

Our core is construction



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Every generation has a responsibility to maintain and develop its shared social infrastructure in order to create opportunities today and for the future. Construction, maintenance and development projects are initiated by our customers or by NCC. NCC's purpose is to utilize our expertise and competencies as the basis for taking the customer through the construction process in order to create a positive end result for all stakeholders.

NCC is a knowledge-based company whose core is the ability to manage the complexity of a construction process. Our operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production.

We need to be experts in the various aspects of the process, but we must also have the ability to get them to work together. NCC is currently pursuing development initiatives in the areas of skills development, digitization and an increased utilization of expertise and data from all parts of the company.



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About the report

NCC's Annual Report on 2021 is submitted by the Board and the President and CEO of NCC AB (publ). The statutory annual accounts are presented on pp. 12–67 and have been audited by NCC's external auditor. The Sustainability Report is presented on pp. 2–3, 8–11, 23–25 and 78–103 and has been prepared in accordance with Chapter 6 of the Swedish Annual Accounts Act. NCC reports according to GRI Standards, Core level.

ESEF report

NCC has prepared the Annual Report in a format that enables uniform electronic reporting according to 16 Chapter, Section 4 a of the Swedish Securities Market Act (2007:528)

Cover photo: Granåsen winter sport facility

The project consists of extensions, improvements and new construction close to both ski jumping hills, a new shooting range, a new ski bridge, a new judge tower, new grandstands, a new arena with a shooting range integrated with the grandstand, a new chairlift, and earth and groundworks in connection to the slopes and access roads. The entire winter sport facility is scheduled for completion by summer 2023.

The project has ambitious environmental targets, and the aim is to certify it in accordance with CEEQUAL, an international sustainability rating system for infrastructure projects.

Building for the future

NCC is one of the leading construction companies in the Nordics. Based on its expertise in managing complex construction processes, NCC facilitates construction that generates favorable results for the customers and has a positive impact on society in general. Operations include commercial property development, building and infrastructure project contracting, and asphalt and stone materials production. In 2021, NCC had sales of SEK 53 billion, and 13,000 employees.

Construction and civil engineering

NCC Infrastructure

Builds, renovates and maintains infrastructure for travel, transportation, energy and water treatment, as well as facilities for basic industry, in Sweden, Norway and Denmark. With expertise encompassing the entire chain from counseling in early stages, project planning and design to production and maintenance, we realize, together with our customers, projects with a favorable impact on society.

NCC Building Sweden

Builds and renovates sustainable residential buildings, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Sweden. With advanced skills in sustainability, digitalization and partnering, NCC Building Sweden develops projects jointly with customers from the early stages.

NCC Building Nordics

Builds and renovates sustainable residential buildings, offices, healthcare buildings, schools, sports facilities and public buildings for public and private customers in Denmark, Finland and Norway. With advanced skills in sustainability, digitalization and partnering, NCC Building Nordics develops projects jointly with customers from the early stages.

Industry

NCC Industry

Develops, produces and sells sustainable stone materials and asphalt products for construction and infrastructure projects in Sweden, Norway, Denmark and Finland. The operations form a natural supply chain that is also well integrated into NCC's construction and civil engineering operations.

Development

NCC Property Development

Develops, lets and sells properties, with the focus on office properties. With extensive expertise encompassing the entire chain from conceptualization of individual projects to the development of city districts, and with a major focus on sustainability and cooperation, flexible and customized property solutions are created in growth markets in the Nordic region.

55,786

Orders received (SEK M)

53,414

Net sales (SEK M)

1,825

Operating profit (SEK M)

Våghuset, Gothenburg

Financial targets and outcome

Earnings per share

≥SEK 16 in earnings per share in 2023

Outcome 2021

SEK 14

Corporate net debt¹⁾

<2.5 x EBITDA

Outcome 2021

–0.3 x EBITDA

Dividend policy

≥40 percent of after-tax profit is to be distributed to shareholders

Outcome 2021

43 percent²⁾

1) Net debt excludes pension debt and lease liability.

2) The Board of Directors has proposed a dividend of SEK 6 per share for 2021.

Sustainability targets and outcome

Health and Safety

LTIF4

Target for 2022: 3.0

Work-related accidents resulting in more than four calendar days of absence per million working hours

Outcome 2021

3.7

Climate and energy

NCC will be climate neutral by 2045

Scope 1 & 2

60-percent reduction in CO₂e¹⁾ (Scope 1 and 2) by 2030 (base year 2015), measured as tons of CO₂e/SEK M

Outcome 2021

Emission intensity amounted to 3.5 CO₂e tons/SEK M, corresponding to a reduction of 41 percent compared with 2015

Scope 3

50-percent reduction in CO₂e (Scope 3) by 2030 (base year 2015), from concrete, steel, asphalt and transportation²⁾, measured as kilograms of CO₂e /purchased volume

Outcome 2021

See page 94.

