

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

Background and reasons

The Board has evaluated the application of the guidelines for determining salary and other remuneration of the CEO and other members of the company's Senior Management Team (SMT), as resolved by the 2018 AGM, and the applicable remuneration structures and remuneration levels in the company.

As a result of the evaluation of the total remuneration package for the company's SMT, the Board proposes that the long-term performance-based incentive program be repeated for 2019 and, accordingly, that the short-term variable remuneration be reduced by 10 percentage points from the basic level. The motion concerning a long-term performance-based incentive program is addressed separately under Item 18 on the AGM agenda.

The guidelines encompass the SMT, including the CEO, currently totaling 12 people.

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

1. Fixed remuneration

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

2. Short-term variable remuneration

The short-term variable remuneration must be maximized and related to the fixed salary, as well as being based on the outcome in relation to established targets, with financial targets accounting for by far the greatest proportion. The reason for paying variable remuneration is to motivate and reward value-generating activities that support achievement of NCC's long-term operational and financial objectives.

Assuming that the long-term performance-based incentive program is adopted by the 2019 AGM, the short-term variable remuneration payable to the CEO will be capped at 65 percent of fixed salary. For other members of the SMT, it will be capped at between 30 and 40 percent of fixed salary. The variable short-term remuneration is to be revised annually. It is estimated that the company's undertakings for the variable short-term

incentive programs in relation to the executives concerned will cost the company a maximum of SEK 24 M, including social security fees.

Should the AGM resolve not to adopt a long-term performance-based incentive program, the variable remuneration payable to the CEO will be capped at 75 percent of fixed salary and that for other members of the SMT will be capped at between 40 and 50 percent of fixed salary, which is estimated to correspond to a cost of about SEK 29 M, including social security fees, at the maximum outcome.

3. Pensions and other benefits

NCC is endeavoring to move gradually towards defined-contribution solutions, which entail that NCC pays contributions that represent a specific percentage of the employee's salary. The CEO has a defined-contribution pension with a premium pledge of 40 percent of contractual fixed salary. Members of the SMT who are active in Sweden and have an employment contract according to Swedish law are entitled, in addition to the ITP plan (the collectively bargained pension for white collar workers), to receive a defined-contribution supplementary pension of 30 percent for pensionable salary increments exceeding 30 income base amounts. The definition of pensionable salary complies with ITP Department 2. The income base amount for 2019 is SEK 64,400. Members of the SMT who have an employment contract according to the terms and conditions of another country are covered by pension solutions in accordance with local practices.

NCC is endeavoring to achieve a harmonization of the retirement age of members of the SMT at 65 years.

Other benefits

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

Periods of notice and severance pay

A member of the SMT whose employment is terminated on the initiative of NCC is normally entitled to a 6-month period of notice combined with severance pay corresponding 12 months of fixed salary. During the said 12 months, the severance pay is deductible from remuneration received from a new employer. Some employment contracts signed in 2018 or earlier have a 12-month period of notice.

The period of notice is normally six months if employment is terminated on the initiative of the employee.

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

4. Long-term performance-based incentive program

The Board proposes that the AGM resolve to introduce a long-term performance-based incentive program for members of the SMT, and for other senior executives and key personnel within the NCC Group (LTI 2019). The proposal essentially matches the long-term performance-based incentive programs adopted by the AGM in April 2018. A total of 174 employees are included in LTI 2018. The Board is of the opinion that incentive programs of this type benefit the company's long-term development. The purpose of LTI programs is to ensure a focus on the company's long-term profitability and to minimize the number of occupational accidents. It is proposed that LTI 2019 encompass a total of approximately 180 participants within the NCC Group. More detailed information on the long-term incentive program is presented on www.ncc.se.