

## CORPORATE GOVERNANCE REPORT.

Peab Group governance is based on the Swedish Companies Act and other relevant legislation, the Articles of Association, the listing agreement with NASDAQ OMX Stockholm and the Swedish Code of Corporate Governance (the Code).

### GROUP GOVERNANCE AND THE APPLICATION OF THE CODE

In 2008, Peab fully applied the Code and there were no deviations from the Code during the financial year.\*

The corporate governance report with the Board of Directors' report on internal auditing has not been reviewed by the company auditor and is not part of the formal financial reports.

#### THE AGM AND THE NOMINATION PROCEDURE

The AGM was held on 15 May 2008 at Grevieparken, Grevie. It was attended by 398 shareholders, representing about 75 percent of the votes either personally or through representatives.

The procedure of preparing the nomination of members of the Board of Directors (and where appropriate the auditors) for the AGM follows the nomination procedure established at the previous AGM.

At the 2008 AGM the major shareholders recommended a nomination committee consisting of the Chairman of the Board of Directors and an additional three to four members, of which two to three members should represent the major shareholders



Göran Grosskopf, Chairman of the Board

and one to two members should represent the small shareholders. The AGM elected Malte Åkerström, Göran Grosskopf, Erik Paulsson and Leif Franzon to act as Peab's nomination committee with Malte Åkerström as Chairman. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2009 AGM. An account of the work of the nomination committee is available on Peab's website.

An Extra General Meeting was held 10 November 2008 in Grevieparken, Grevie to deal with the company's major shareholders proposal that Peab AB acquire Peab Industri AB. It was attended by 169 shareholders representing about 74 percent of the votes, either personally or through representatives.

\*The code was revised per 2008-07-01, introducing a new rule stating that the majority of the nomination committee must be independent in relation to the company and executive management. Peab's nomination committee, appointed at the AGM 15 May 2008, consists of four members, one is independent. The company does not consider this to be a deviation from the Code.

#### Board meetings, attendance 2008

	13/2	15/2	4/4	14/5	15/5 <sup>1)</sup>	5/6	1/7	25/8	12/10	14/10	17/11	8/12	19/12	22/12
<b>AGM elected members</b>														
Göran Grosskopf	•	•	•	•	•	•	•	•			•	•	•	•
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Anette Brodin Rampe	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Stefan Paulsson			–	–	–	–	–	–	–	–	–	–	–	–
Lars Sköld	•	•	•	•	•	•	•	•	•	•	•	•	•	•
<b>Ordinary employee representatives</b>														
Bengt Ericsson	•	•	•	•	–	–	–	–	–	–	–	–	–	–
Kent Ericsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Patrik Svensson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
<b>Deputy employee representatives</b>														
Lars Bergman			•	•	•	•	•		•	•	•			•
David Karlsson	–	–	–	•	•			•		•	•			•
Kim Thomsen	–	–	–	–	–	–	–	•	•	•	•	•	•	•

1) Constitutional meeting

• Present      – Was not a member of the Board during the marked period of time

**THE BOARD OF DIRECTORS AND ITS WORK**

According to Peab's Articles of Association the Board of Directors must be made up of no fewer than five and no more than nine members in addition to the statutory employee representatives. The members of the Board of Directors are elected annually by the AGM. The members of the Board do not have a retirement age and there is no time limit set on membership on the Board. At the 2008 AGM the following persons were elected as members of the Board of Directors:

**RE-ELECTION**

Göran Grosskopf	Karl Axel Granlund
Mats Paulsson	Svante Paulsson
Annette Brodin Rampe	Lars Sköld

Göran Grosskopf was appointed Chairman of the Board by the AGM. At the 2008 AGM, the following employee representatives were appointed by the employee unions: Patrik Svensson, Kent Ericsson (members), Lars Bergman and David Karlsson (deputies). Kim Thomson (member) was appointed afterwards.

The Board of Directors held 15 meetings in 2008, of which five were ordinary meetings of the Board (including the constitutional meeting), five meetings of the Board were held by telephone and five were held per capsulam.

Members of the executive management submitted reports at the meetings of the Board of Directors. The company auditor was present at two of the ordinary meetings of the Board. The Board's work follows the work program adopted by the Board of Directors at the constitutional meeting. The Board evaluates its work on an annual basis.

The members of the Board of Directors elected by the shareholders are compensated in accordance with decisions taken by the AGM.

Peab's CEO, Mats Paulsson, who is also one of the company's major shareholders, is a member of the Board of Directors. The majority of the elected members of the Board of Directors (Göran Grosskopf, Karl-Axel Granlund and Annette Brodin Rampe and Lars Sköld) are independent in relation to the company and group management. They are also independent in relation to the company's major owners. Mats Paulsson and Svante Paulsson are regarded as dependent in relation to the company and the group management.