1) Carbon dioxide equivalents, i.e. GHG emissions expressed as the equivalent amount of carbon dioxide.

2) Emissions from transports were not reported for 2021. Initially, emissions from ready-mixed concrete, steel reinforcement and internally purchased asphalt are reported.

Our **size** is our strength

2021 was confirmation that our change process has generated results and we enter 2022 in stronger shape with improved profitability and higher operating profit. Efforts according to our strategic plan for a stable and sustainable profitability improvement had a favorable impact. We have added to our position as a broad Nordic company with a local presence, where we leverage our collective knowledge and expertise, have data-informed work methods and behaviors that drive change.



“We aim to be the best employer in the industry for all who are attracted by the complexity of a construction process.”

Tomas Carlsson
President and CEO

NCC continues to develop in a positive direction. Our determined and systematic work for a stable and sustainable profitability improvement has paid off. Our customers also value the fact that we work closely with them in our projects, in order to achieve the best possible end result.

We divested a number of units that had been unprofitable or were not a good strategic fit. We are keeping a stable course through better cost management, controls and clearer processes.

The turnaround has occurred in all business areas apart from Industry, despite the fact that the year involved challenges, not least due to the pandemic. We are now well positioned for continued improvement.

Net profit for the year

In 2021, the Group's operating profit improved 34 percent to SEK 1,825 M and the operating margin was 3.4 percent. The contracting operations developed well. Operating profit and operating margins improved in Infrastructure, Building Sweden and Building Nordics.

In the Industry business area, we sold the Finnish asphalt operations at the end of the year, and we took additional actions in the asphalt operations to improve profitability. Stone materials operations had a stable development with favorable earnings.

We continued to invest in the activities of our Property Development business area and we see a keen interest in our office projects in the letting market and among investors.

Orders received were favorable and we had a healthy order backlog for contracting operations in all business areas. NCC had a strong cash flow throughout the year and we have a solid financial position. Earnings per share amounted to SEK 14.02, well on the way to the target of increasing earnings per share to at least SEK 16 by 2023. We are focusing intently on the profit margins of contracting operations, on profit margins and the return on capital employed for the industrial business, and on the return on capital employed for the property development business.

Strategy implementation

NCC's core competency is to manage the complexity of the construction process to achieve a positive end result for all stakeholders. This is the point of departure for the Group's strategic focus and our Group-wide operating model.

Our work is based on a number of strategic initiatives that enable us to gain strength from being a large Nordic company with a breadth of operating areas. We combine the competencies, experience and expertise of a major company with local presence and decision-making power.

Knowledge-based company with a strong position

Our well-established position is based on having employees with solid competencies, wide-ranging experience and strong technological know-how.

Since the complexity of construction projects is increasing, greater demands are being placed on proactivity, leadership, cooperative ability and customer understanding.

Our ambition is to have the most knowledgeable and experienced employees in the industry, and we continuously develop our employees to ensure that they have relevant expertise. Our strategic initiatives specifically include skills enhancement through training in, for example, project management and leadership, but also through knowledge sharing in networks, manager involvement and mentorship.

We conducted comprehensive work to raise the employees' competencies. In addition to regular training programs, the focus was on leadership development, with around 250 employees participating in NCC Academy's manager-training programs in 2021.

Data-informed work methods

Knowledge sharing within and between teams, projects and business areas is a key factor in benefiting from being a large company. Greater digitization of processes facilitates knowledge sharing and the ability to take data-informed decisions, which adds value, increases productivity and improves our competitiveness.

Shared values and behaviors

To continue implementing the change we want to attain, high employee engagement is also essential, as are shared core values and a shared culture. The corporate culture is based on shared values and behaviors, and is also a cornerstone in NCC's strategic focus.

During 2021, we worked on implementing our Star behaviors among employees. About three quarters of the employees participated in workshops and we integrated the Star behaviors into our HR processes, which will contribute to driving improvements and changes.

Attractive employer

NCC is a large employer in the Nordic markets where we operate. We create employment both for our own employees and for a large number of employees of our subcontractors. We aim to be the best employer in the industry for all who are attracted by the complexity of a construction process.

Successful competency supply is another precondition for succeeding in our strategic plan.

