

# CORPORATE GOVERNANCE REPORT

NCC AB is a Swedish public limited liability company whose shares are listed on Nasdaq OMX Stockholm. NCC AB is governed in accordance with Swedish company law. NCC also complies with other applicable Swedish and international laws and regulations. In addition, NCC has undertaken to comply with Nasdaq OMX Stockholm's regulations, which include the Swedish Code of Corporate Governance. NCC has applied the Code since it was introduced in 2005. This report is not part of the formal annual report documentation and has not been examined by the Company's auditors.

## GENERAL SHAREHOLDER MEETINGS

The procedures for notifying shareholders of General Meetings are stipulated in the Articles of Association. Notice of meetings shall be made in the form of an announcement in Post- och Inrikes Tidningar and Dagens Nyheter. Notice of the Annual General Meeting shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of Extraordinary General Meetings convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting. General Meetings may be held in the municipalities of Stockholm, Solna or Sigtuna. At General Meetings, shareholders may be accompanied by not more than two advisors, on condition that the shareholder has given the Company prior notice of this.

The 2009 Annual General Meeting was held on April 7 and was attended by 283 shareholders representing 52 percent of the share capital and 86 percent of the total number of voting rights.

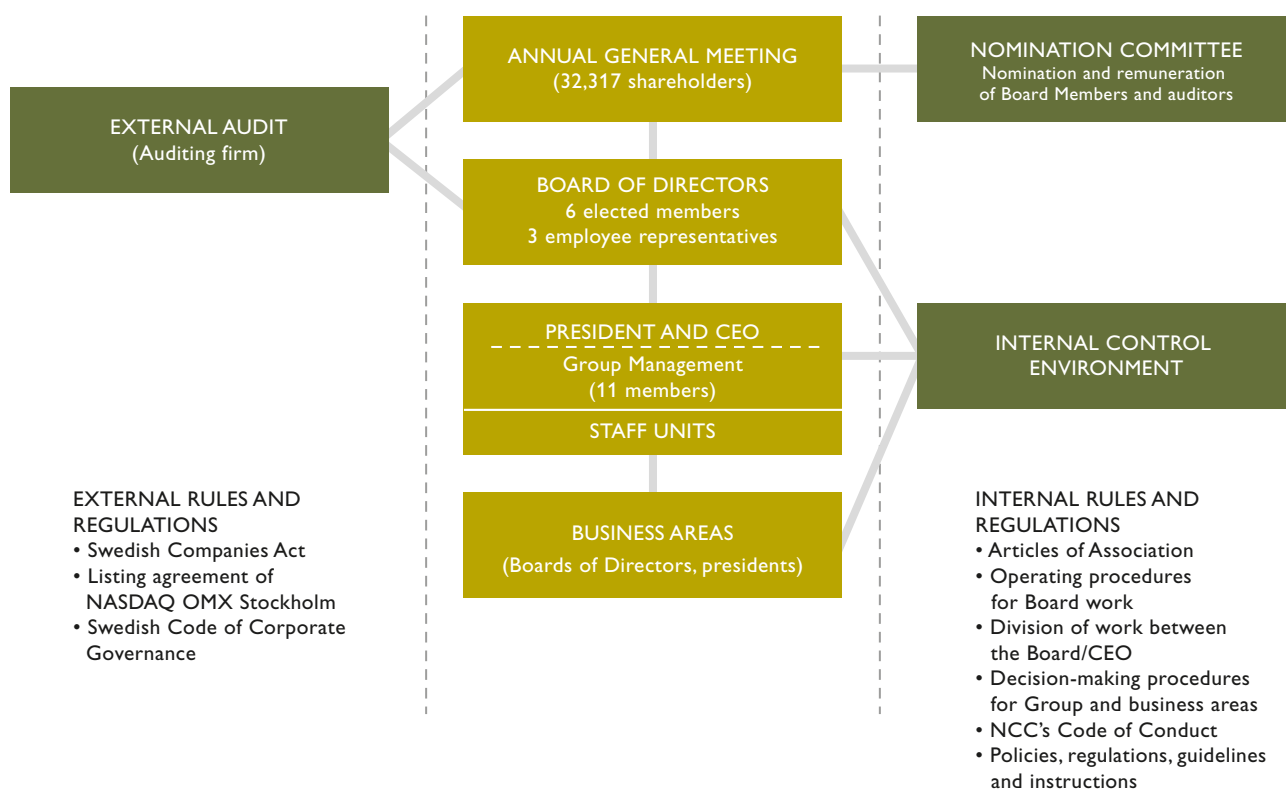
## OWNERSHIP STRUCTURE AND VOTING RIGHTS

NCC shares are issued in two series, designated Series A and Series B shares. Each Series A share carries ten votes and each Series B share one vote. All of the shares carry identical rights to participation in the Company's assets and profits and identical entitlement to dividends. The distribution of shares and voting rights is shown on pp. 106–107, as is the ownership structure. On request, Series A shares may be converted into Series B shares. A written conversion request must be submitted to the Company's Board, which makes continuous decisions on such matters. Following a conversion decision, the matter is reported to Euroclear Sweden AB for registration. Conversions become effective when the shares are registered.

## COMPOSITION OF THE BOARD

The Board shall consist of not fewer than five and not more than ten members elected by the Annual General Meeting. The employees are represented on the Board. The Board Members are elected for a period of one year. During 2009, there were six elected Board Members. The Board also included three representatives and two deputies for the employees. Three of the

## NCC'S CONTROL STRUCTURE 2009



Board members (Antonia Ax:son Johnson, Tomas Billing and Marcus Storch) were dependent on the principal owner Nordstjernan and one member (Fredrik Lundberg) was dependent on the second largest shareholder L E Lundbergföretagen. Ulf Holmlund and Ulla Litzén are independent in relation to NCC's major shareholders. All Board Members are independent in relation to the company and company management. Information on individual Board Members is presented on pp. 102–103.

