

Sustainability report

NCC is one of the Nordic region's leading construction and property development companies and is active throughout the value chain with the task of creating environments for work, living and communication. The construction industry has a major environmental impact and NCC plays an important role in the transition toward a more sustainable society. We aim to proactively contribute to reducing the use of nonrenewable resources, increase societal value and develop new technical solutions, products and work methods that promote a sustainable development for customers, the Group and society at large.

For NCC, this involves taking into account the needs of current and future generations, increasing the company's competitiveness and ability to generate profitable growth and taking long-term responsibility in day-to-day operations. Our vision is to renew the industry and provide superior sustainable solutions.

Five business areas interacting to reduce climate impact

With five business areas that complement each other in an extensive operation, NCC has the potential to lower the climate impact of its own manufacturing of materials and production as well as of the operation and maintenance of its finished products. NCC Industry's asphalt production accounts for the majority of the Group's own carbon emissions. By switching from fossil to renewable fuels, the climate impact has been mitigated in recent years. NCC Building and NCC Infrastructure have developed standard solutions, prefabricates and processes for which precise amounts of materials are ordered, thus reducing waste generated at construction sites. NCC prioritizes sustainable materials and products and enables the recovery and reuse of the waste that arises from the construction process. NCC is a leader in constructing commercial properties and housing units with low energy requirements and, through NCC Property Development, can provide support in urban planning concerning the health and wellbeing of people in both office buildings and their surroundings.

Future trends and demands on NCC's capabilities

The world's awareness of climate challenges accelerated in 2019. The Nordic countries have set ambitious climate targets, which will shape the industry and the solutions needed in the years ahead. As part of the industry's desire to reach the emissions targets that have been set, we will see an increased focus on renovation of existing buildings and infrastructure, on energy use at construction sites and on the energy needed to produce building materials. We also note increasing requirements from the market for circular processes – the reuse and recycling of materials.

NCC thus needs to work proactively on how the Group can produce and use materials even more efficiently and analyze and measure the climate footprint of both its own and its suppliers' product manufacturing and energy consumption to an even greater extent, to be able to report climate emissions throughout the value chain.

The global goals and NCC's sustainability framework

UN's Agenda 2030 shows NCC's potential to exert influence

The UN and leaders of the world have united behind 17 goals and 169 sub-targets to tackle the most urgent social, economic and environmental challenges in the period up to 2030.

On the basis of these goals, we can evaluate whether NCC is on the right path in respect of its offering. The Agenda targets can also be used to predict the demands that will be placed on NCC in the future. Agenda 2030 and the global goals thereby help to ensure that NCC's business strategies create long-term value for the company and for the societies in which the company is active by enabling change where it is needed the most.

NCC has selected four global goals where the Group has the greatest potential to contribute through various societal solutions, and another 11 goals that are fundamental to NCC's operations and offerings. NCC has also evaluated the global goals at the sub-target level and selected about 50 of the 169 sub-targets as relevant and guiding for NCC. NCC intends to continue to implement the global goals in its operations, in part by developing new solutions and involving more functions in the Group.

NCC's positive impact through the core business

NCC's expertise, knowledge and solutions will be imperative to the achievement of sustainable development at places where people work, reside, travel and live. Accordingly, NCC plays an important role in the Nordic contribution to achieve global goals 7, 9, 11 and 12. This encompasses creating inclusive societies by building housing and infrastructure that everyone can afford and that remove physical and mental barriers in cities. It also involves being resource-efficient by creating circular material flows and independence from fossil fuels, and building resilient societies that can cope with the effects of climate change, such as heavy rain and extreme heat.

NCC's resource management

NCC has long been proactive in the work to formulate offerings and work methods that improve the situation for people and the environment. Accordingly, NCC regards global goals 3, 6, 13, 14 and 15 as fundamental to its operations and a prerequisite for long-term access to the natural resources needed by NCC.

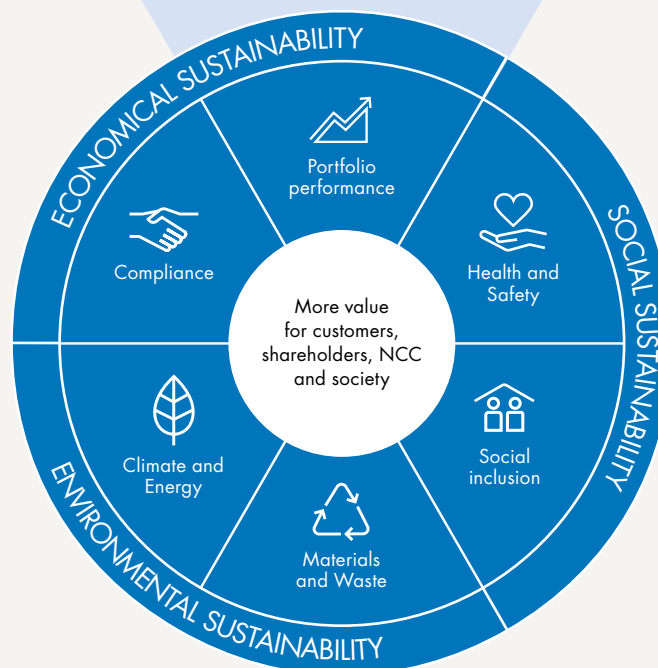
Intelligent buildings and sustainable infrastructure can promote people's health and well-being. By integrating green areas into urban environments and promoting various species in our quarries, NCC also contributes to improving biodiversity and sustainable ecosystems.

Although the Nordic region currently has relatively favorable access to water, NCC regards clean water and life below water as important goals to promote, for example, through ecosystem services and water efficiency throughout the value chain.

NCC's positive impact through its core business



Long-term direction
We provide superior sustainable solutions



Long-term direction
We are a trustworthy partner acting with high ethical standards and transparency

Long-term direction
We are climate neutral

Long-term direction
We work in a zero accident environment

Long-term direction
We are an empowering partner in an inclusive society

NCC's resource management



NCC's foundation



Long-term direction
We close the loop

NCC's foundation







NCC is a value-guided company and, in that capacity, it can contribute to achieving goals 4, 5, 8, 10, 16 and 17. We enhance knowledge and expertise in society through, for example, the schools we build and the training we provide to employees, which contributes to achieving global goal 4. NCC complies with principles for equality, reduced inequality and decent labor conditions, and economic growth, which are directly linked to global goals 5, 8 and 10. The company will also continue to promote employment for young people, ensure a safe work environment and proactively work to end all types of discrimination. Cooperation and partnerships with various stakeholders are fundamental to make the transformation to a sustainable world by 2030, as reflected in global goals 16 and 17.

Read more at: www.ncc.group/globalgoals.

The sustainability framework

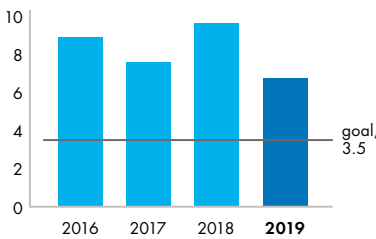
NCC's sustainability work is the foundation for the Group's future development. The purpose of NCC's sustainability work is to create conditions for people to work, reside, travel and live in a sustainable manner, and to increase value for shareholders, customers and society as a whole. NCC's sustainability framework illuminates the most important areas for our sustainability work: Health and Safety, Social inclusion, Materials and Waste, Climate and Energy, Compliance and Portfolio performance. These areas link closely with the Sustainable Development Goals and show that NCC has an important role to play in the transition of society.

NCC has set targets for 2016–2020 for all areas in the framework. The targets and outcomes for the year are reported on p. 81. For each area, there are also long-term sustainability objectives that relate to the changed market conditions, outline the path ahead and provide a direction and stability for the Group's long-term sustainability work.