Create value through sustainability

NCC supports the UN's Global Compact and its ten principles, which are integrated into our business strategy, culture and daily operations. We also work to make a positive contribution to and reduce the negative impact on the Sustainable Development Goals (SDGs). This is supported by our sustainability strategy and our sustainability work, and we prioritize the measures that make the greatest difference.

Strong safety culture

Health and safety has the highest priority at NCC. We conduct structured work to eliminate accidents, and focus on strict procedures, safe behaviors and the use of technology to ensure that our worksites are safe. An example is a virtual solution to support the onboarding of new employees, in order to ensure that everyone who passes the gate to a production worksite has the right competencies, has completed the right training and has received information about the worksite they are going to work at, which is synchronized with the employee's access cards.

In 2021, we launched a new focus for Health and Safety. NCC's goal is to eliminate serious incidents and accidents and we measure this by such activities as tracking and setting targets for total absence for serious accidents resulting in more than four days of absence. During 2021, the accident frequency rate was 3.7 and the target for 2022 is to achieve 3.0. Two business areas are already below this figure of 3.0. Our improvement work at both Group level and in the business areas will continue in 2022.

Climate transition

Climate change places clear demands on a transition, and it necessitates that both public and private players assume their responsibility. We shall be a driving force in this transition, and engagement and collaboration with our stakeholders is a prerequisite for achieving results.

We have many good examples of collaboration. In the Centralen project, part of the West Link in Gothenburg, NCC cooperated with Volvo Trucks in developing a digital service for optimizing loads when removing excavation material. The trucks' capacity can be used to nearly 100 percent, compared with an average of 85 percent of the permitted load volume that is usually used. This means about 8,000 fewer truck transports for NCC, corresponding to a reduction in carbon emissions of 1,000 tons.

We have set a target of being climate neutral by 2045, and are working determinedly and systematically to make the change. In 2021, emission intensity from our own operations was 3.5 CO₂e tons/SEK M, down 41 percent compared with 2015.

Our work to minimize climate impact does not only involve our

own operations; we look at the entire value chain. During the year, we analyzed the emissions from asphalt, concrete and steel, and initiated an analysis of emissions from transportation. Our aim is to halve emissions from asphalt, concrete, steel and transportation by 2030 compared with 2015.

We were one of the pioneers of, and are pursuing, a focused effort to implement climate calculations in construction projects, whereby the assessment process is becoming increasingly digitalized in order to ensure high quality.

We are convinced of our ability to contribute data that will enable better results both now and in the future.

Another central feature is to continue to increase the energy efficiency of processes and production, such as replacing fossil energy sources with renewable ones in our asphalt plants.

In 2021, NCC took additional steps to analyze and report climate risks and opportunities according to the Task Force on Climate-related Financial Disclosures (TCFD) framework's recommendations.

Coronavirus pandemic

During the year, the operations fared well throughout the pandemic. We worked to ensure that we could continue to operate projects efficiently and, thanks to comprehensive measures, succeeded in minimizing the spread of infection and maintaining a high level of safety at worksites. I am proud of how well the employees managed to cope with these challenges.

Cement

In Sweden, when the permit for the predominant manufacturer expired, uncertainty arose concerning the supply of cement during the year. The long-term uncertainty regarding cement supply remains. Within the company, we worked intensely to prepare for a potential cement shortage by engaging in close dialogue with suppliers and through internal actions. This case involving Cementa highlights the need for faster and more predictable procedures to manage permit issues that entail complex conflicting objectives.

Business environment and market

The construction industry tracks the general economic trend relatively well. Society has a fundamental need for infrastructure, offices and housing, and the underlying market is favorable.

As a major Nordic player with solid experience, NCC is able to plan, construct and lead construction projects that can contribute to solving social challenges and complex social problems. An relevant example is water and sewage infrastructure, which is underinvested and requires upgrading in Sweden and in other Nordic countries. This is a field in which NCC has specialist competence, and cooperation and knowledge sharing will be required to achieve improvements.

A stronger NCC

We worked systematically during the year to develop and enhance NCC and to gain value from being a major and broad-based company. I am proud of the change process we implemented, where our objective is to be Europe's benchmark company as an expert in the construction process.

I would like to express my deep gratitude to all employees, customers, business partners and shareholders for the past year. We now stand stronger and, simultaneously, we are well positioned to create stable and sustainable profitability and growth. We are investing for the future and creating long-term value for our shareholders, customers, business partners and employees, and making a positive contribution to society.