#### NOMINATION ACTIVITIES

The Annual General Meeting elects a Nomination Committee, which nominates candidates to the Annual General Meeting for election as Board members, proposes the fees to be paid to Board members and nominates auditors and the fees to be paid to them. The Annual General Meeting held on April 7, 2009 re-elected Viveca Ax:son Johnson (Chairman of Nordstjernan AB), Ulf Lundahl (Deputy CEO of L E Lundbergföretagen AB) and Mats Lagerqvist (former President of Swedbank Robur AB) to the Nomination Committee, with Viveca Ax:son Johnson as chairman. Tomas Billing, Chairman of the NCC Board, was a co-opted member of the Committee, but had no voting right. No remuneration was paid to members of the Nomination Committee.

The NCC Nomination Committee proposes that the 2010 Annual General Meeting reelect the current members of the Board Tomas Billing, who is also proposed for reelection as Chairman of the Board, Antonia Ax:son Johnson, Ulf Holmlund, Ulla Litzén and Marcus Storch. Fredrik Lundberg, Deputy Chairman, has declined reelection.

The Nomination Committee also proposes that the Annual General Meeting elect Christoph Vitzthum as new member of the Board. Christoph Vitzthum was born in 1969 and has a Masters of Economics degree. He is a member of the executive management team of the Finnish industrial group Wärtsilä Oyj Abp and is president of the business area Wärtsilä Services. Christoph Vitzthum has held various positions in the Wärtsilä group since 1995.

A report on the Nomination Committee's work and motions ahead of the 2010 Annual General Meeting is presented on NCC's website [www.ncc.se](http://www.ncc.se) under the "Corporate Governance" tab.

#### BOARD DUTIES

In 2009, NCC's Board held six scheduled meetings, one unscheduled meeting and the statutory meeting held directly after the Annual General Meeting, making a total of eight meetings. The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that, in accordance with NCC's decision-making procedures, have to be addressed by the Board. Reporting on the progress of the Company's operations and financial position was a standing item on the agenda. The Board has established operating procedures for its work and instructions for the division of duties between the Board and the CEO, as well as for financial reporting to the Board. The Board made several worksite visits in connection with Board meetings. Other senior executives within NCC participated in Board meetings in order to present matters. NCC's senior legal counsel was secretary of the Board.

On several occasions, the Board has evaluated the matter of establishing committees to deal with remuneration and audit-related issues. The Board has decided not to establish such committees and instead to address remuneration and audit-related issues within the framework of ordinary Board work (also see the section entitled "Work involving audit, financial reporting and internal control" below).