FOCUS AREA	DESCRIPTION AND EXAMPLES OF AREAS	LONG-TERM SUSTAINABILITY OBJECTIVE
Health and Safety 	<ul style="list-style-type: none"> • Safe and secure worksites • Design and choices of materials that promote good health for all stakeholders in the value chain 	We work in a zero accident environment
Social inclusion 	<ul style="list-style-type: none"> • Better quality of life for workers, customers and society • Diversity and equality of workforce • Increased social sustainability in procurement processes • Empower local communities 	We are an empowering partner in an inclusive society
Materials and Waste 	<ul style="list-style-type: none"> • Non-hazardous materials • Circular supplies • Resource efficiency and waste reduction 	We close the loop
Climate and Energy 	<ul style="list-style-type: none"> • Less energy used and less greenhouse gases • Climate adaptation • Biodiversity as an asset 	We are climate neutral
Compliance 	<ul style="list-style-type: none"> • Fair business and no corruption • Supply chain control and transparency • Sustainable purchasing 	We are a trustworthy partner acting with high ethical standards and transparency
Portfolio performance 	<ul style="list-style-type: none"> • Provide superior sustainable solutions to our customers and the society 	We provide superior sustainable solutions

TARGETS FOR 2020 AND OUTCOME IN 2019

Accident frequency



Target for 2020 **50%** **Accident frequency¹⁾** **Outcome 2019** **7.0**

reduction in number of accidents compared with 2015.

¹⁾ Worksite accidents resulting in one day or more of absence from work per million worked hours.

The accident frequency declined from 9.5 in 2018 to 7.0 in 2019, which is the lowest level recorded since measurements began. Proactive work to improve analyses and a long-term focus contributed to the positive outcome. Occupational health and safety remains one of our foremost focus areas for 2020 and our long-term aim of halving accidents between 2015 and 2020 stands firm.

Target, gender:

No gender should represent a higher share of a team than 70%¹⁾

Target, diversity:

The team should mirror society.

Target, age:

No age group (<34 years, 35–49 years, >50 years) should represent a higher share of a business area than 70 percent.

Outcome 2019
45%

¹⁾ Management teams

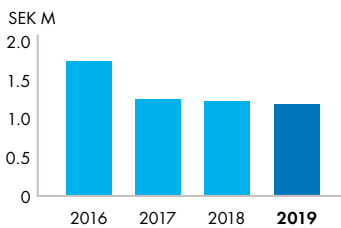
Outcome 2019
46%

Outcome 2019

The target has been fulfilled at business area level. NCC is also striving to meet the target for age diversity in all operational teams, which the various business areas are monitoring.

As of 2019, the number of management teams in the survey was expanded to include all management teams from the Executive Team to department management or the equivalent. NCC also noted positive development during the year in terms of ethnic diversity.

Ton waste per turnover SEK M



Target for 2020

70%

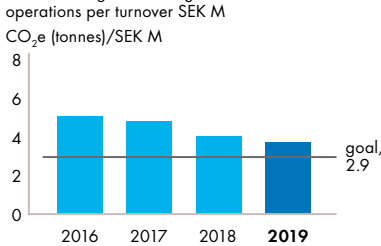
of NCC's building and construction waste is reused or material recycled by 2020. The number of tons of building and construction waste per SEK M turnover is decreasing.

Outcome 2019

56%

As a result of targeted action and commitment within the organization, the amount of construction waste was reduced in 2019, in both absolute terms and in relation to turnover of the construction operations. The total amount of waste decreased by 25 percent compared with 2015 and 7 percent compared with 2018. The amount of waste per SEK 1 M turnover was reduced from 1.64 tons/SEK M in 2015 to 1.14 tons/SEK M in 2019, or by 31 percent.

Emissions of greenhouse gases from its own operations per turnover SEK M



Target for 2020

50%

reduction in CO₂ emissions by 2020, compared with 2015.

Outcome 2019

37%

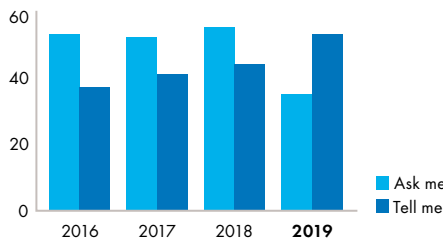
Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling, have declined since the base year 2015. This was due to energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to turnover, NCC's greenhouse gas emissions from own operations have been reduced by 37 percent since 2015.

CULTURE Our aim is to have a strong compliance culture in NCC, and very active compliance work.

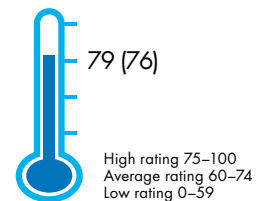
PERCEPTION We track all employees' perception of our compliance culture in the employee survey, NCC Pulse, with the aim of significantly increasing the index score during 2016–2020.

TRANSPARENCY We disclose our number of Tell Me matters and Ask Me questions in our Annual Report.

Number of Ask-me questions and Tell-me matters



Index rating in NCC Pulse



To be able to track NCC's portfolio performance in line with the market's increasing demand for sustainable products and services, NCC measures the company's portfolio performance by monitoring net sales of sustainable products, services and concepts. Work is under way to develop a governing follow-up process for sustainable offerings.

Sustainability governance

Sustainability work in NCC is governed, inter alia, by the Group’s framework for sustainability, the Code of Conduct and other policies, such as a Sustainability Policy featuring an Environmental Policy, a Health and Safety Policy and a Diversity Policy.

NCC supports the UN’s Global Compact initiative and has thus taken a stance in relation to issues involving human rights, labor conditions, the environment and anti-corruption. NCC also complies with the UN declaration on human rights, the ILO’s declaration on fundamental principles and rights at work, the OECD’s principles and norms for multinational companies and the Rio Declaration on the precautionary approach, which entails that NCC undertakes to prevent and minimize risks in the environmental area.

Code of Conduct

NCC’s Code of Conduct describes the expected conduct of all parties concerned – employees, managers, Board members and business partners – and is based on NCC’s values and the voluntary initiatives undertaken by the Group, such as the World Economic Forum’s Partnering Against Corruption Initiative (PACI) and the UN Global Compact. Principles for human rights, work methods, the environment and anti-corruption are stated in these initiatives. All employees receive regular training in the Code of Conduct’s fundamentals and are expected to comply with these principles in their daily work.

NCC’s Executive Team is responsible for compliance with the Code of Conduct, which is continuously followed up within the framework of operating activities. Awareness of the Code of Conduct at NCC is very high. According to NCC’s employee survey, NCC Pulse, employees believe to an increasing extent that NCC’s values and Code of Conduct provide guidance in their work.

NCC’s Code of Conduct for suppliers

NCC’s business partners play an important role in the operations and NCC expects that they will also respect and live up to the Group’s values. In 2019, NCC implemented a Code of Conduct adapted for suppliers. This applies to all parties who supply NCC with products, personnel or services, including direct and indirect suppliers, service suppliers, subcontractors, intermediaries and agents, as well as, where relevant, employees of suppliers and their subcontractors and agents.

NCC Compass

NCC Compass is a support to managers and employees in their daily work, and makes it easier for them to make the right decisions. The tool is easily accessible on the company’s intranet and, in addition to requirements, guidelines and general advice, also features an Ask Me and a Tell Me function.

The Ask Me function was created to assist employees in making the right decisions. This function is managed by 55 specially trained employees, Navigators, who are available throughout the company to answer questions in the local language. All questions are documented and followed up to enable procedures and guidelines to be clarified and developed wherever uncertainty prevails.

The Tell Me function is a whistleblower function through which employees and other stakeholders, anonymously if they so wish, can report their suspicions about behaviors and actions that contradict the Code of Conduct. All reports are investigated in an impartial and thorough manner by specially trained internal resources jointly, when needed, with external expertise, to guarantee legally secure treatment.

The Ask Me function received 35 questions (55) during the year, which was fewer than in 2018. The main reason for the decline was that the number of questions related to everyday operating activities was lower. Many questions were about business entertainment and gifts. Frequently asked questions are compiled in NCC Compass. In 2019, 30 (27) suspected cases were reported in the Tell Me function, which was in line with the preceding year. A number of incidents were also reported in other ways. This resulted in a total of 53 (44) cases that warranted investigation. The incidents involved such matters as fraud and theft, conflicts of interests and other transgressions from NCC’s Code of Conduct. Of the matters closed during the year, three led to dismissal and 21 to other actions, such as the employees deciding to resign, to changes in procedures and processes or to targeted communication measures.

Information on how the Group manages personal data and any inquiries and incidents in accordance with GDPR is available on both NCC’s external website and intranet.

