

Proposal of Remuneration Policy 2020

The proposal for the Remuneration Policy has been revised according to changed legal requirements in the Companies Act, valid as of June 10, 2019 and the Swedish Code of Corporate Governance valid as of January 1, 2020.

REMUNERATION POLICY FOR EXECUTIVE MANAGEMENT

The Board hereby proposes that the AGM adopts the following Remuneration Policy. The Remuneration Policy will be reviewed if material changes occur, however no later than in four years.

Scope

The Remuneration Policy comprises the CEO and the other members of executive management. Included also are members of the Board whose remuneration is established at some other point in time than the AGM.

This Remuneration Policy is applied to new contracts, or changes in existing contracts, with the CEO and the other members of executive management after Peab's AGM has adopted the policy.

Basic principles

The Remuneration Policy will contribute to the company's business strategy, long-term value growth and sustainability. This is ensured through the basic principles by:

- offering remuneration based on market terms so that Peab can attract and retain competent executive management. Remuneration levels are regularly compared with other companies active in the same markets to ensure that remuneration is on market terms,
- offering long-term incentive programs and bonus programs focused on the company's business strategy, long-term goals and sustainability,
- annually reviewing individual performances and goal achievement in regards to the company's financial results.

The basic principles ensure that the company has the right competence in executive management through remuneration on market terms as well as incentive programs and bonus programs focused on (result measurement) business strategies, a long-term perspective and sustainability.

Remuneration components

The total remuneration is made up of basic pay, annual short-term incentives on an individual basis (STI), long-term incentive programs (LTI), defined contribution pensions as well as a company car and other non-monetary benefits.

Basic pay

Basic pay is reviewed annually and takes into consideration the senior officer's area of responsibility, qualifications and market terms for the salary.

Short-term incentives (STI)

From time to time executive management may be offered STIs. A STI may not exceed 60 percent of basic pay and is based primarily on the Peab Group's profitability and, at each time, other material Group goals. In the current program result measurements are connected to the company's strategy in the form of profitability, customer focus and sustainability.

STIs are determined for each fiscal year and are settled the year after being earned. They may either be paid out as salary or be invested as a pension savings in a financial instrument connected to the Peab share.

Long-term incentive programs (LTI)

Every year the Board of Directors must consider whether or not to propose a share-based incentive scheme to the AGM. From time to time the CEO, other members of executive management and key personnel may be offered participation in a LTI program. The maximum annual amount in a LTI program (including social security costs) may not exceed 40 percent of annual basic pay. The programs are performance-based and only deliver an outcome if predefined goals are met. The outcome of a LTI program is invested as a pension savings in a financial instrument connected to the Peab share.

Pension

Members of executive management are entitled to pension according to collective bargaining agreements and contracts with Peab. All pension obligations are defined contribution pensions. The maximum pension contribution is 47 percent of annual basic pay and retirement age is 62. The level corresponds to previous market practice. Current practice is maximum 35 percent and retirement at 65. Salary waivers may be used to increase pension provisions through one-off pension contributions in the form of salary or bonus exchanges.

Company cars

The CEO and other members of executive management have the right to a company car according to the gross salary deduction model.

Non-monetary benefits

Members of executive management are entitled to extra health and health care insurance up to 30 basic amounts as well as those benefits otherwise enjoyed by other Peab employees. On average the benefits amount to five percent of base pay.

Period of notice and severance pay

The period of notice from Peab is, at the most, 24 months and the period of notice from members of executive management is, at the most, 6 months. If severance pay is paid the total remuneration for salary during the period of notice and severance pay may not exceed 24 months salary. Severance pay is calculated on base pay and is not pensionable.

Other employees

The basic principles for salaries and other remuneration to other employees is reflected and considered in the Remuneration Policy. Corresponding remuneration components are included. Remuneration in the form of short-term incentives on an individual basis (STI), long-term incentive programs (LTI) as well as company cars are only provided to certain categories of employees based on their positions or needs.

Other employees' total remuneration is based on market terms so that Peab can attract, develop and retain personnel with the right skills. Remuneration levels are compared regularly.

Pensions follow the ITP plan as well as SAF-LO. Defined contribution plans are applied up to a maximum of 30 percent of the pensionable salary. Either traditional plans or premium ladders are applied to defined benefit plans for personnel with basic pay over ten income basic amounts.

Decision-making process

The Board of Directors has appointed a committee responsible for preparing the guidelines for

remuneration to members of executive management that are decided on by the AGM and making proposals to the Board regarding the salary and employment terms of the CEO. The Board decides on matters concerning the salary and employment terms of the CEO based on proposals from the Remuneration Committee. The Board's Remuneration Committee decides on salaries and employment terms of members of executive management that report directly to the CEO. The Remuneration Committee reports regularly to the Board. The CEO and other members of executive management are not present when their respective remuneration terms are adopted.

Exceptions

Deviations may be made from the Remuneration Policy in cases where there are special circumstances. Only if it is necessary to fulfill the company's long-term interests, sustainability or financial viability may the Board deviate from the Remuneration Policy adopted by the AGM. Deviations must be reported and motivated in a subsequent remuneration report.

Previous guidelines

The Remuneration Policy has been revised and supplemented with texts to meet changed legal requirements in chapter 8, 51-53 § § in the Companies Act regarding the content of the company's Remuneration Policy. Even changes in the Swedish Code of Corporate Governance valid as of January 1, 2020 have been taken into consideration in the revision.