

Proposal Remuneration Report 2021

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, 2021. 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 2021 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.

For further information concerning the work of the Remuneration Committee see the corporate governance report in the Annual Report. Information regarding remuneration, employer contributions, pensions and other benefits are reported in note 9 "Employees, personnel costs and remuneration to senior officers" in the Annual Report for 2021. The same note contains remuneration to members of the Board.

2021 in summary

The year 2021 can be summarized as yet another year when we created value throughout the Nordic region with our locally produced community building. We contributed in different ways to improving everyday life where people live it. For Peab this meant growing profitably and broadly meeting our updated financial and non-financial targets.

For the financial year this entailed continued profitable growth, strong cash flow, a high level of orders received and strong financial position. Group net sales increased by five percent in 2021 and surpassed 60 billion Swedish kronor. Operating profit amounted to 3.1 billion Swedish kronor and the operating margin was 5.2 percent.

Leader in social responsibility

The non-financial targets are an expression of the responsibility we take and therefore define our prioritized sustainability aspects. As a leading Nordic community builder we have a big impact – and a big responsibility. This means always striving in our own operations to take the most sustainable route and drive sustainable development in the industry, which our targets linked to social responsibility take particular aim at. We intend to be climate neutral in 2045 and along the way we have adopted two climate targets for 2030. We also intend to take advantage of all the competence out there in society and make sure that these skilled employees can work in safe and developmental environments. This is why we have set targets for both equal opportunity and workplace accidents, ensuring our operations are focused on these important issues.

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 2018-2021.

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%
Jesper Göransson	2021	7 968	4 781	2 435	485	4 240	19 909	36,2%

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 2021. (Note that definitions and the numerical outcome of result measurements are not provided due to their business critical content).

Year	2021	2020	2019	2018
Maximum outcome	60%	60%	60%	60%
Outcome	60%	29%	42%	34%

Comment: Result measurements based on profitability, customer satisfaction and sustainability have had a positive outcome and resulted in 60 % for the year 2021.

Variable remuneration – long-term incentive program (LTI)

From time to time, senior officers may be offered to participate in a LTI program. A new LTI program was launched for the business plan period 2021-2023 with annual reconciliation with operating margin targets for the Group. The program is open to approximately 600 of the Group's key employees. In order for an employee to receive their share of the result of the LTI program the employee must still be working for Peab on December 31, 2023. For senior officers and the CEO the upper limit (excluding social security) is 40 percent of their annual basic pay. The outcome of the LTI program will be placed in a pension savings connected to the Peab share.

There was a LTI program for business plan period 2018-2020 which was annually reconciled with operating margin goals for the Group. For senior officers and the CEO the upper limit (including social security) was 40 percent of their annual basic pay.

The table below shows the LTI program for the CEO for the period 2018-2021. (Note that definitions and the numerical outcome of result measurements are not provided due to their business critical content).

Year	2021	2020	2019	2018
Operating margin, segment reporting	5,2%	6,2%	4,7%	4,9% *
Maximum outcome	40%	40%	40%	40%
Outcome	30%	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, 15 % for the year 2020 and 30 % for the year 2021. 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 – 2021)

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	Outcome	Difference between the years	Difference between the years	Difference between the years	Difference between the years
	2021	2020-2021	2019-2020	2018-2019 *	2017-2018 *
Peab's profit for the year, segment reporting	2 507	-15%	37,9%	1,8%	1,6%
Total remuneration to the CEO	19 909	23,5%	-4,1%	10,0%	-0,9%
Total remuneration to other employees	622	4,3%	5,5%	3,9%	6,4%

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

Comment: 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 2021. 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 2021 financial year.

Comments on the Remuneration Report

No comments were received from the AGM 2021.

Stockholm, 2022-03-16