Solna, March 2022

Tomas Carlsson
President and CEO

With **data** and **expertise** throughout the construction process

NCC has a strong and well-established position in the Nordic market, combined with a local presence. The foundation is the ability to manage construction processes that are complex for the customers. NCC's success factors include leveraging the Group's collective expertise and experiences, making data-informed decisions, and pursuing change through Star behaviors.

NCC is a knowledge-based company with the ability to manage the complexity of a construction process as its foundation. Our operations comprise building and infrastructure project contracting, asphalt and stone materials production and development of properties.

NCC constructs, maintains and develops the built environment that creates conditions for a better society. This development of the physical environment should occur as sustainably as possible, and have a favorable impact on society for both current and future generations.

The construction process is characterized by many stakeholders, the need for broad competency and expert knowledge, and coordination among a variety of operators. NCC's strengths include working proactively with customers prior to and during projects and using our data and knowledge to secure a positive end result for all stakeholders.

While we are proud of the end results of our projects and the contribution they make to society, our focus is on being experts in the process that leads us there. NCC aims to be the most skilled and trusted company in the market in terms of implementing construction projects. As a proactive construction expert, NCC assigns priority to early involvement with customers, proposing solutions and contributing ideas and new knowledge.

Group-wide operational model

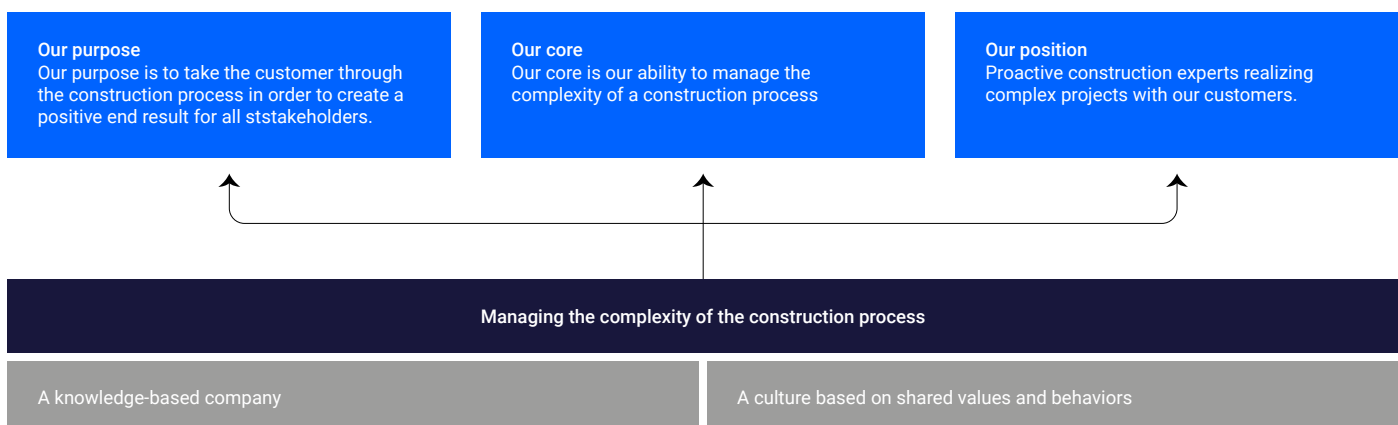
NCC's operational model describes how NCC pursues operations in line with its strategic orientation. NCC acts to optimally leverage the value created by a large Nordic company with a breadth of operating areas and a local presence, and to share these benefits with the customer.

What we require to achieve this is skills and expertise, data-informed work methods for supporting knowledge sharing, and behaviors that utilize the knowledge and drive change. Read more on p. 10 about how NCC works with knowledge and skills development, and drives change through Star behaviors.

NCC's development initiatives are collected in four focus areas:

- Build a knowledge-based company and a culture based on shared values and behaviors.
- Work in a data-informed manner, which requires that NCC invests in IT and digitization.
- Be proactive in relation to the customers in order to manage the complexity of the construction process and utilize and develop our expertise and experience.
- Leverage the Group's collective expertise in order to develop the construction process.

NCC is pursuing this as part of a number of strategic initiatives, including NCC Academy, the Group's training and education initiative.





Digitization and data-informed work methods

A group of NCC’s size creates enormous amount of data. For the knowledge to be shared efficiently, it is essential that the information is structured, easily available and simple to share. Knowledge sharing between projects and different business areas is facilitated by systematizing the data and through increased digitization of processes. This enables NCC to better leverage the Group’s collective knowledge and expertise, and enables the employees to make data-informed decisions, thus creating value, improving productivity and increasing competitiveness.