NCC continuously provides compliance, anti-corruption and GDPR training to its employees. During the year, 1,900 employees received compliance training and 1,500 received GDPR training.

Sustainability organization

The CEO is ultimately responsible for NCC’s sustainability efforts. Sustainability work is governed by the Group’s SVP Corporate Sustainability in cooperation with the sustainability managers of each business area. The group meets regularly and sets shared targets, while following up on the sustainability work. The SVP Corporate Sustainability is responsible for implementation and has a staff that works daily with sustainability issues. Operational sustainability work is performed in NCC’s business areas. The unit cooperates with other functions in the organization, such as representatives of purchasing and HR functions. NCC’s compliance efforts are conducted via the NCC Group Compliance Officer together with selected representatives in each business area and Group staff.

NCC’S POLICIES

Area

Anti-corruption

The environment

Social issues incl. HR and human rights

Policies

- Code of Conduct
- Code of Conduct for Suppliers
- NCC Compass

- Code of Conduct
- Code of Conduct for Suppliers
- Sustainability Policy featuring an Environmental Policy

- Code of Conduct
- Code of Conduct for Suppliers
- NCC Compass
- Health and Safety Policy
- Diversity Policy
- Directive on alcohol and drug use

Main areas

- Business ethics
- Compliance and tools for business ethics

- Environmental responsibility
- Product and service development
- Precautionary approach

- Human rights
- Occupational health and safety
- Recruitment
- Training and education

Employees

NCC has collective agreements that regulate minimum wages, working hours and employees' rights in relation to the employer in all markets. 93 percent of NCC's employees are covered by collective agreements. In Sweden and Norway, all employees are covered by collective agreements. In Denmark and Finland, fewer are covered by collective agreements; local agreements are applied instead. Like other companies in the industry, NCC uses subcontractors and consultants when required. Subcontractors are most prevalent in NCC Building Sweden and NCC Building Nordics but are also used in other business areas.

Subcontractor chain for a clear picture of subcontractors

NCC, together with the company Infobric, has designed the digital service UE-kedja (Subcontractor Chain), which makes it easier to track all the subcontractors active at construction sites, and who has been commissioned for what. This service has been tested with favorable results in a number of projects. NCC is maintaining a close dialog with Infobric and implementation will continue in the year ahead.

EMPLOYMENT CONTRACTS 2019

NUMBER OF EMPLOYEES	PERMANENT EMPLOYMENT		TEMPORARY EMPLOYMENT		
	Men	Women	Men	Women	
Sweden	7,469	1,347	288	48	
Norway	1,319	154	50	11	
Denmark	1,912	275	34	7	
Finland	1,169	281	45	6	
Total, NCC	11,869	2,057	417	72	14,415

EMPLOYMENT CONTRACTS, WHITE-COLLAR EMPLOYEES 2019

NUMBER OF EMPLOYEES	FULL-TIME		PART-TIME		
	Men	Women	Men	Women	
Sweden	3,411	1,262	42	65	
Norway	492	127	3	7	
Denmark	725	221	11	30	
Finland	727	241	25	11	
Total, NCC	5,355	1,851	81	113	

Employee data pertains to the number of employees at the end of 2019 and was collected from the Group's HR and payroll system.



Health and Safety

GRI 403 Occupational health and safety, and GRI 404 Training and education.

Health and safety include both a safe and secure worksite for the Group's employees and subcontractors and good labor conditions and a healthy work-life balance. Health and safety also pervades the products and services provided by NCC, such as healthier buildings, improved indoor climate and well-planned outdoor environments.

Occupational health and safety

Health and safety work at NCC's worksites is governed by the Group's Health and Safety Policy. During the year, health and safety efforts were further clarified through a Group directive for occupational health and safety, which specifies the measures that are compulsory at NCC's worksites.

In recent years, NCC has developed processes and tools, and improved the safety culture, to achieve the vision of zero accidents. However, since it is impossible to completely avoid human error, work to develop safety barriers to separate people from the risk of an accident continues. NCC has identified three high-risk areas: working at heights, heavy lifts by construction cranes and work in heavily trafficked environments. Using an additional measurement ratio, NCC is strengthening its follow-up of activities for serious accidents leading to protracted absence from work. In 2019, tests of digital safety barriers were conducted together with external suppliers to study the risk arising from interaction between people and heavy lifts by cranes. Using cameras fitted to a tower crane's boom, images are collected that are then processed in a computer placed inside the crane cabin. This is done to immediately warn the crane operator and any people on the ground, and thus avoid a risky situation.

NCC has also identified a number of risk areas for the Group's employees and subcontractors that could lead to illness, such as working with asbestos, strain injuries and working with quartzite dust.

Important events 2019

- Group directive for occupational health and safety
- Test of digital safety barriers at worksites
- Inauguration of Sweden's first physical safety training park

Health and safety incidents are reported to Synergi, the Group's digital system, which functions as both an online system and an app. The system is used to report and follow up accidents, incidents and negative and positive observations. Since the introduction of Synergi, an increase in reporting has been noted and there is now a qualitative amount of data that enables detailed and precise analyses in preventive occupational health and safety work.

Activities during the year

Every year, a number of activities are conducted to increase occupational health and safety awareness. In May, the Health and Safety Week is arranged, at which all worksites reserve time for activities related to occupational health and safety. The focus at offices throughout the Nordic region was primarily on the organizational and social work environment. On September 4, the Awareness Day was held for the ninth consecutive year, with the focus on behavior and values, and how these affect occupational health and safety work. Tools were

ABSENTEE RATE¹⁾, NCC EMPLOYEES

	Sickness leave, % All types of illness and poor health		Lost day rate ²⁾ Sickness absence due to injuries	
	2019	2018	2019	2018
Sweden	2.9	3.7	18.39	21.63
Norway	4.7	4.8	15.01	16.52
Denmark	3.6	4.1	27.03	38.54
Finland	3.8	3.6	52.83	59.59
Total	3.1	3.8	23.08	27.44

¹⁾ Collected through Synergi and payroll systems.

²⁾ Number of lost working days during the year per 100 full-time employees.

INCIDENTS AND OBSERVATIONS, NCC EMPLOYEES AND SUBCONTRACTORS

	2019	2018
Sweden	8,413	6,494
Norway	5,290	5,012
Denmark	6,440	8,385
Finland	17,825	14,412
Total	37,969	34,303

We note a continued positive trend in the reporting level and quality of Synergi, NCC's reporting and analysis system, which provides a solid foundation for NCC's strategic occupational health and safety work.

WORK-RELATED INJURIES, INJURY FREQUENCY AND FATALITIES

		Injuries ¹⁾ Injuries resulting in one day or more of sickness absence		Injury frequency Injuries resulting in one day or more of sickness absence per million hours worked		Injuries Injuries resulting in four days or more of sickness absence		Injury frequency Injuries resulting in four days or more of sickness absence per million hours worked		Work-related fatalities	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sweden	NCC employees	116	148	7.5	9.5	65	86	4.2	5.5	0	0
	Subcontractors	133	113	14.4	12.8					1	0
Norway	NCC employees	10	20	3	5.4	7	16	2.1	4.3	0	0
	Subcontractors	4	10	0.6	2.8					0	0
Denmark	NCC employees	28	44	8	13.4	12	26	3.4	8	0	0
	Subcontractors	28	32	8.9	9.5					0	0
Finland	NCC employees	20	34	7.2	11.6	17	21	6.1	7.2	0	0
	Subcontractors	53	39	13.3	14.5					0	0
Total	NCC²⁾	176	257	7.0	9.5	103	156	4.1	5.8	0	0
	Subcontractors	218	194	9.5	9.7					1	0

¹⁾ Crushing/cuts and trips/falls are the most common injuries.

²⁾ Total NCC employees, including Safida Montage

downed at 9:00 a.m. at all of NCC's worksites. A Group-wide discussion was held at worksites, during which all employees reflected and put forward thoughts and ideas on how the worksite can be made safer and what each individual can do to foster a good safety culture.

On October 7, Sweden's first physical safety training park was inaugurated, with NCC as one of the arranging parties. The industry-wide safety training park enables employees of the construction industry to practice and refine safety awareness in real-life environments, thus strengthening the safety culture. The Swedish safety training park is based on a concept from Finland, which currently has three safety training parks. NCC is a multi-year partner to the Finnish concept, which has greatly benefited the company's safety culture.

