p>	<ul style="list-style-type: none"> • Development plans are created for both the short and long term, based on continuous discussion about the competence development needed by our employees (focus on general development and project management ability) • Group-wide development programs are conducted for project management and leadership, such as the Mega Project Management Program, Senior executive program, Strategic leadership program and Practical leadership program for site managers • Workshops based on the Group's Star behaviors have been conducted to improve culture and behavior across the organization • Star behaviors form the basis of all leadership programs • A structured succession planning process is in place to ensure that we constantly replenish with the right competencies and experience
5. Health and Safety	<p>In the construction industry, there is a risk of different types of accidents. Serious incidents and accidents still occur, often within the three high risk areas: working from height, heavy crane operations and use of heavy machines.</p> <p>Inadequate health and safety measures can result in fines and other legal consequences, as well as damage to the NCC brand and reputation that may undermine credibility, reduce business opportunities, and make NCC less attractive to current and future employees. Risk for increased costs related to sick leave, compensation claims, and rehabilitation.</p>	<ul style="list-style-type: none"> • A strategic focus aimed at reducing all types of accidents and eliminating serious incidents and fatalities • Systematic work to improve and increase the number of digital and physical safety barriers in collaboration with NCC Group R&I, IT and Purchasing. Incorporate more qualitative safety barriers into equipment, machinery and production vehicles NCC purchase or lease. NCC stipulates clear safety requirements for production machinery and vehicles used by our subcontractors. • Within the framework of Star behaviors, NCC focuses systematically on reducing risk-taking and unsafe behaviors among NCC employees and subcontractors to create a strong safety culture • Intensive work to improve our Site Introduction tool to align and digitize our safety requirements for NCC worksites • Each employee, supplier and subcontractor must pass the Site Introduction to gain access to the worksites, to increase safety awareness • Clarification of group-wide requirements and managerial responsibility: At Group level, clear directives and guidelines are set for safety work, and instructions are devised for each business area. All reported incidents are analyzed with the aim of improving injury-prevention activities, with a particular focus on fostering a strong safety culture.

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Risk	Risk description	Key mitigating action plans
Environment		
6. Climate	<p>NCC's environmental work focuses on reducing greenhouse gas emissions throughout the value chain.</p> <p>The biggest sources of climate impact are the materials used in the construction process and the fuel that drives various parts of this process.</p> <p>Energy use is also a significant factor, as NCC's operations require a lot of energy for machinery, heating, electricity on construction sites and in the manufacture of materials.</p> <p>If NCC fails to adapt our operations to climate change, we risk facing higher costs, reduced access to capital and lost business opportunities.</p>	<ul style="list-style-type: none"> • Introduction of stricter CO₂ requirements and strategies in projects • Plans and actions to phase out fossil fuels and drive change towards lower climate emissions • Building standards that ensure that constructions are adapted to climate change • Assessment of climate risks and vulnerability, with contingency plans for construction sites • NCC works with wind and hydropower and climate-optimized construction to meet external demands and adapt operations to climate change
7. Resource use	<p>The construction sector consumes large amounts of materials, significantly impacting society's resource use and relying heavily on virgin raw materials. Risks are associated with raw material extraction, which can alter habitats and fragment landscapes.</p> <p>Furthermore, operations generate substantial waste throughout the value chain, making this a critical issue for both NCC and the industry as a whole.</p>	<ul style="list-style-type: none"> • Streamline and reduce the use of materials, fuel and energy as well as promote the recycling and reuse of building materials • Strengthen traceability in the supply chain for prioritized materials and reduce the use of virgin materials • Adapt material choices, circularity, and waste management to the unique conditions of each business area, aiming to minimize the use of materials harmful to the climate, environment, and human health
Management		
8. Management of operations	<p>Within contracting operations, the main operating risks are project selection and project management. This may entail risks of impairments, inability to fulfil project commitments and legal disputes.</p> <p>There is also a risk of failure in the ability to implement what has been decided according to the processes and strategic initiatives.</p> <p>For Industry the season is limited and there is competition to provide large volumes in a short period of time.</p>	<ul style="list-style-type: none"> • NCC assigns priority to submitting tenders with identified risks that are manageable and calculable. Different forms of contracts and partnerships with customers facilitate the management of various risks. These operating risks are counteracted by NCC's project selection, assessment of tenders and operational control systems. • This also requires greater focus on contract and claim management, and legal disputes. • For NCC Industry, we work with capacity, sales control, tender evaluation and pricing to ensure the right volume and cost control
9. Supply chain	<p>Inadequate control and transparency in the supply chain gives rise to the risk of human rights violations, such as illegal labor, which remains an industry risk. It also gives rise to the risk of commercial breaches with increasing client requirements on supplier control and supply chain and, lastly, a poor overview of material being brought into our worksites.</p>	<ul style="list-style-type: none"> • All international suppliers are pre-qualified before entering into a contract to ensure compliance with rules and regulations, including internal rules • NCC conducts systematic evaluations to ensure compliance with rules and regulations • At the worksites, the Site Introduction initiative helps to identify personnel on site who support our efforts against illegal labor and unfair pay • During 2025 the two initiatives supplier control and subcontractor control have been rolled out to further strengthen the control with our supplier base

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IT		
10. Group Common IT Development	Failure to implement shared IT developments leads to significant costs for development without any realized benefits, implying lack of commitment and readiness for change in NCC's operations. In the event of failure, NCC will face new stalemates in the future, both in terms of the technological lifecycle and adaptation to business needs.	<ul style="list-style-type: none"> • Dedicated resources for leading the program and a business approach (future processes and ways of working at NCC) before selection of the tools • Clear roles and responsibilities have been defined to ensure business alignment and maximum benefit • Process framework and governance are in place and shared process owners have already been appointed for some process areas • NCC has developed and implemented a common way of working with business change management and is continuously working with building capability to ensure sustainable change • NCC is continuously following up the ongoing implementations and realized benefits to ensure that we are progressing as planned
11. IT security (Information security)	The digital transformation in the construction industry has increased reliance on data, raising the value of information assets and exposure to cyber threats. Rapid technological change and complex IT environments further increase vulnerabilities, underscoring the need for strong cybersecurity governance and continuous monitoring.	<ul style="list-style-type: none"> • Execute and follow up on NCC's security strategy and roadmap, aligned with the IT security roadmap and mitigation activities across business areas and Group functions • Continue development of the Information Security Management System and enhance NCC's Cyber Security Operation Center, to further improve resilience, while building a strong security culture and awareness
Compliance		
12. Compliance	Risk of penalties and sanctions and risks related to branding, lawsuits and costs for disqualification from public tenders due to compliance breaches.	<ul style="list-style-type: none"> • A risk-based compliance program that includes a Code of Conduct, whistleblower channel and policies governing anti-corruption, competition law, conflicts of interest, data privacy and human rights • Mandatory training for white-collar employees in anti-corruption, competition law and data privacy. The training programs are regularly followed up • During 2025 an updated Code of Conduct was rolled out to ensure the Code stays relevant and continues to support NCC's commitment to high ethical standards

1) The geopolitical risk factors identified by ESMA are included in 1. Geopolitical situation except for debt sustainable levels. NCC continuously monitors developments in these areas and evaluates their potential impact on the Group's operations. Based on current conditions and available information, NCC assesses that there is no significant risk that increased interest rates or deteriorated financing conditions will affect NCC's ability to maintain debt sustainable levels.