NCC participates actively in industry-wide collaborations in order to speed up and capitalize on the digital transformation. For example, NCC is a member of Combient, an industry collaboration aimed at accelerating the digital transformation. This membership serves as a tool for NCC to become more data-informed, learn from other companies and exchange knowledge over industry boundaries.

Knowledge sharing and exchange of best practices

Knowledge sharing is central to NCC’s ability to benefit from the Group’s collective expertise in the construction process and to further develop our ability to resolve our customers’ challenges.

By exchanging experiences and best practices between functions, business areas and countries, NCC ensures that all of its collective expertise, competency and capacity will be of benefit to the customers.

Build together

This is exemplified by the construction of Granåsen’s new winter sport facility in Trondheim, Norway; a partnership project between the Building Nordics and Infrastructure business areas. Working together, the business areas were able to meet the meticulous requirements, with associated ambitious environmental targets. Building Sweden and Infrastructure were also awarded the assignment to construct a train depot in Nässjö, where their combined experiences and the lessons learned from previously building train depots, as well as remediation projects, were success factors for securing the transaction.

An example of an effective transfer of knowledge is the assignment to build an office property in wood for the Danish Building and Property Agency in Odense, Denmark. NCC has built a number of wooden buildings in Sweden and Norway and, thanks to this collective knowledge and experience, NCC was awarded the project in Denmark.

Market

NCC conducts operations in Denmark, Finland, Norway and Sweden. The market is highly fragmented with a large number of participants.

NCC occupies a strong position in all of the Nordic countries where it is active. All business areas – Industry, Infrastructure, Building Sweden, Building Nordics and Property Development – are leaders in their respective markets

(Source: Byggfakta and Euroconstruct).

Market presence



The countries in which each business area conducts business.

Proactive climate efforts

Climate change places clear demands on a transition of society. NCC constructs, maintains and develops the built environment with a focus on how materials, methods and processes can reduce the environmental burden and contribute positively to society, taking the needs of current and future generations into account.

NCC takes a long-term responsibility and works actively to contribute to this transition and to reduce the climate impact from production of materials and throughout the entire construction process by reducing carbon emissions, increasing the efficiency of energy consumption, using resources responsibly, and increasing the recycling and reuse of materials. NCC provides data and expertise as well as extensive digital information about processes and products, thus contributing to a positive change.

Reduced climate footprint

NCC strives to minimize its own climate impact and eliminate carbon emissions from the entire value chain. NCC has set a target of becoming climate neutral by 2045, and works in a focused and determined manner with that transition.

Cooperation and dialogue with customers, suppliers and other stakeholders for the implementation of measures and changed work methods is of the utmost importance for reducing climate impact and reaching the objective of climate neutrality.

NCC's interim target is to reduce emissions from its own operations (Scope 1 and 2)¹⁾ by 60 percent by 2030 (base year 2015), measured as tons of carbon dioxide equivalents per SEK M of sales (emission intensity).

Emission intensity in 2021 was 3.5 CO₂e tons/SEK M, down 41 percent compared with 2015. Carbon emissions related to purchases of electricity, district heating and district cooling declined during the year. This was largely due to energy efficiency improvements, and an increased use of electricity from renewable sources. The share of renewable fuels also increased during the year.

Carbon emissions related to fuel rose slightly due to an increase in the total amount of purchased fuels.

NCC is also working to reduce carbon emissions in the value chain. The interim target is a 50-percent reduction in CO₂e (Scope 3)²⁾ by 2030 (base year 2015), within the four areas where the climate impact is greatest: concrete, steel, asphalt and transportation²⁾, measured as kilograms of CO₂e /purchased volume. Read more on p. 91–94.

Thorough mapping of Scope 3 emissions

During the past year, NCC has focused on mapping and capturing the climate emissions related to the categories of concrete, steel, asphalt and transport. Collecting quality-assured data about purchased volumes of these product categories is a key jigsaw piece in the overall effort to reduce emissions.

Path to climate-neutral concrete-based construction

The use of concrete leads to one of the Group's largest scope 3 emissions. The climate impact of concrete structures is related to the amount and quality of the concrete and steel reinforcement that is used. More than 90 percent of the climate impact of concrete derives from the manufacture of cement, which is a component in concrete.

During the year, NCC formulated an internal roadmap for climate

neutral concrete-based construction, which includes reducing the proportion of cement in concrete, optimizing concrete recipes and reviewing the design of structures to reduce the amount of concrete, while ensuring the right strength and performance, and reducing waste from production.