Skills development

Attracting, developing and retaining employees so that the right expertise is available in the future is a key issue for the industry. Today, there is considerable focus on digitalization and efficient project management, which are areas where NCC aims to take the lead. NCC works in many ways to create a sustainable career for its employees, by means of continuous skills development. Employees are offered continuous skills development in the form of traditional courses, e-learning or mentorship and through development initiatives adapted to the requirements of the individual and NCC's needs. During the year, NCC took several actions to further enhance the skills of key personnel among the production workforce. These included a widespread effort to map the competency of project managers in order to adapt skills development at the individual and team level, a new training course in general project management and the continuation of joint training of project managers for megaprojects in all Nordic countries.

Sustainability training for employees

Sustainability is a high-priority area and, since the launch of sustainability training in 2017, just over 4,500 white collar employees at NCC have completed or started a digital interactive course in sustainability comprising the six components of NCC's sustainability framework.

HOURS OF TRAINING

	2019			2018
	Women	Men	Total	
Hours of training, Sweden				
White-collar employees	16,1	23,1	21,2	34,8
Blue-collar employees	15,2	9,0	9,1	13,7
Hours of training, Nordic region				
White-collar employees	13,4	17,8	16,6	27,5
Blue-collar employees	6,3	6,6	6,6	8,7

Since a large part of the training activities is managed and administered locally in the various countries and projects, these are not reported in the above account.



Social inclusion

GRI 405 Diversity and equal opportunity and GRI 406 Non-discrimination.

NCC endeavors to be a driving force in efforts to achieve an inclusive society. By means of cooperation with other players in society and via increased dialog with citizens, NCC enables the construction of healthy, safe/secure and inclusive environments. This is exemplified by NCC's "Socialt hållbara projekt" (Socially sustainable projects) concept, which defines and clarifies projects in respect of work involving social aspects.

Diversity and equal opportunity

Diversity and equal opportunity are important elements of NCC's efforts to offer an inclusive worksite where employees perform, develop and have job satisfaction. This also constitutes a key issue in terms of satisfying NCC's recruitment and competency needs. The guiding framework for efforts to promote diversity and equality are the Group's Diversity Policy, diversity targets for 2016–2020 (read more on p. 81), NCC's Code of Conduct and NCC Compass.

NCC's Diversity Policy is based on the conviction that diversity contributes to increased business value, and that NCC will become a better business partner for customers if the company reflects the society that NCC is involved in building. The Code of Conduct and NCC Compass clarify how NCC supports and respects international human rights conventions. Equal treatment and providing the same opportunities must apply regardless of gender, transgender identity or expression, sexual orientation, ethnicity, religious beliefs, functional disability or age. NCC does not accept any form of discrimination and acts forcefully when incidents are reported.

Initiative for increased diversity

NCC is pursuing a number of proactive initiatives for increasing diversity and equality, both in the construction industry and in the Group. Through NCC Diversity Councils, good examples regarding diversity are disseminated to bring about a tangible increase in diversity in the Group.

NCC worked systematically on its values during the year. Nearly half of the employees in NCC Infrastructure in Sweden and NCC Building Sweden attended value-based workshops. A total of 100 moderators from the various business areas have been trained in holding these workshops and will thereafter act as ambassadors in core values-related activities, while disseminating and enhancing knowledge of NCC's values, diversity and inclusion within the organization. The initiative will continue in 2020.

NCC's womens network Stella is a driver for more gender-equal norms in the construction industry and is working to promote an increase in female managers. The network also pursued such practical issues as parental salaries, increased flexitime, bans on discriminatory photos at the worksite, workwear for women and succession planning, and also influenced the formation of a Diversity Committee within NCC. The network currently has around 500 members and offers network meetings, lectures and workshops.

In 2019, a pilot project was started in Rinkeby within the framework of NCC's partnership with Fryshuset. This partnership is a feature of NCC's role as a community developer and NCC believes that it can lead to inclusive construction sites, inspire young people to study and promote integration into society.

Starting in 2019, NCC participated in the "Tekniksprånget" (Technology Leap), an internship program whereby Swedish employers and the government jointly invest in ensuring the future supply of competencies to the industry by attracting more young people to tertiary technical programs.

With a focus on dialog and multidisciplinary cooperation in the fields of climate and sustainability, CONCITO, the Center for Building Preservation in Raadvad, Denmark, arranged the NCC Winter Academy for the fifth consecutive year. This event, which is arranged by NCC in cooperation with the Center for Building Preservation, was held in Copenhagen in March and the theme was construction, housing and sustainability. The vision for the NCC Winter Academy is to collaborate with and educate young people through meetings between students and various occupational groups in society.

Important events 2019

- Value-based workshops
- Participation in the Tekniksprånget
- Socially sustainable projects

GENDER DIVERSITY AT NCC

PROPORTION, %	2019		2018	
	Women	Men	Women	Men
Board of Directors	50	50	63	37
Executive Team	25	75	38	62
Management teams	32	68	40	60
Managers	17	83	14	86
Employees	15	85	14	86
White-collar employees	26	74	26	74
Workers	2.4	97.6	2.6	97.4

As of 2019, the number of management teams in the survey has been expanded to include all management teams from the Executive Team to department management or the equivalent.

AGE DIVERSITY AT NCC

PROPORTION, %	2019			2018		
	≤34 years	35–49 years	≥50 years	≤34 years	35–49 years	≥50 years
Board of Directors	0	13	87	0	13	87
Executive Team	0	38	62	0	38	62
Management teams	4	51	45	3	43	54
Managers	9	49	42	10	46	43
Employees	29	34	37	29	34	37
White-collar employees	25	40	35	25	40	35
Workers	32	29	39	34	28	38

Non-discrimination

No confirmed cases of violations of human rights were reported during the year. In NCC's employee satisfaction survey, NCC Pulse, 5 percent (6) responded that they had experienced discrimination due to gender or age, harassment or bullying during 2019, a decrease compared with 2018. NCC has formulated an action plan to counter harassment, discrimination and bullying. The discrimination issue is also being illuminated in conjunction with value-based workshops in management teams and workshops in operating activities. NCC's Ask Me/Tell Me function is available for all types of issues, both external and internal, where events that are perceived as not being compliant with NCC's Code of Conduct can be reported anonymously.

NCC has also developed an e-learning course, Värderingskollen (Values Check), to help employees reflect on how NCC's values can be used in daily work in order to contribute to a work climate where everyone feels a sense of job satisfaction and included.

There are also risks of human rights crimes in NCC's value chain and they could also arise at the purchasing level in risk areas. NCC has a thorough process for supplier assessment in third countries, which includes assessing and ensuring that we do not do business with suppliers who do not respect human rights. No violations were reported during the year. Also refer to the risk section on p. 20.



Materials and Waste

GRI 301 Materials and GRI 306 Effluents and waste.

The construction process is material intensive and considerable resources are required for completing a building or structure. Thus, it is of great importance that resources are used as effectively as possible. NCC's long-term objective is to close the loop by prioritizing sustainable materials and products and minimizing and responsibly managing the waste that arises from the construction process, as well as by means of project engineering and design that facilitates reuse and recycling. The aim for 2016–2020 is to increase the proportion of materials sent for reuse or materials recycling while reducing the total amount of waste. Read more on p. 81.

Traceability throughout the production chain

NCC aims to produce buildings and civil engineering structures that are content-declared and only comprise products that are sound from an environmental and health perspective. Ultimately, the aim is that buildings will increasingly be designed to allow for their input materials to be recycled when the service life of the building expires. In addition to applying the rules and regulations set forth by the EU, such as REACH, NCC uses various tools and databases that provide guidance on how to phase out the most hazardous substances. A crucial link in the transition to sound and recyclable products is to impose appropriate requirements on suppliers and to work with traceability throughout the production chain.

Circular initiatives

The construction waste generated at construction sites represents great potential because it can be used in other projects. By cooperating both cross-functionally within NCC and with suppliers, new ways of reducing construction waste and reintroducing it into production are being developed. For example, NCC has launched a platform, Reused by NCC, which enables projects to share surplus materials with other projects within the Group. NCC Building's increased use of the flooring industry's return systems for installation residue is another example of a contribution to a circular flow. By updating contract templates and information to the departments, awareness is increased and more distinct processes are created. Together with the flooring industry, NCC has also developed a traceability system for flooring residue, which facilitates greater control of return flows for plastics in the industry.

