

CORPORATE GOVERNANCE REPORT 2009.

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).

The Corporate Governance Report with the Board of Directors' Report on internal control is not a part of the formal Annual Report and has not been reviewed by the company's auditors.

THE ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE

The Annual General Meeting (AGM) was held on 14 May 2009 at Grevieparken, Grevie. It was attended by 396 shareholders, representing about 77 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 2009 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 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 2010 AGM. An account of the work of the nomination committee is available on Peab's website.



Göran Grosskopf, Chairman of the Board

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. At the 2009 AGM the following persons were elected as members of the Board of Directors:

Re-election	New member
Göran Grosskopf	Fredrik Paulsson
Karl-Axel Granlund	
Mats Paulsson	
Svante Paulsson	
Annette Brodin Rampe	
Lars Sköld	

Board meetings, attendance 2009

	22/1	11/2	3/4	16/4	14/5	14/5 ¹⁾	24/6	7/7	24/8	12/10	25/11	
AGM elected members												
Göran Grosskopf	•	•	•	•	•	•	•	•	•	•	•	
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•	
Annette Brodin Rampe	•	•	•	•	•	•	•	•	•	•	•	
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•	
Fredrik Paulsson	—	—	—	—	—	•	•	•	•	•	•	
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•	
Lars Sköld	•	•	•	•	•	•	•	•	•	•	•	
Ordinary employee representatives												
Kent Ericsson		•	•	•	•	•	•	•	•	•	•	
Patrik Svensson	•	•	•	•	•	•	•	•	•	•	•	
Kim Thomsen	•	•	•	•	•	•	•	•	•	•	•	
Deputy employee representatives												
Lars Bergman			•	•	•	•			•	•	•	
David Karlsson	•	•	•	•	•	•			•	•		

1) Constitutional meeting

• Present — Were not members of the Board during the marked period

Göran Grosskopf was appointed Chairman of the Board by the AGM. At the 2009 AGM, the following employee representatives were appointed by the employee unions: Kent Ericsson, Patrik Svensson and Kim Thomsen (members), Lars Bergman and David Karlsson (deputies).

The Board of Directors held eleven meetings in 2009, of which five were ordinary meetings of the Board (including the constitutional meeting), two meetings of the Board were held by telephone and four were held per capsulam.

Members of the executive management submitted reports at the meetings of the Board of Directors. The company auditors were 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 executive management. They are also independent in relation to the company's major owners. Mats Paulsson, Fredrik Paulsson and Svante Paulsson are regarded as dependent in relation to the company and the executive management.

THE AUDIT COMMITTEE

Members In 2009

Göran Grosskopf, Chairman, Karl-Axel Granlund, Lars Sköld, Fredrik Paulsson, 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 the CEO.

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 be procured from the company auditors, maintaining regular contact with the company auditors regarding the scope and 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 auditing committee met once in 2009. All members of the committee attended, as well as the company auditors. The audit committee reports to the Board of Directors.

THE FINANCE COMMITTEE

Members in 2009

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 three times during 2009. All members attended all meetings. The finance committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

Members in 2009

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 in 2009. Each time all members of the committee participated.

The remuneration committee regularly reports to the Board of Directors.

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2009 Annual General Meeting approved the Remuneration Policy for executive management. The remuneration policy is available on Peab's website, www.peab.com. 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 62.

INCENTIVE PROGRAM

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

AUDITORS

Under Peab's Articles of Association one or two auditors with a similar number of deputies are elected by the AGM. At the AGM in 2009 the following authorized public accountants were elected until the AGM 2013:

Auditors

Alf Svensson, KPMG (re-election)
Thomas Thiel, KPMG (new member)

Deputy auditors

Dan Kjellqvist, KPMG (re-election)
David Olow, KPMG (new member)

In addition to auditing, the only services the auditors, deputy auditors and KPMG have provided Peab with over the last three years where accounting and tax consultancy as well as analyses in connection with acquisitions and divestments.

GROUP MANAGEMENT

The President and 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. The President

has appointed a Vice-President who is responsible for the company's operations. Executive management consists of the President, Vice-President, Deputy CEO responsible for HR and communication, Deputy CEO responsible for Business development and the Deputy CEO responsible for Finance and treasury.

Executive management meetings are held once a month and address issues of strategy. At the meetings the executive management advisory board, consisting of the Deputy CEO responsible for IR, investments and structural business as well as the head of acquisitions of businesses and machinery and equipment are called in when discussing issues concerning these areas. Representatives of Group staff are called in when needed.

Executive management together with the divisional managers make up Group management. Representatives of Group staff are called in to Group management meetings when needed. Group management meets once a month to discuss strategic and operative issues.

Group staff, which support the entire Peab Group are divided into three teams; HR and communication, Finance and treasury and Business development. Each team meets once a month.

BUSINESS AREA 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.

Control is ensured through a clear line of decision for every type of major decision which requires special approval by executive management or a delegated organ. These are the acquisition of development property, businesses and other major investments, predetermined levels of tenders for individual positions, central authorised signatories through at least one person from either executive management or the limited circle approved by the Board as authorised signatories.

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 steering and control is performed by Group staff Finance and treasury.

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

The executive management with the support of Group staff Finance and treasury are responsible for ensuring that all business units in the Group follow the policy. The CEO is responsible for ensuring that financial reporting is reported 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.

DEVIATIONS FROM THE CODE

Peab has elected to make the following deviations from the code.

CODE RULE 2:3

The majority of the nomination committee's members shall be independent in relationship to the company and company management.

DEVIATION

Peab's nomination committee has four members. Half of the nomination committee's members are independent in relationship to the company and company management. In other words, the majority of the nomination committee's members are not independent in relationship to the company and company management.

EXPLANATION TO THE DEVIATION

In accordance with the major shareholders' proposal Peab's nomination committee consists of the Chairman of the Board and three to four other members, of which two to three represent the major shareholders and one to two represent minority shareholders. The nomination committee mirrors Peab's shareholder structure in general and the equal balance between members who are independent and dependent in relationship to the company and company management is believed to contribute to balance in the work performed by the nomination committee.