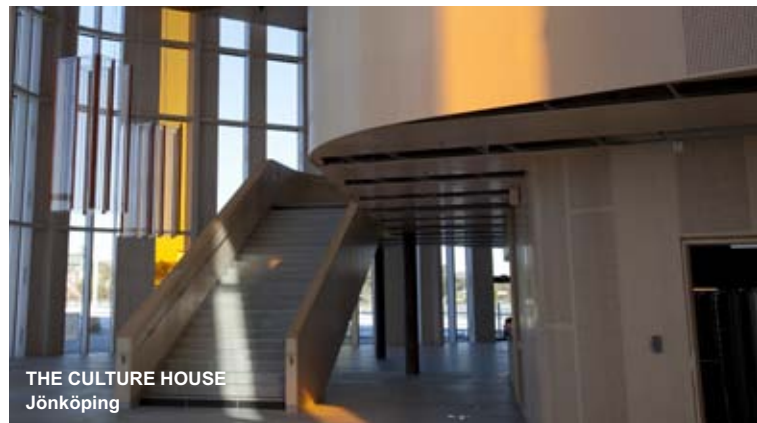


## Corporate governance and the Code

Governance of the Peab Group is based on the Company Act and other relevant laws, Peab's Articles of Association, the regulations for Nasdaq OMX Stockholm issuers and the Swedish Code of Corporate Governance "The Code". The corporate governance report is not a part of the financial reports.

ASTRAZENECA  
Möndal



THE CULTURE HOUSE  
Jönköping



THE TUREBERG CHURCH  
Sollentuna



The corporate governance report is not a part of the financial reports. The company's auditors read the corporate governance report and acknowledge that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the rest of the Annual Report and Group accounts.

## The Annual General Meeting and the nomination procedure

The Annual General Meeting (AGM) was held on 10 May 2011 at Grevieparken, Grevie. It was attended by 529 shareholders, representing over 76 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 2011 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 smaller 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. Leif Franzon passed away in the autumn of 2011. The nomination committee decided not to replace Leif Franzon during the mandate period up until the AGM 2012. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2012 AGM. An account of the work of the nomination committee will be available on Peab's website.



Göran Grosskopf, Chairman of the Board of Directors

## 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 2011 AGM the following persons were elected as members of the Board of Directors:

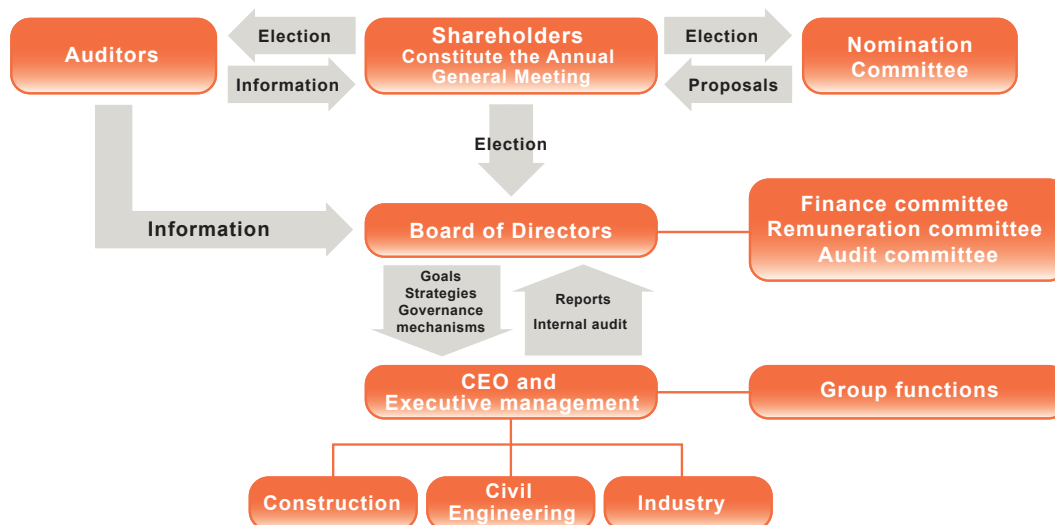
Re-election	New member
Göran Grosskopf	Anne-Marie Pålsson
Karl Axel Granlund	
Fredrik Paulsson	
Mats Paulsson	
Svante Paulsson	
Annette Brodin Rampe	
Lars Sköld	