NCC, together with Axfood, H&M, Houdini, IKEA, SSAB, Tarkett and the Swedish Recycling Industries' Association, has launched the Circular Sweden corporate forum. The aim is to move policies and development forward towards more circular material flows. The point of departure is that resource-efficient societal responsibility is an important part of the solution to climate change and that a shift from linear to circular material flows is necessary to maintain welfare levels in the future.

In Denmark, NCC has been active in the "Gentræ" project, an industry-wide innovation project within the framework of "Circular Construction Challenge – Rethink Waste". This project involves the collection of surplus wood from construction sites for resale as recycled wood.

NCC is also continuously improving its recycling capacity in a growing number of asphalt plants, enabling more ecologically adapted operations. In 2019, recycled asphalt granulate accounted for 25 percent (21) of hot asphalt production.

NCC cooperates closely with the Group's waste-management partners in a number of areas to enable the recycling or reuse of materials. Examples include the use of recovered concrete as construction materials in the reinforcing and bearing structure, garden waste that becomes new topsoil, metal scrap that is recycled into new metals, corrugated board that becomes new paper and shrink wrap that is used in the production of new plastic. NCC also contributes to

Important events 2019

- Far-reaching work on the standardization of products
- Increased use of the flooring industry's recycling system for installation residue and development of a traceability system for flooring residue
- Continued increase in rate of sorting and returns of pallets for reuse

WASTE PER TYPE AND DISPOSAL METHOD

	2019		2018	
	total weight, tons	%	total weight, tons	%
Non-hazardous waste				
Sorting (mixed waste)	9,802	19	11,083	21
Energy recycling (combustible waste)	8,894	18	12,112	22
Landfill	2,887	6	3,863	7
Reuse/materials recycling	27,662	55	26,548	49
Special treatment (hazardous waste)	813	2	629	1
Total amount of waste	50,058		54,054	

The data has been collected from NCC's waste-management partners.

As a result of targeted action and commitment within the organization, the amount of construction waste was reduced in 2019, in both absolute terms and in relation to turnover of the construction operations. The total amount of waste decreased by 25 percent compared with 2015 and 7 percent compared with 2018. The amount of waste per SEK 1 M of turnover was reduced from 1.64 tons/SEK M in 2015 to 1.14 tons/SEK M in 2019, or by 31 percent. Work is continuing to reduce the amount of waste and to ensure that the rate of sorting continues to increase during 2020. The statistics cover traditional construction waste. Soil, stone and fill materials, which are directly dependent on the projects' geography, are sorted separately and reused to a large extent and are thus not included in statistics in the table.

research projects in collaboration with other players concerning the recycling of flat glass, concrete, plastics and gypsum and is an active partner in strategic innovation initiatives, such as Smart Built Environment, InfraSweden2030 and Re:Source.

Recycling of construction pallets

Every year, NCC handles large amounts of construction pallets, which are occasionally thrown in containers at construction sites. NCC Building Sweden and NCC Infrastructure have implemented an initiative to increase the proportion of pallets that are resold to the Bygg-pall returnable system, an industry initiative aimed at collecting and recycling construction pallets. The initiative contributes to financial savings through reduced container costs and compensation for returned pallets, while also reducing the amount of waste at construction sites and carbon emissions from the production of new pallets. In 2019, NCC returned just over 41,000 pallets.

STANDARDIZATION THROUGHOUT THE PRODUCTION CHAIN

Increased standardization is a key component of a more sustainable use of materials. A large amount of the work involving articles is currently conducted manually, which often leads to high costs and difficulties in optimizing construction and management from a sustainability viewpoint.

The Swedish construction industry was the first in the world to agree on a joint system for the naming of products in the form of a Global Trade Item Number, GTIN, designed to meet future demands for a digitalized, traceable and sustainable construction process. Each unique product is assigned a GTIN, which can be utilized in a bar code and read by a scanner. This unique identification provides traceability and serves as a platform for an unbroken information flow concerning the construction products from manufacturing and project design to management and demolition.

NCC has also participated in work to devise an open system for describing sustainability information about an article in a standardized and internationally usable format. Available article information facilitates, for example, procurement based on sustainability parameters, reduced waste, increased useful life of buildings, increased reuse and recycling and better measurement and reporting of climate impact.



Climate and Energy

GRI 302 Energy and GRI 305 Emissions.

Since the construction industry emits considerable amounts of greenhouse gas emissions, climate change is a high-priority matter for NCC. By using new technology, for example, emissions from production, operation and maintenance of finished products are being reduced. Accordingly, NCC is able to contribute to lower climate impact throughout the value chain.

Towards fossil neutrality

Increasingly efficient energy consumption, internal process improvements, more resource-efficient products and a transition from fossil fuels to more sustainable energy sources are high on NCC's agenda for reducing the Group's climate impact. These measures also contribute to increased competitiveness and reduced costs for the Group's customers. NCC is also working to influence external players towards improving the industry's sustainability work, such as by supporting advances in procurement and through lifecycle analyses and training. NCC joined Fossil-free Sweden in 2018. This initiative forms a platform for collaboration and dialog among more than 300 players intent on making Sweden independent of fossil fuels. In April 2018, the construction and civil engineering industry submitted a joint roadmap, signed by NCC, to the Swedish government showing how the industry aims to use existing technology to halve its emissions by 2030. Work to follow up the roadmap continued in 2019 and NCC is working internally on an action plan that is expected to be completed in the first half of 2020. In Finland, similar work is under way to formulate a road map, in which NCC is also involved.

Since December 2019, NCC, through involvement in three task forces, has been participating in the Danish government's climate initiative with the aim of delivering a number of recommendations for how the construction sector will reduce its emissions of greenhouse gases to meet the government's target of a 70-percent reduction by 2030.

NCC's asphalt production accounts for approximately 60 percent of the Group's own carbon emissions. A large share of the carbon emissions derives from the combustion of fossil fuels at the 63 stationary plants that produce hot asphalt. By switching to renewable fuels, such as wood pellets or bio-oil, and reducing the moisture level in stone materials and asphalt granulate, the climate impact has been mitigated in recent years. In Sweden, NCC has converted 27 of a total of 32 asphalt plant for the use of biofuel. NCC is also endeavoring to develop more sustainable products, in part by increasing the portion of recycled

Important events 2019

- Leadership level in CDP's climate change program
- New process developed for environmental product declarations
- Service for excavation rubble for reduced climate impact developed together with Volvo Trucks

asphalt in production. Another example of environmental activities is NCC Green Asphalt, hot asphalt produced by a manufacturing method that generates significantly lower carbon emissions than conventional production of hot asphalt. NCC currently has some 60 facilities that can produce NCC Green Asphalt, which corresponds to more than 80 percent of the facilities. The recycling rate for asphalt (reclaimed asphalt pavement or RAP), is 25 percent (21). To reduce the Group's other carbon emissions, NCC's business areas are working on a range of initiatives such as energy-efficiency improvements, an increased mix of renewable fuel in machinery and vehicles, energy-efficient portacabins and a continued transition to green-labeled electricity. In Norway, a considerable focus is on fossil-free worksites, meaning that only fossil-free fuels or electric machinery will be used at worksites. In 2019, six of NCC's worksites in Norway were fossil free.

NCC participates annually in the CDP's climate change program, in which additional details about the Group's energy consumption and emissions are reported. In 2019, NCC was ranked at the leadership level for the second consecutive year, which is higher than the average for the construction sector and for the total of 8,400 companies that responded to the questionnaire.

Definitions

For calculating emissions, conversion from consumption to emissions has been conducted in accordance with the Greenhouse Gas Protocol. The market-based calculation method is used to measure greenhouse gas emissions from electricity and heating. NCC does not use climate

ELECTRICITY USE IN THE ORGANIZATION

MWh	2019	Change compared with base year 2015, %	2018	2017	2016
Electricity from renewable sources ¹⁾	157,204	54	152,259	118,754	108,927
Other electricity	13,535	-90	18,559	55,259	102,861
Electricity, total	170,736	-27	170,817	174,013	211,787

¹⁾ Hydroelectric and wind power.

