

## Proposal Remuneration Report 2020

*The proposed Remuneration Report has been prepared based on the legal requirements amended as of June 10, 2019 in the Companies Act and the Swedish Corporate Governance Code valid as of January 1, 2020. The EU Commission's standardized report template has been applied where it corresponds to Swedish praxis and valid legislation.*

*In accordance with the Companies Act, Section 53 a, every financial year the Board must prepare a report on paid and outstanding remuneration that is regulated by Peab's Remuneration Policy at that time. The 2020 Remuneration Report presents how Peab has applied the Remuneration Policy and how the total remuneration relates to the policy.*

*The Remuneration Report presents remuneration to the CEO. The other members of executive management have been excluded in accordance with the Swedish Corporate Governance Code.*

*The report begins with background information on Peab's general financial development and important events during the financial year. How this is related to the Remuneration Policy as well as its application are thereafter described in the Remuneration Report.*

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### **2020 in summary**

The year 2020 will go down as an exceptional year characterized by the corona pandemic and its consequences. For Peab the year was both successful and essential to our continued development. We increased our net sales by four percent to SEK 57 billion. Operating profit was SEK 3.5 billion and the operating margin was 6.2 percent. These figures include last year's two major strategic transactions – the acquisition in paving and mineral aggregates and the distribution of the previously wholly owned subsidiary Annehem Fastigheter.

### **Updated road ahead**

Now we are ready to enter the next phase of Peab's development. Owing to the fact that we are now fully a Nordic community builder with a somewhat different business mix, extensive local presence and four collaborating business areas, we have as of 2021 updated our targets – everything from our mission, business concept and strategic targets to the more concrete financial and non-financial targets.

Both internal and external financial and non-financial targets are categorized under our existing strategic targets of; Most satisfied customers, Best workplace, Most profitable company and the new, fourth target Leader in social responsibility. The new target includes climate and equality issues and internally a number of other goals.

## Total remuneration

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 according to the ITP plan as well as a company car and other non-monetary benefits. The table below shows the total remuneration for the CEO for the time period 2018-2020.

CEO (Thousands, SEK)	Year	Basic pay	Variable remuneration	LTI program	Other benefits/remuneration	Pension costs	Amount	Percent variable
Jesper Göransson	2018	7 200	2 477	1 389	563	3 668	15 297	25,3%
Jesper Göransson	2019	7 416	3 110	1 754	714	3 829	16 823	28,9%
Jesper Göransson	2020	7 944	2 320	1 205	498	4 158	16 125	21,9%

**Comment:** The total remuneration for the CEO complies with the basic principles in the Remuneration Policy and the stipulated framework. The percent of variable remuneration is in line with the market praxis for corresponding companies.

## Variable remuneration – one-year incentive program (STI)

From time to time executive management may be offered a STI program. A STI program may not exceed 60 percent of basic pay and is based primarily on the Peab Group's profitability and, at the time, other material Group targets. In the current program result measurements are linked to the company's strategy regarding profitability, customer satisfaction, the work environment and sustainability.

STI programs are determined for each financial 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 financial instruments connected to the Peab share.

The table below shows the STI program for the CEO for the year 2020. (Note that definitions and the numerical outcome of result measurements are not provided due to their business critical content).

Year	2020	2019	2018
Maximum outcome	60%	60%	60%
Outcome	29%	42%	34%

**Comment:** Result measurements based on profitability, customer satisfaction and sustainability have had a positive outcome and resulted in 29 % for the year 2020.

## Variable remuneration – long-term incentive program (LTI)

From time to time, senior officers may be offered to participate in a LTI program. There was a LTI program for 2018-2020 that was reconciled annually with operating margin targets for the Group. The program was open to approximately 500 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee had to still be working for Peab on December 31, 2020. For senior officers and the CEO the

upper limit (including social security) was 40 percent of their annual basic pay. The outcome of the LTI program was placed in a pension savings connected to the Peab share.

The table below shows the LTI program for the CEO for the period 2018-2020. (Note that definitions and the numerical outcome of result measurements are not provided due to their business critical content).

Year	2020	2019	2018
Operating margin, segment reporting	6,2%	4,7%	4,9% *
Maximum outcome	40%	40%	40%
Outcome	15%	24%	19%

\* 2018 not translated according to the new accounting principles

**Comment:** The result measurement based on operating profit had a positive outcome and resulted in 19 % for the year 2018, 24 % for the year 2019 and 15 % for the year 2020. Payment of the outcome was conditioned on the CEO maintaining his position at Peab throughout the entire period. If he had worked for a shorter period of time no bonus would have been paid even though provisions had already been booked.

#### Peab, the CEO and employees (2018 – 2020)

The table below shows Peab's financial profit (MSEK), the annual total remuneration to the CEO and the average total remuneration for all other employees during the past three financial years.

Time period	Utfall	Skillnad mellan åren	Skillnad mellan åren	Skillnad mellan åren
	2020	2019-2020	2018-2019 *	2017-2018 *
Peab's profit for the year, segment reporting	2 948	37,9%	1,8%	1,6%
Total remuneration to the CEO	16 125	-4,1%	10,0%	-0,9%
Total remuneration to other employees	596	5,5%	3,9%	6,4%

\* 2017-2018 not translated according to the new accounting principles

**Comment:** Profit for the year 2020 in Peab has been affected by the acquisition of YIT's paving and mineral aggregates operations in the Nordic region as well as the positive effect of the distribution of Annehem Fastigheter. The variations in the CEO's total remuneration are related to the outcome the year before of the variable remuneration linked to the company's operating margin and strategy regarding profitability, customer satisfaction and sustainability. Developments in salaries for employees follows salary developments on the market and Peab's financial profit in the form of variable remuneration.

### **Current decision-making process**

The Board has within itself formed a committee tasked with preparing the guidelines for remuneration to senior officers to be adopted by the AGM and providing the Board with proposals regarding salary and employment terms for the CEO. The Board decides in matters pertaining to salary and employment terms for the CEO after preparation by the Remuneration Committee. The committee decides in matters pertaining to salary and employment terms for senior officers that report directly to the CEO. The CEO and senior officers are not present when their respective remuneration terms are decided. The Remuneration Committee met twice in 2020. The Remuneration Committee regularly reports to the Board.

Deviations may be made from the Remuneration Policy in cases where there are special circumstances if the Board so decides. 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. There have been no deviations from the Remuneration Report during the 2020 financial year.

### **Comments on the Remuneration Report**

This is the first ever Remuneration Report to be considered by the AGM and therefore no previous comments have been taken into consideration.

Stockholm, 20210315