#### CHAIRMAN OF THE BOARD

The Chairman of the Board directs the work conducted by the Board and maintains regular contact with the CEO, in order to continuously monitor the Group's operations and development. The Chairman represents the Company in ownership matters.

#### WORK INVOLVING AUDIT, FINANCIAL REPORTING AND INTERNAL CONTROL

According to the Swedish Code of Corporate Governance, the Board must document and disclose information about the manner in which the Board assures the quality of financial reporting and communicates with the Company's auditors. This information is contained in the section entitled "Board report on internal controls pertaining to financial reporting for the 2009 fiscal year" on pp. 100–101.

#### Composition and attendance of Board meetings 2009

	Feb. 11	April 7	April 7 <sup>3)</sup>	May 12	June 24 <sup>4)</sup>	Aug. 19	Nov. 3	Dec. 2
<b>Board Members elected by the Annual General Meeting</b>								
Tomas Billing	✓	✓	✓	✓	✓	✓	✓	✓
Antonia Ax:son Johnson	✓	✓	✓	✓	✓	✓	✓	✓
Ulla Litzén	✓	✓	✓	✓	✓	✓	✓	✓
Ulf Holmlund	✓	✓	✓	✓	✓	✓	✓	✓
Fredrik Lundberg	✓	✓	✓	✓	✓	✓	✓	✓
Marcus Storch	✓	✓	✓	✓	✓	✓	✓	✓
<b>Regular employee representatives</b>								
Lars Bergqvist	✓	✓	✓	✓	✓	✓	✓	✓
Sven Frisk	✓	✓	✓	✓	✓	✓	✓	✓
Karl G Sievertsson <sup>1)</sup>				✓	✓	✓	✓	✓
Ruben Åkerman <sup>2)</sup>	✓	✓	✓					

<sup>1)</sup> Elected as of the Annual General Meeting on April 7, 2009.

<sup>2)</sup> Elected up to the Annual General Meeting on April 7, 2009.

<sup>3)</sup> Statutory Board meeting.

<sup>4)</sup> Unscheduled Board meeting.

The CEO is responsible for ensuring that the Board receives continuous reports and information of such a quality that the Board is able to make well-founded assessments. Business and financial reports are presented at each scheduled Board Meeting. Quarterly and year-end reports constitute the Company's fundamental financial reporting, which is supplemented by business unit information from NCC's internal reporting system. Each scheduled Board Meeting also addresses matters of material significance in terms of principle or major financial importance.

According to the Swedish Companies Act, the Board must establish an audit committee. If, as in the case at NCC, the Board considers it more appropriate, the entire Board of Directors may fulfill the duties of an audit committee in cases when an independent member possesses auditing expertise. The fact that the Board is relatively small facilitates its work. The Board meets the auditors twice a year, including one occasion without the presence of executive management. In addition, the Chairman of the Board has direct contact with the auditors on a number of occasions during the year.

The Board of Directors is evaluated within the framework of the Nomination Committee's work. In addition, the Board performs an annual evaluation of its work and the format for performing Board work, which also constitutes part of the Nomination Committee's evaluation. For the purpose of examining the Company's Annual Report, consolidated financial statements, accounting records and the Company's management by the Board of Directors and President, the Annual General Meeting appoints a maximum of three Authorized Public Accountants, with a maximum of three deputies. A registered firm of accountants may also be appointed auditor of the Company. The Nomination Committee evaluates the audit work and nominates auditors. Auditors are appointed for a period of four years. Since April 8, 2008 and until the close of the Annual General Meeting in 2012, the registered firm of accountants PricewaterhouseCoopers AB will serve as NCC's auditors. Authorized Public Accountant Håkan Malmström has been elected PricewaterhouseCoopers AB's auditor-in-charge. For more information about auditors, see p. 103.

#### REMUNERATION OF THE BOARD OF DIRECTORS

The Nomination Committee proposes the fees to be paid to the Board of Directors. The Annual General Meeting on April 7, 2009 resolved that the director fees for Board work in 2009 would total SEK 2,535,000 to be distributed among the Board Members elected by the Annual General Meeting. The Chairman received SEK 575,000, the Deputy Chairman SEK 460,000 and the four other Board Members received SEK 375,000 each. The employee representatives do not receive director fees.