A key aspect of work toward achieving the target of halving greenhouse gas emissions by 2020 is improved energy efficiency, and replacing fossil-based energy with energy from renewable sources. In 2019, 92 percent of all electricity purchased by NCC was either eco-labeled as "Bra Miljöval" (good environmental choice) or origin-labeled using guarantees of origin. The amount of fossil-based electricity has been reduced by 90 percent since 2015.

DISTRICT HEATING/DISTRICT COOLING USE WITHIN THE ORGANIZATION

MWh	2019	Change compared with base year 2015, %	2018	2017	2016
District cooling	598	187	624	22	1,286
District heating	42,508	-14	29,156	29,207	48,933
District heating/district cooling, total	43,106	-13	29,780	29,229	50,219

The need for district heating and district cooling varies from year to year. The amount of district heating and district cooling that is purchased depends to a large extent on the projects that were under way during the year, their placement and the phase at which they found themselves.

compensation. Information on purchases of fuels, electricity and heating/cooling energy is collected from NCC's suppliers. The Credit360 support system is used to compile the statistics.

Measurement of carbon emissions in three scopes

NCC measures its operations' carbon emissions in scope 1 and 2, with scope 1 referring to emissions related to the use of fuel in asphalt plants and from own vehicles and machinery, while scope 2 refers to emissions related to the production of the electricity, district heating and district cooling used by the operations. Scope 3 refers to indirect emissions from purchased material and external services, travel, subcontractors' vehicles and machinery, transportation, demolition of the Group's products and waste. In many industries, the largest emissions are in scope 3, which is why it is important to also measure and set targets for these. In construction and civil engineering, considerable indirect emissions derive from key input materials, such as concrete, steel and transportation. NCC has started to map these emissions and will gradually take relevant actions to reduce its climate footprint in scope 3. In 2019, for example, NCC implemented a new system for more efficient collection and measurement of carbon emissions in order to increase its understanding of the climate impact of various choices of materials. The intention is for suppliers to be able to report their data directly in the system in the future and to thus more clearly illuminate scope 3.

Climate impact of concrete

NCC Infrastructure, together with data from suppliers, has calculated the climate impact of concrete and computed statistics on the use of concrete for 2017 and 2018. The business area has set the target of reducing its climate impact by 10 percent by 2020 compared with 2018, in part through employee training, to thereby create conditions for more sustainable choices of concrete.

TCFD

NCC supports the recommendations that the TCFD (Task Force on Climate-related Financial Disclosures) has formulated concerning reporting of climate-related information. By working with climate-related risks, knowledge is enhanced and thus also opportunities to make well-founded decisions, develop new products and services, manage forthcoming regulations and become more competitive.

USE OF FUEL WITHIN THE ORGANIZATION

MWh	2019	Change compared with base year 2015, %	2018	2017	2016
Renewable fuels	137,273	31	111,879	114,206	87,893
Fossil fuels	854,982	-17	889,356	951,544	906,966
Fuels, total	992,255	-13	1,001,234	1,065,750	994,859

NCC continues to reduce its use of fossil fuels. Since 2015, their use has been reduced by 17 percent, due largely to the continued conversion to biofuels in the Swedish asphalt plants.

GREENHOUSE GAS EMISSIONS FROM NCC'S OPERATIONS

MARKET-BASED	2019	Change compared with base year 2015, %	2018	2017	2016
Greenhouse gas emissions ¹⁾ CO ₂ e (tons, 000)	216	-31	227	260	267
- of which, scope 1 ²⁾	209	-18	217	234	223
- of which, scope 2 ³⁾	7	-88	10	26	44
Net sales, SEK M	58,234	10	57,346	54,608	52,934
CO ₂ e (ton)/SEK M	3.7	-37	4.0	4.8	5.0

¹⁾ Greenhouse gases N₂O, CH₄ and CO₂ are included in the calculations.

²⁾ Refers to direct emissions from NCC's operations, of which -0.6 (tons 000) derived from the combustion of biomass (2019).

³⁾ Refers to indirect emissions from electricity and heat.

Carbon emissions, related both to purchased fuels and to electricity, district heating and district cooling, have declined since the base year 2015. This was because of energy-efficiency improvements, an increased use of renewable fuels and a transition to electricity from renewable sources. Relative to sales, NCC's greenhouse gas emissions from own operations have been reduced by 37 percent since 2015.

Risks and opportunities

Climate change is expected to affect both societies and people, and can be linked to both risks and opportunities for NCC. The Group manages this through risk assessments, climate adaptation of operations and targeted efforts to reduce NCC's climate impact. Demand for new business models is also growing, as customers become aware of the opportunities that, for example, digitization and sharing services can generate.

Sustainable products and services

As awareness of climate change increases, as well as the changes this entails in cities and societies, the customers' requirements and demand for NCC's offering could change and this could benefit more sustainable products and services. Through strategic sustainability and product development work, the Group ensures that its offerings match the requirements of customers. Products developed by NCC include NCC Dränstabil – a stone-material product that prevents flooding by ensuring that water quickly and readily penetrates the soil. NCC is also working on site- and project-adapted solutions for outdoor environments, whereby development and construction are combined with retained diversity of natural services, such as temperature regulation, noise abatement, surface water management, esthetics and opportunities for recreation. Furthermore, NCC is reviewing its production processes and working to enhance the efficiency of these so as to gradually reduce the negative environmental impact.

NEW SERVICE FOR EXCAVATION RUBBLE FOR REDUCED CLIMATE IMPACT

NCC and Volvo Trucks have jointly developed a digital service to increase the efficiency of loading and removal of excavation rubble. By having diggers and trucks that remove clay, earth and stone connected to a digital weighbridge, the load capacity of the vehicles can be optimized for each transport. During the year, the service was tested at NCC's construction site for the Centralen subproject of the West Link and calculations indicate that the number of truck journeys can be reduced by up to 8,000, corresponding to a 1,000-ton reduction in carbon emissions during the course of the eight-year project.

Internal processes

NCC depends on a large quantity of raw materials, fuel and other resources to conduct its operations. Changes in supply, price and availability of these products due to climate change, and future taxation of fuel, energy or carbon dioxide could affect NCC's cost base. To minimize the impact, NCC endeavors to achieve a long-term reduction of its climate impact, phase out fossil fuels and move towards a more circular use of raw materials. Climate change, such as extreme weather and flooding, could also lead to changed construction processes and changed conditions for conducting construction and civil engineering operations. The risk of flooding, erosion and earthquakes could negatively impact the safety of employees, as well as the storage of materials at construction sites. NCC manages this risk by performing risk assessments of all projects.

Environmental product declarations and LCAS

An environmental product declaration (EPD) describes the environmental impact of a product or service and helps customers make more informed product choices. NCC has developed a process for making its own EPDs for stone and asphalt products from the NCC Industry

business area. The process was certified by Bureau Veritas in November 2019. With knowledge of a product's environmental performance, NCC can conduct systematic work to reduce the product's carbon footprint. NCC used life cycle analyses, LCAs, to formulate EPDs. Using LCA calculations, NCC is able to make simulations and then implement changes in production that reduce the environmental impact. In Finland for the past ten years, NCC has been using an inhouse-developed calculation tool to calculate the carbon footprint.

EPDs are an important step in NCC's endeavors to increase transparency and also enable NCC to deliver requested scope 3 information to its customers, which few suppliers in the industry can do today.

External expectations for climate calculations

External suppliers, such as the Swedish Transport Administration, require climate calculations for all projects with a value exceeding SEK 50 M. This means that as early as in the tendering phase, NCC analyzes and offers various alternatives for meeting the targets set for the project. The more stringent requirements thus affect the work tools used in operations at the tendering phase, and these adaptations are currently a work in progress.



Compliance

GRI 205 Anti-corruption, GRI 206 Anti-competitive behavior, GRI 305 Supplier environmental assessment and GRI 414 Supplier social assessment.