**THE AUDIT COMMITTEE***MEMBERS IN 2008*

Göran Grosskopf, Chairman, Karl-Axel Granlund, Lars Sköld, Svante Paulsson and Annette Brodin Rampe.

Peab's audit committee consists of all the members of the

Board of Directors appointed by the AGM except Mats Paulsson.

The audit committee prepares the work of the Board of Directors by ensuring the quality of company financial reports, establishing guidelines for which other services besides auditing the company may procure from the company auditor, maintaining regular contact with the company auditor regarding the scope, focus and view of company risks, evaluating the auditing work and informing the nomination committee of the evaluation and assisting the nomination committee in producing proposals for auditors and remuneration for auditing work. The audit committee met twice in 2008. Both times all members of the committee attended, as well as the company auditor.

The audit committee regularly reports to the Board of Directors.

**THE FINANCE COMMITTEE***MEMBERS IN 2008*

Göran Grosskopf, Chairman, Karl-Axel Granlund and Mats Paulsson

The finance committee handles and makes decisions on financial matters in accordance with the Finance Policy established by the Board of Directors. Executive management representatives attend and submit reports to the finance committee meetings. The finance committee met 6 times during 2008. At one meeting one member did not attend, otherwise all members of the committee participated every time. The finance committee regularly reports to the Board of Directors.

**THE REMUNERATION COMMITTEE***MEMBERS IN 2008*

Göran Grosskopf, Chairman, Karl-Axel Granlund and Mats Paulsson

The remuneration committee prepares guidelines and the framework for Group executives regarding salaries and other terms of employment. The remuneration committee met twice during the financial year. Each time all members of the committee participated.

The remuneration committee regularly reports to the Board of Directors.

**REMUNERATION TO EXECUTIVE MANAGEMENT**

The 2008 Annual General Meeting approved the Remuneration Policy for Executive Management. The remuneration policy is available on Peab's website, [www.peab.se](http://www.peab.se). Information about salaries and other remuneration to the CEO and members of executive management can be found in note 8 in the Annual Report, page 60.

**INCENTIVE PROGRAM**

Peab has no outstanding share or share-related incentive programs for the Board of Directors or group management.

**AUDITORS**

Under Peab's articles of association one or two auditors with a similar number of deputies are elected by the AGM for a period of four years. At the AGM in 2007, the authorised public accountant Alf Svensson, KPMG, was appointed company auditor and authorised public accountant Dan Kjellqvist, KPMG, was appointed deputy auditor for the company. Besides auditing, Alf Svensson, Dan Kjellqvist and KPMG have only provided services for Peab in the form of auditing and tax consultancy and certain analyses in connection with acquisitions and divestments over the last three years.

**EXECUTIVE MANAGEMENT**

The CEO leads the company according to the framework established by the Board of Directors and is responsible for daily administration and control of the Group. By working with a management forum throughout the Group, an efficient decision making process is achieved, as well as good communication. The management forum consists of executive management and the management group.

Executive management is comprised of the CEO and the deputy CEOs of Peab AB. Meetings are held once a month to discuss strategy and developments to improve profitability. The management group consists of executive management, operational managers, the operational finance manager and Peab's lawyer. Managers in the support functions are called in as needed. Meetings are held once a month and address issues concerning structure and coordination.

**BUSINESS GOVERNANCE**

Peab's organisation is characterised by its clearly decentralisation production focus and delegation of authority and responsibility in order to achieve efficient management and control in each business area. The support functions support the activities of all Peab Group companies.

**ETHICAL GUIDELINES**

Peab has for years founded its ethical work on Peab's core values; Down-to-Earth, Developing, Personal and Reliable. These core values form the basis of "Peab's Ethical Guidelines", established by the executive management. We work to constantly to spread and establish Peab's Ethical Guidelines throughout the organisation.

**THE BOARD OF DIRECTORS' REPORT ON INTERNAL AUDITING AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING**

Peab's Board of Directors is responsible for ensuring that there are efficient procedures for the management and control of the Group regarding financial reporting. The CEO is responsible for

ensuring that internal control is organised and follows the guidelines laid down by the Board of Directors. There is a clear set of rules in the Group for the delegation of responsibility and authority which follows the Group's operative structure. Financial management and control is performed by the support function Group Accounting/Finance together with the support function Operative accounting.

The Board of Directors' guidelines for financial reporting were laid down in the internal auditing policy. This policy establishes the way in which the internal control of financial reporting is to be organised, reviewed and assessed based on the following factors:

- control environment
- risk assessment
- information and communication
- control structure

Executive management with the support of Group functions Operative accounting and Group Accounting/Finance are responsible for ensuring that all business units in the Group follow the policy. The CEO is responsible for ensuring that financial reporting is presented to the Board of Directors at the first ordinary meeting of the Board of Directors after the end of the respective financial year.

The Board of Directors has assessed the need for an internal auditing department and determined that the existing control structure together with the scope of the Group's operations do not motivate establishment of an internal auditing department.