#### REMUNERATION OF EXECUTIVE MANAGEMENT

According to the Swedish Code of Corporate Governance, the Board must establish a remuneration committee to prepare matters relating to remuneration and other terms of employment for executive management. If, as in the case at NCC, the Board considers it more appropriate, the entire Board of Directors may fulfill the duties of a remuneration committee. Guidelines for salary and other remuneration for the Company's senior execu-

tives are resolved by the Annual General Meeting. Remuneration paid to the CEO is proposed by the Chairman and established by the Board. The CEO does not participate in this decision. Remuneration to other senior executives is proposed by the CEO and approved by the Chairman of the Board. Remuneration to the CEO and other senior executives consists of a fixed salary, variable remuneration, pension and other benefits. Framework conditions for variable remuneration are decided by the Board. The term "other senior executives" pertains to the executives who, in addition to the CEO, comprise Group Management. A specification of salaries and other remuneration paid to Board members, the CEO and senior executives is presented in Note 5, Personnel expenses.

#### PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Board of Directors has established instructions for the division of duties between the Board and the CEO, and for financial reporting to the Board (also refer to p. 97, "Work involving audit, financial reporting and internal control").

#### DEPUTY CHIEF EXECUTIVE OFFICERS

NCC has not appointed any Deputy Chief Executive Officers.

#### GROUP MANAGEMENT

In 2009, NCC's Group Management consisted of the CEO, the Presidents of NCC Construction Sweden, NCC Construction Denmark, NCC Construction Finland, NCC Construction Norway, NCC Property Development, NCC Housing and NCC Roads, plus the Chief Financial Officer and the Senior Vice Presidents for Corporate Communications and Corporate Legal Affairs. Further information on members of Group Management is presented on pp. 104–105.

Group Management mainly focuses on strategic matters and generally meets once per month.

#### INTERNAL GOVERNANCE

NCC's operations require a considerable amount of delegated responsibility. Procedures have been formulated within the Group in order to clarify exactly who is to do what at each stage of the decision-making process. In addition to strategic and organizational matters, the areas regulated include investments and divestments, rental and leasing agreements, financing, sureties, guarantees, the assessment of tenders and business agreements.

The number of projects in production varies from year to year but totals several thousands. The organization of each project varies according to the specific project's size and complexity. Each project is led by a project manager who is responsible for product format, purchases, financial aspects, production, quality, completion and handover to the customer. Major projects are monitored on a monthly basis by the CEO and Chief Financial Officer. Tenders for projects exceeding SEK 300 M are subject to special assessment and must be approved by the CEO. Tenders for projects exceeding SEK 500 M must be confirmed by NCC AB's Board. Proprietary housing and property projects representing an investment exceeding SEK 20 M must be approved by the CEO and such projects exceeding SEK 100 M must be authorized by NCC AB's Board.

**GOVERNANCE OF BUSINESS AREAS**

The Group comprises business areas that constitute separate subsidiaries. These subsidiaries are managed by the respective business area presidents, who are similarly appointed president of the particular subsidiary. Each business area has a Board of Directors, of which, among others, NCC AB's CEO, Chief Financial Officer and Senior Legal Counsel are members. For certain decisions, the approval of the CEO or NCC AB's Board Chairman or Board of Directors is required. The decision-making procedure consists of proposals, endorsement, decisions and confirmation. A matter requiring a decision is normally processed by the entity that initiated the matter or which is responsible for it in terms of function. Many types of decisions are preceded by consultation. Country managers (the heads of NCC's Construction units in each country) are responsible for initiating coordination in matters involving several NCC units in the particular country. Such matters include the Group's brands and image, utilizing synergism, maintaining uniform systems for salaries, accounting and IT, and coordinating salary-setting and personnel policies.

**CODE OF CONDUCT**

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

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

Repeated and serious violation of the Code of Conduct results in corrective action. If any of NCC's business partners repeatedly and seriously violates NCC's Code of Conduct, cooperation is discontinued.

The Compliance Program, consisting of a comprehensive training program in business ethics and competition law, was introduced in 2002. The program is now an integral part of NCC's ordinary training of newly appointed managers and has been received by approximately 3,000 managers within the Group since 2002. The program is a part of the employment relationship.

Further information on control and corporate governance within NCC is presented on the Group's website – [www.ncc.se](http://www.ncc.se) – where the Articles of Association and the Code of Conduct are also available.

**NCC'S organization 2009**