### Board meetings, attendance 2011

AGM elected members	15/2	16/3	24/3	4/4	10/5	10/5	10/5 <sup>1)</sup>	23/6	22/8	18/9	22/11
Göran Grosskopf	•	•	•	•	•	•	•	•	•		•
Mats Paulsson	•	•	•	•	•	•	•	•	•	•	•
Anette Brodin Rampe	•	•	•		•	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•	•	•
Fredrik Paulsson	•	•	•	•	•	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•	•	•
Anne-Marie Pålsson <sup>2)</sup>							•	•	•	•	
Lars Sköld	•	•	•	•	•	•	•	•	•	•	•
<b>Ordinary employee representatives</b>											
Patrik Svensson	•	•	•	•	•	•	•	•	•	•	•
Kim Thomsen	•	•	•	•	•	•	•	•	•	•	•
Kent Ericsson <sup>3)</sup>	•	•		•							
David Karlsson <sup>4)</sup>					•	•	•		•		
Lars Modin <sup>5)</sup>										•	•

1) Constitutional meeting. 2) Elected 2011-05-01. 3) Left 2011-05-10 4) Joined 2011-05-10, 4) Left 2011-09-01. 5) Joined 2011-09-01.

• Present



Göran Grosskopf was appointed Chairman of the Board by the AGM. At the 2011 AGM, the following employee representatives were appointed by the employee unions: Patrik Svensson, Kim Thomsen and David Karlsson (members), Lars Bergman and Lars Modin (deputies). David Karlsson left his place when he left the company on 31 August 2011 and Lars Modin was elected a Board member. At the same time Monica Mattsson was elected a deputy member.

The Board of Directors held eleven meetings in 2011, of which five were ordinary Board meetings (including the constitutional meeting), six were additional Board meetings, one where they met physically, three were held per telephone and two were held per capsulam.

Members of executive management have 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.

Mats Paulsson, Peab's CEO up to the AGM 2011, and 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 executive management.

## The Audit Committee

Members in 2011 were, Göran Grosskopf, Chairman, Karl-Axel Granlund, Fredrik Paulsson, Mats Paulsson (from 2011-05-10), Svante Paulsson, Anne-Marie Pålsson (from 2011-05-10), Lars Sköld and Annette Brodin Rampe

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 accountant, maintaining regular contact with the company accountant regarding the scope and focus as well as their 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 2011. All members of the committee attended, as well as the company accountants. The audit committee regularly reports to the Board of Directors.

## The Finance Committee

Members in 2011 were 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 eight times during 2011. All members attended all meetings. The finance committee regularly reports to the Board of Directors.

## The Remuneration Committee

Members in 2011 were Göran Grosskopf, Chairman, Karl-Axel Granlund, Mats Paulsson

The remuneration committee prepares guidelines and the framework for Group executives regarding salaries and other terms of employment. The remuneration committee met four times in 2011. Each time all members of the committee participated. The remuneration committee regularly reports to the Board of Directors.

## Remuneration to executive management

The 2011 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 57, and on our website.

## 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 an equal number of deputies are elected by the AGM. At the AGM in 2009 the following certified public accountants were elected until the AGM 2013:

<i>Accountants</i>	Alf Svensson, KPMG (re-election) Thomas Thiel, KPMG (re-election)
<i>Deputy accountants</i>	Dan Kjellqvist, KPMG (re-election) David Olow, KPMG (new member)

In addition to auditing, the accountants, deputy accountants and KPMG have only provided services for Peab in the form of accounting and tax advisement and certain analyses in connection with acquisitions and divestments over the last three years.

## Group management

Mats Paulsson was President and CEO until the Annual General Meeting 2011. Jan Johansson (previously Vice President and CEO) was then elected President and CEO.