NCC will always be a trustworthy partner acting with high ethical standards and transparency. The Group's Code of Conduct is an important feature of the compliance agenda, both as an internal compass for describing how the Group should act and as external communication to clarify NCC's expectations of its suppliers and business partners. The Code of Conduct constitutes a component of NCC's agreements with suppliers. Other stakeholders are informed about the Code of Conduct through NCC's website, contracts and agreements. NCC works continuously to ensure compliance with its Code of Conduct in all of the Group's partnerships, and to ensure that no violations occur, for example, in connection with competitive situations and in terms of business ethics. NCC is a member of Transparency International Suppliers Forum Sweden, complies with the Code of Business Conduct issued by the Swedish Anti-Corruption Institute and has a policy and guidelines for its anti-corruption efforts. NCC also cooperates with industry colleagues to promote healthy business practices. In cooperation with most other industry players in Sweden, a joint policy has been formulated: "Agreement on counteracting bribery and corruption." NCC also participated in the formation of a Swedish Ethical Trading Initiative (ETI), a joint initiative to promote good labor conditions in producing countries.

Following an analysis based on the risk of noncompliance with NCC's Code of Conduct, three areas have been identified as being of particular importance to NCC: bribery and corruption, competition law and conflicts of interest. During the year, NCC dealt with seven cases of suspected corruption involving, inter alia, breach of trust, fraud and embezzlement. Six cases of conflicts of interest involving transactions with own companies, organizations and related parties that contravened NCC's rules were also dealt with during the year.

Sustainable purchasing

Developing sustainable and competitive purchasing is a key issue for NCC. The Group's Code of Conduct is the foundation for purchasing work and NCC works systematically to minimize risks and increase control. In 2019, NCC implemented a Code of Conduct for suppliers. Read more under Sustainability governance on p. 82.

NCC has business relationships with several thousand suppliers through its purchases of everything from building materials and subcontractors to travel and office supplies. By far the majority of NCC's suppliers are Nordic, but NCC also has suppliers in other regions such as Poland, the Baltic countries and China. The supplier base consists of

Important events 2019

- Code of Conduct for suppliers implemented
- Participation in the formulation of a Swedish Ethical Trading Initiative (ETI)

framework agreement suppliers, international suppliers and Nordic project sourcing suppliers. Work on reducing the number of suppliers is under way and includes increasing the proportion of purchases under framework agreements. The aim is to reduce NCC's purchasing costs and to facilitate increased control. To be able to manage NCC's staffing requirements during work peaks, NCC has developed its own staffing company, Safida Montage. Safida Montage has been tasked with securing NCC's capacity and competence supply of skilled workers and to transparently show that the right wages and terms and conditions are provided. This initiative minimizes NCC's risks and simultaneously strengthens control and healthy competitiveness in the industry.

NCC works continuously on developing the quality of follow-up in relation to the Group's suppliers. According to NCC's purchasing processes, an assessment of a new supplier must be conducted before any cooperation commences. The scope of this assessment varies depending on the type of supplier. However, NCC still has no quantitative data to report on the follow-up of supplier assessments (in terms of the entire Group). To assess, monitor and develop non-Nordic suppliers, NCC focuses specifically on audits of social responsibility, quality, environment and work environment. To ensure compliance with NCC's requirements and advances in these areas, NCC applies a one-to-three-year supplier-assessment and supplier-performance audit cycle. Noncompliances that are noted during the supplier assessment and that is not corrected according to the action plan could lead to termination of cooperation with the supplier. For suppliers in high-risk countries (according to Amfori BSCI's definition), audits performed by internal staff are combined with third-party audits performed with the help of external experts.



Portfolio performance

GRI G4 Construction and Real Estate Sector Supplement: Marketing and labeling.

The Group's product portfolio includes a wide range of sustainable products, concepts and services that add value for NCC's stakeholders and also help the Group achieve its long-term sustainability targets and strengthen its competitiveness and ability to generate long-term profitable growth.

Sustainability-certified projects

NCC offers its customers all the types of environmental certifications that are available to both buildings and civil-engineering structures. Nordic Swan Ecolabel, Miljöbyggnad, CEEQUAL, BREEAM, LEED, DGNB and Citylab are used for housing and infrastructure projects, as well as whole city districts. BREEAM and DGNB are used for the projects that NCC develops itself.

NCC has also developed its own certification system, named "Sustainable Sites", to create a shared platform upon which to base the sustainability work at all NCC worksites, regardless of country or type of operation. The tool is mandatory for all projects in NCC Building Sweden with a project value exceeding SEK 50 M and in NCC Infrastructure Sweden for projects with a project value exceeding SEK 100 M.

Sustainable solution and worksites

NCC contributes to favorable social and urban development by providing sustainable solutions. In 2019, NCC Industry worked on developing its portfolio of sustainable products, services and methods and collected them in three concepts under the joint heading of "Smart choices for a better world":

- **Green concepts** – Solutions for reducing environmental impact in a lifecycle perspective. Examples of products include NCC Green Asphalt and NCC Machine Sand.
- **Climate resilience concept** – Solutions for managing negative effects of climate change, such as heavy precipitation and high water flows. Examples of products include NCC Armour Stone and NCC DrænStabil.
- **Considerate concept** – Solutions for increasing wellbeing during work and leisure time, such as for noise reduction and security solutions. This is exemplified by NCC ViacoQuiet.

NCC Kiolo, a method for creating and retaining biodiversity in NCC's quarries, is an example of a method that supports smart choices for a better world.

Important events 2019

- Smart choices for a better world – concept for sustainable products, services and methods
- Issuance of green bonds with a value of SEK 1.6 billion

Green corporate bonds for green projects

For the first time ever, NCC issued green bonds of SEK 1.6 billion in 2019 that were listed on Nasdaq Stockholm. Furthermore, NCC refinanced SEK 100 M on the basis of a green private placement. The intention is to finance investments in sustainable property development projects, conversion to renewable energy sources in asphalt production, reuse at construction sites and other green investments.

The green framework for the bonds has been verified by the Center for International Climate and Environmental Research (CICERO), an independent research center connected to the University of Oslo. The framework is classified as Medium Green, the second highest level in CICERO's ratings, and the governance structure is Excellent, which is the highest rating.

TRENCHLESS PIPELINE UPGRADES YIELD ENVIRONMENTAL GAINS

Excavation in connection with pipeline installation results in a considerable strain on the environment. The widespread use of transportation and machinery entails considerable energy consumption and carbon emissions. The method also entails the use, processing and production of such finite resources as gravel, stone materials and asphalt products and has an adverse environmental footprint.

NoDig is an NCC service for sustainable upgrading of pipelines that minimizes the need of excavation. Instead of digging up water and sewage lines and replacing them, existing lines are upgraded in a climate-smart manner by only excavating at two ends of the line. The service is cost effective and results in less disruption of the street environment, shortens the project period, requires significantly less resources and considerably reduces the climate footprint.

SUSTAINABILITY-CERTIFIED BUILDINGS

CERTIFICATION SYSTEMS	NORDIC SWAN ECOLABEL	BREEAM		LEED		DGNB		MILJÖBYGGNAD	
	Number	Grade	Number	Grade	Number	Grade	Number	Grade	Number
NCC		Pass		Bronze		Bronze		Bronze	
		Good		Silver		Silver		Silver	9
		Very Good	5	Gold	4	Gold		Gold	3
		Excellent	4	Platinum		Platinum			
	3	Outstanding							
Total 2019 (2018)	3 (15)		9 (3)		4 (0)		0 (2)		12 (48)

That buildings are constructed to satisfy ambitious certification requirements has become a matter of course in many construction projects; however, it is not equally self-evident that the building will be actually certified. As of 2019, preliminary certifications are not included in the table; only certifications implemented during the year.

Stakeholder dialog and materiality analysis

NCC uses analyses of strategic issues, driving forces in society and the results of stakeholder dialogs to define the most significant sustainability issues. The method for defining these significant issues follows the GRI guidelines and comprises identification, prioritization and validation. The participants in stakeholder dialogs are selected by the various business areas on the basis of relevance; for example, if they are affected by the Group's work.