Achieving climate neutral construction requires cooperation, product development, innovation, requirement specifications and knowledge sharing with suppliers, customers and other players in the industry, not least to reduce emissions from the use of concrete in general. An example of NCC working actively to reduce climate impact is the Kungsörnen project, which involves construction of 67 rental apartments, two eight-story buildings and two two-story buildings in Helsingborg. NCC has worked to optimize several features, such as the brick facade, steel reinforcement and concrete. The concrete has been optimized by reducing the volume of concrete, minimizing waste, using the right concrete at the right place and finally, using climate-improved concrete with about 40 percent of slag in large parts. Through this structured and target-oriented work, the climate impact was reduced to nearly half.

Transportation, asphalt and steel

NCC is also formulating a roadmap for reducing its climate impact from transportation. There are a large number of players in this sector and, to move climate efforts forward, it is crucial that work on data collection and the reduction of emissions is conducted in cooperation. Read more on p.92 about how NCC is working to optimize transportation.

Action plans will also be formulated for the targets set for asphalt and steel.

Climate adaptation

The impact of climate change is tangible and is expected to escalate in the future, and the expectations of society, customers and other stakeholders concerning a transition are unmistakable. The risks connected to climate change include rising temperatures, floods and extreme weather, at the same time as new opportunities are created through the use of innovative technologies.

NCC develops materials that help society to adapt to a changed climate, such as drainage products, while buildings and civil engineering projects are increasingly being designed to cope with future climate effects. An example is the Kalvebod Brygge Skybrudstunnel, NCC's assignment to construct a tunnel to deal with surface water and stormwater in Copenhagen.

Climate calculations

Customer interest in and demand for climate calculations is increasing. NCC has early on been involved in focused efforts to implement climate calculations in construction projects. Work is ongoing to ensure the calculation process is becoming increasingly digitalized in order to ensure high quality outcomes.

The purpose of climate calculations is to gain an overview and check the total climate impact of a project and including all of its

1) *Scope 1:* All direct emissions from an organization's operations or the ones it controls. This includes fuel combustion at the site; such as fuel for the company's own vehicles and fuel for production plants and construction sites. *Scope 2:* Indirect emissions from electricity, district heating and district cooling purchased and used by the organization. Emissions arise during the generation of energy and are included in data for the party that uses the energy. *Scope 3:* All indirect emissions from an organization's operations and from sources that it does not own or control, such as emissions from built-in materials and transport.

2) Emissions from transport were not reported for 2021. Initially, emissions from ready-mixed concrete, steel reinforcement and internally purchased asphalt are reported.

components. This enables decisions based on quality, cost and climate impact. A climate calculation can be used to reduce climate impact and encompasses data, including related carbon emissions, connected to such aspects as materials, transportation, the energy consumption in the use phase of the final structure and waste.

Energy

Central and key components of efforts to reduce the carbon footprint include energy efficiency of processes and production, as well as replacing fossil energy sources with renewable ones. The amount of fossil-based electricity in kWh has been reduced by 93 percent since 2015 and the use of fossil fuels by 27 percent. An important measure has been to convert asphalt plants to the use of biofuel, whereby fossil fuels have primarily been replaced by wood pellets. The wood pellets used are derived from industrial residue from Swedish sawmills. All asphalt plants in Sweden have been converted for the use of biofuel and one plant in Norway is operated on biofuel. The plan is to convert additional asphalt plants in Norway to use renewable instead of fossil fuels. NCC is also investigating the possibility to replace the use of natural gas with biogas at the two largest asphalt plants in Denmark.

Considerable work has also been devoted to reducing the number of starts and stops of asphalt plants.

NCC has also worked to keep the reused asphalt that is mixed into the asphalt dry, in order to reduce energy consumption in connection with asphalt production.

NCC is increasing the use of renewable energy and has set a target of only purchasing renewable electricity. In 2021, the proportion of renewable electricity was 95 percent.

NCC has continued the energy analysis of its own operations in Sweden in order to identify energy-saving potential in production. The energy analysis includes worksite visits, climate assessments and calculations at asphalt plants and quarries, as well as construction sites. On the basis of the analysis, further actions to reduce energy consumption can be identified and taken. See below for examples of how energy consumption is reduced at construction sites in Denmark.

Electrification

During the year, NCC implemented a major project containing several initiatives aimed at electrifying production worksites. Within the Industry business area, electrification of mobile crushing facilities has yielded major climate effects and reduced emissions.

Another example is Hercules, part of the Infrastructure business area, which put the world's first battery-powered pile driver into operation. As part of the Electric Worksite development project, the way electric machinery can function in real environments is being tested, with the ultimate aim of achieving fully electrified production worksites.