The President and CEO leads the company according to the framework established by the Board of Directors and is responsible for the administration and control of the Group. Since the Annual General Meeting 2011 executive management consists of the

CEO, a Deputy CEO responsible for strategy and HR, a Deputy CEO responsible for construction operations and a Deputy CEO responsible finance and treasury.

Executive management meetings are held once a month and address issues of strategy and tactics to improve operations. Heads of Group staff teams and other officers are called to attend meetings when needed. Executive management, together with the divisional managers, make up Group management. Representatives of Group staff teams are called to Group management meetings when needed. Group management meets once a month to discuss matters pertaining to Peab's operative business.

Group staff, which supports the entire Peab Group, has been divided into the following teams since September 2011:

- Strategy and HR
- Finance and treasury
- Acquisitions and investments
- Communication
- Purchasing and logistics
- Operations development

## Business area governance

Executive management sets overriding goals and strategies for the business in the Group's business plan. This is then broken down and worked with in the different business areas and divisions, companies and regions that set their own business plans.

Peab's organization is characterized by its clearly decentralized 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 authority for every type of major decision. This includes the requirement for special approval by executive management, or an organ delegated by it, for the acquisition of development property, businesses and other major investments, predetermined levels of bidding for individual positions, all signing for the company which is centrally authorized and requires at least one person from either executive management or the limited circle approved by the Board as authorized signatories.

## Ethical guidelines

Peab founded its ethical work on Peab's core values reliable, personal, down-to-earth and developing many years ago. These core values form the basis of Peab's ethical guidelines, established by the executive management. We work continuously to spread and root Peab's ethical guidelines throughout the organization. Over 3,000 leaders and other officers have gone through the program between 2009 – 2011, almost 2,000 of them in 2011.

## The Board of Directors' description of internal control and risk management concerning 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 organized 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 Finance & Treasury.

The Board of Directors' guidelines for internal control concerning financial reporting were laid down in the Internal Control Policy. This policy establishes the way in which the internal control of financial reporting is organized, reviewed and assessed based on the following factors:

- Control environment
- Risk assessment
- Information and communication
- Control structure
- Evaluation/follow-up

Executive management with the support of Group staff Group 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 every 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 member must be independent in relationship to the company and company management.

### Deviation

Peab's nomination committee has four members. Two are independent and two are not. (Of the remaining members after the death of one of the independent members in the autumn of 2011 of the remaining members one is independent and two are not). The majority of the nomination committee's members are not independent in relationship to the company and company management.

### Explanation of the deviation

This elected representation is believed capable of addressing the interests of all shareholders in the company despite the fact that one independent member was unable to complete his term.

### CODE RULE 9:2

The Chairman of the Board may chair the remuneration committee. Other members elected by the AGM must be independent in relation to the company and Group Management.

### Deviation

Mats Paulsson, who is a member of the remuneration committee, is not independent in relation to the company and Group Management.

### Explanation of the deviation

The Board wishes to take advantage of the long and unique experience in matters of compensation for senior officers that founder and former CEO of Peab, Mats Paulsson, has. The majority of the members of the remuneration committee are independent in relation to the company and Group management and this is believed to guarantee the objectivity and independence of the remuneration committee.

## Auditors' statement on the corporate governance report

### TO THE ANNUAL GENERAL MEETING OF PEAB AB (PUBL)

Company ID nr. 556061-4330

The Board of Directors and the Chief Executive Officer are responsible for the corporate governance report 2011 on pages 89-93 and that it has been prepared according to the Annual Accounts Act.

We have read the corporate governance report and based on this reading and our knowledge of the company and the Group we believe we have sufficient grounds for our statement. This means that our statutory review of the corporate governance report has a different focus and a much more narrow scope than compared to the focus and scope of an audit according to the International Standards on Auditing and the professional code for auditors in Sweden.

In our opinion a corporate governance report has been prepared, and its legal contents agree with the annual accounts and Group accounts.

Förlöv, 2 April, 2012



Alf Svensson  
Authorized Public Accountant



Thomas Thiel  
Authorized Public Accountant