In 2016, a web-based stakeholder survey was conducted to solidify NCC's sustainability framework and enable stakeholders to provide feedback on NCC's significant issues. More than 2,800 stakeholders from Sweden, Norway, Denmark and Finland participated in the survey, jointly representing employees, suppliers, customers, investors and students. The results of the survey reflected considerable commitment to NCC's sustainability work and shared views about the focus areas defined in the sustainability framework. The questions that were highlighted by the stakeholders were healthy and safe workplaces, sound business practices and no corruption, no discrimination at NCC's workplaces, healthy buildings and designs and choices of materials based on health-related and environmental criteria.

Other types of dialog are also implemented regularly, for example, in the form of a quarterly customer survey (Net Promoter Score) and an employee survey (NCC Pulse). NCC also measures the Group's

reputation among decision-makers, interest organizations and the general public.

Regular checks will continue to be carried out with NCC's stakeholders to ensure that NCC's priorities are relevant for the market, society and NCC.

NCC's material aspects

On the basis of NCC's sustainability framework, the Group has identified 14 material aspects according to the GRI Standards. The material aspects pervade every link of the value chain, and their significant impact on the value chain is presented in the table below.

MATERIAL TOPICS AND BOUNDARIES

	Significant impact		
	of suppliers	of NCC's operations	of customers
ECONOMIC IMPACT			
Economic performance		●	
Anti-corruption	●	●	
Anti-competitive behavior	●	●	
ENVIRONMENTAL IMPACT			
Material		●	●
Energy		●	●
Emissions		●	
Waste/effluents ¹⁾		●	
Supplier assessment	●	●	
SOCIAL IMPACT			
Health and Safety		●	
Training		●	
Diversity/equality		●	
Supplier assessment	●	●	
Non-discrimination		●	
Product and service labeling		●	●

ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK M	2019	2018
Economic value generated		
Customers	58,262	57,400
Economic value distributed		
Suppliers	-44,673	-45,366
Employees	-9,392	-9,828
Lenders	-112	-85
State (expensed tax and social security fees)	-3,211	-2,869
Shareholders	-540 ¹⁾	-432 ¹⁾
Economic value retained	334	-1,180

¹⁾ Proposed dividend.

¹⁾ Limited to NCC's building and construction operations.

ABOUT THIS REPORT

The company reports its sustainability work annually as part of the NCC Annual Report. Since 2010, the guidelines of the Global Reporting Initiatives (GRI) for the reporting of sustainability information have been applied. The Sustainability Report, which pertains to the 2019 fiscal year, has been prepared according to GRI Standards Core and also constitutes NCC's Communication on Progress under the UN Global Compact.

More detailed sustainability information and performance indicators are presented on pp. 78–91. For the GRI index, refer to the following pages. The report has not been examined by a third party. The Report on the 2019 fiscal year was published on March 9, 2020. Unless otherwise stated, all the information pertains to the entire NCC Group.

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STATUTORY SUSTAINABILITY REPORT

This statutory Sustainability Report has been issued by the Board of Directors of NCC AB but is not part of the formal Annual Report documentation. The Sustainability Report in accordance with the Annual Accounts Act is included in the Annual Report on the following pages: pp. 1–11, pp. 20–22 and pp. 78–91.

NCC's business model and sustainability framework are presented on pp. 78–79, environment on pp. 80–81 and 86–89, social conditions on pp. 80–81, 85 and 89, personnel on pp. 80–81 and 83–85, human rights on pp. 80–82, 85 and 89 and anticorruption on pp. 80–82 and 89. Risk descriptions are presented on pp. 20–22.

Unless otherwise stated, the information pertains to the entire NCC Group, including subsidiaries.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in NCC AB, corporate identity number 556034-5174

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 on the pages set out in the left hand box and for that it has been prepared in accordance with the Annual Accounts Act.

Scope of examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 6 March 2020
PricewaterhouseCoopers AB

Ann-Christine Häggglund
Authorized Public Accountant
Auditor-in-charge

Erik Bergh
Authorized Public Accountant

GRI index

GRI standard	Disclosure	UN Global Compact Principles	Page reference	Omissions
GRI 101: Foundation 2016				
GRI 102: General Disclosures 2016				
Organizational profile				
	102-1	Name of the organization	12	
	102-2	Activities, brands, products and services	6–7, 12, 15–17	
	102-3	Location of headquarters	12	
	102-4	Location of operations	6–7	
	102-5	Ownership and legal form	19, 94	
	102-6	Markets served	6–7, 13–15	
	102-7	Scale of the organization	1, 6–7, 13–15, 22–23, 83	
	102-8	Information on employees and other workers	83	
	102-9	Supply chain	89–91	
	102-10	Significant changes to the organization and its supply chain	22	
	102-11	Precautionary Principle or approach	7	82
	102-12	External initiatives		82, 86–89
	102-13	Membership of organizations		82, 85–89
Strategy				
	102-14	Statement from senior decision-maker		2–5
	102-15	Key impacts, risks and opportunities		20–21, 78
Ethics and integrity				
	102-16	Values, principles, standards and norms of behavior	1–10	11, 78–79, 82, 89–91
Governance				
	102-18	Governance structure		82, 94–95
Stakeholder engagement				
	102-40	List of stakeholder groups		91
	102-41	Collective bargaining agreements	3	83
	102-42	Identifying and selecting stakeholders		91
	102-43	Approach to stakeholder engagement		91
	102-44	Key topics and concerns raised		91
Reporting practice				
	102-45	Entities included in the consolidated financial statements		45
	102-46	Defining report content and topic Boundaries		91
	102-47	List of material topics		91
	102-48	Restatements of information		No restatements.
	102-49	Changes in reporting		No changes.
	102-50	Reporting period		12, 91
	102-51	Date of most recent report		91
	102-52	Reporting cycle		91
	102-53	Contact point for questions regarding the report		91
	102-54	Claims of reporting in accordance with the GRI Standards		91
	102-55	GRI content index		92–93
	102-56	External assurance		91
GRI 200: Economic standards				
Economic performance				
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–81, 91
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed		91
	201-2	Financial implications and other risks and opportunities due to climate change		88–89
	201-3			18, 41–44
		Anti-corruption	10	
GRI 103: Management Approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 91
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption		89
	205-2	Communication and training about anti-corruption policies and procedures		82, 89
	205-3	Confirmed incidents of corruption and actions taken		82, 89
		Anti-competitive behavior	10	
GRI 103: Management approach 2016	103-1–3	Explanation of the material topic, its Boundary and management approach		78–82, 91
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		55

GRI standard	Disclosure	UN Global Compact Principles	Page reference	Omissions
GRI 300: Environmental standards				
Material		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 82, 86-87, 91	
GRI 301: Materials	301-2	Recycled input materials used	86	Material in NCC's industrial operations.
Energy		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 87-89, 91	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	87-89	
	302-4	Reduction of energy consumption	87-89	
Emissions		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 87-89, 91	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	87-89	
	305-2	Energy indirect (Scope 2) GHG emissions	87-89	
	305-4	GHG emissions intensity	81, 87-89	
	305-5	Reduction in GHG emissions	81, 87-89	
Waste and effluents		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 87-89, 91	
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method	86-87	
Supplier environmental assessment		7, 8, 9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-82, 89, 91	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	89	Quantitative data is not available due to limitations in the data collection. Actions have been taken to improve the possibilities of reporting on this disclosure in the future.
GRI 400: Social standards				
Occupational health and safety				
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 83-84, 91	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	83-84	Data on sickness absence and lost day rate for subcontractors, as well as data per gender, is not available due to limitations in the data collection
	403-3	Workers with high incidence or high risk of diseases related to their occupation	83-84	
Training		1-10		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 83-84, 91	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	84	Only reported on Group level and for Sweden due to limitations in the data collection.
Diversity and equal opportunity		6		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-82, 85, 91	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	85	Age breakdown is reported in accordance with the categories in NCC's diversity objectives.
Non-discrimination		6		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-82, 85, 91	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	85	
Supplier social assessment		1-6, 10		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-82, 89, 91	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	89	Quantitative data is not available due to limitations in the data collection. Actions have been taken to improve the possibilities of reporting on this disclosure in the future.
Marketing and labeling		9		
GRI 103: Management Approach 2016	103-1-3	Explanation of the material topic, its Boundary and management approach	78-81, 90, 91	
GRI G4: Construction and Real Estate Sector Supplement	CRE8	Type and number of sustainability certifications, rating and labeling schemes for new construction, management, occupation and redevelopment	90	