Increased demand for Environmental Product Declarations

An ever-increasing share of NCC's base materials, such as asphalt and stone materials, are covered by Environmental Product Declarations (EPDs). EPDs are third-party verified and include transparent and comparable environmental impact information throughout a product's lifecycle, from the extraction of stone and other raw materials up to delivery to the customer and in connection with future recycling.

The customers gain access to objective and reliable data, and can thus assess the products' environmental performance, making it easier for them to make environmentally conscious choices and reduce their climate impact.

NCC's EPDs are location and product specific, which means that NCC can also use the EPDs internally to make fact-based climate and environmental improvements in its production processes.

→ Read more on p. 86.



NCC Kielo – our living quarry

NCC works to promote biodiversity at places where gravel pit operations are conducted, both during the production phase and during post-processing in conjunction with pit closures. NCC has developed NCC Kielo, a method that promotes biodiversity in quarries, enabling NCC to work in a structured manner based on a number of criteria. An additional three quarries became Kielo quarries during the year, including Helle in Norway.



IoT solution reduces energy consumption at Danish construction sites

With the help of detailed data and an Internet of Things (IoT) solution involving sensors, NCC has reduced energy consumption at its construction sites in Denmark, which has led to a sharp reduction in carbon emissions and lower costs.

An analysis conducted by NCC showed that about half of the energy consumption at construction sites in Denmark occurred outside working hours. By working in a more data-informed manner, NCC was able to reduce this energy consumption by 50 percent.

Data-informed work methods

NCC installed an IoT solution using sensors on, for example, cranes, portacabins, lighting and containers, and collected data that was subsequently analyzed. NCC was thereby able to identify and eliminate unnecessary energy consumption.

Across an office area of 15,000 square meters, energy consumption outside working hours was reduced by 50 percent, equal to 41 tons of CO₂e annually.

Great potential

The IoT solution has been introduced at major construction sites in Denmark and further implementation will occur in 2022.

In addition to energy savings from its own projects, NCC also sees major potential for its customers to use this solution for finished construction projects or for other buildings that are already in use.

A culture based on shared values and behaviors

NCC's corporate culture is a cornerstone in the Group's strategic direction and contributes to the development of NCC as a knowledge-based company. NCC has well-established values and works actively to develop them.

NCC has four Star behaviors, which complement the Group's values of honesty, respect and trust. These connect the corporate culture with business value by pointing to the behaviors that drive successful and profitable operations for NCC. By clearly describing the behavior that NCC expects of its managers and employees, strong aspects of the culture can be developed, while desired cultural changes receive an extra boost.

Implementation 2021

In 2021, 75 percent of NCC's employees participated in workshops about how NCC's Star behaviors will drive improvements and change at an individual, team and company level. This work was led by NCC's managers with the support of facilitators – NCC employees who have undergone training in assisting in the change project. In parallel, all performance-driving processes and competence-development programs were updated. This encompassed such processes as employee dialogues, leadership training, recruitment and succession planning.

The implementation plan extends over several years and the reception has been highly favorable; NCC's Star behaviors have gained a foothold in the operations as a guide and a governance tool, from management work to start-up meetings. A new employee survey adapted to support continued work on the corporate culture is scheduled for 2022.

Health and Safety

A safe and healthy work environment always has the highest priority for NCC. NCC's employees must always be able to go to work in the knowledge that everyone at the workplace will do their utmost to create an environment without accidents. The same goes for all NCC's partners, subcontractors and suppliers.

Viewed over the past five years, NCC has succeeded in reducing the accident frequency rate at production worksites. During 2021, a minor increase was noted in accidents resulting in four days or more of absence. This serves as a clear signal that a continued decline cannot be taken for granted. The focused and systematic work that has encompassed initiatives in various areas, such as attitudes, behaviors and leadership, reporting and analysis, as well as improved work procedures and planning, must continue with undiminished intensity.

During 2021, NCC launched a new focus for its health and safety work, which will be implemented in 2022. The aim is to continue to reduce all types of accidents but with an increased focus on eliminating serious incidents and fatal accidents. Accordingly, NCC's occupational health and safety (OHS) work will take a decisive step from a vision zero to a concrete target of zero serious incidents and zero fatal accidents at NCC's workplaces.

As a result of a better basis from incident reporting and an improved analysis, knowledge within NCC has been raised about

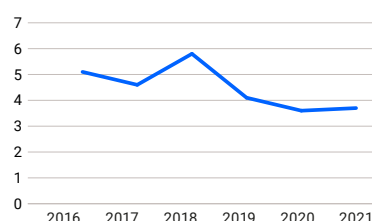
Star behaviors

- **Act with passion to perform:** We challenge ourselves and each other to constantly improve and outperform our targets and results
- **Build together:** We work actively to ensure effective collaboration internally, in and between units, and with our customers
- **Follow through and follow up:** We take data-informed decisions, communicate them clearly and always act on what's decided
- **Act with care:** We take responsibility for our actions and use of resources. We mitigate risk and act with integrity to ensure safe, high-quality sustainable operations

Accident frequency

NCC has a corporate OHS target for the number of work-related accidents resulting in more than four calendar days of absence per million working hours (Lost Time Injury Frequency, LTIF4). In 2021, this accident frequency rate was 3.7, somewhat higher than the 3.6 noted in 2020. The target for 2022 is to achieve an LTIF4 rate of 3.0.

Accident frequency rate¹⁾



1) Accident frequency rate: Worksite accidents resulting in more than four days of absence from work per million worked hours.

where, how and when serious incidents can occur. A fundamental part of NCC's work in the future is to create more effective safety barriers between potential risks and the employees in three identified high-risk areas – lifting by cranes, working at heights and work near heavy machinery. A safety barrier could be of an organizational, human or technical in nature, depending on what would be most effective to tackle risks in a certain situation.

Competence development and learning organization

NCC is a long-term and stable employer in all Nordic markets. Having and developing employees with relevant expertise is decisive to NCC's success. NCC's operations are knowledge intensive and the number of large-scale projects extending over several years is increasing. The increased specialization and complexity of construction projects, demands for proactivity and leadership, cooperative ability and customer understanding are factors influencing the type of competencies that NCC requires. The capacity to use the company's collective experiences, combined with the employees' individual skills, is the foundation for the company's long-term competitiveness. The ambition is to build a learning organization and develop the most skilled employees in the industry.

The NCC Academy initiative ensures that the employees have access to the best competence development in the industry, even for the very most experienced. Leadership training programs and networks ensure a stable succession of future managers, not least for the growing number of large-scale, complex projects. At the same time, clear career and development opportunities help to ensure that employees have job satisfaction and see the benefits of working for NCC.

This initiative encompasses a portfolio of seven different manager-training programs, which attracted around 250 participants during the year. A high number of participants was maintained during the corona pandemic through a rapid adjustment to digital solutions and continuous adaptations of the programs. In addition to raising the level of competence of the participants, the programs create effects in the form of active networks, knowledge sharing within NCC, mentorship and feedback – a culture where employees build each other.

Engagement and inclusion

NCC monitors its employees' engagement through employee surveys, from which it can note a steady improvement over the past three years. NCC is convinced that a high degree of inclusion, considerable employee engagement and pride in what NCC achieves contribute to better performance.

In 2021, all employees were involved in efforts to strengthen NCC's corporate culture through work on the Star behaviors. As a result of broad-based and open dialogues concerning expectations about the behavior of employees, managers and the team, they are provided with potential to influence their own ability to perform well, and to engage in the team's and NCC's development.

Updated diversity and inclusion targets were launched during the year. NCC needs to recruit, develop and retain the most competent people in the industry and, support the progress of high-performing teams and work actively so that no one is excluded unfairly or due to unconscious biases. The balance between women and men in NCC's management teams and inclusion are aspects that are monitored.

To strengthen its employer brand, NCC has defined a new Employer Value Proposition, which is intended to strengthen the image of NCC as an attractive company, in which people build each other in order to develop, while simultaneously contributing to NCC's performance. The Employer Value Proposition is based on the strategic focus, dialogue with employees and the strong results of recent years in the employee survey.

NCC Academy

NCC Academy is a strategic initiative at NCC with a portfolio of manager-training programs adapted to develop managers of the present and the future within the NCC Group. Some examples:

Mega Project Management Program.

Prepares senior project managers for taking on projects of a multi-billion kronor magnitude. The program has been developed and implemented with KTH Executive School and Copenhagen Business School.

Senior Executive Program.

Customized development program in leadership and business management for senior executive levels, such as department and division managers. The program is arranged jointly with the IMD Business School in Lausanne.

Practical leadership.

Development program targeted at site managers in order to strengthen them in their role as leaders at the construction work site. Includes the main areas of organization, communication and leadership skills.

Strategic Leadership Program.

Training program with a focus on leadership, strategy, finances, change and innovation. It is designed for senior managers with at least two years of experience and the potential to assume a greater management role.

