

# Corporate governance report

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.

## CORPORATE GOVERNANCE AND THE CODE

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 annual accounts and Group accounts.

## THE ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE

The Annual General Meeting (AGM) was held on 15 May 2012 at Grevieparken, Grevie. It was attended by 399 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 2012 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 (reelection), Göran Grosskopf (reelection), Bengt Johansson (new election) and Magnus Swärdh (new election) to act as Peab's nomination committee with Bengt Johansson as Chairman. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2013 AGM. An account of the work of the nomination committee will be available on Peab's website.

## 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 2012 AGM the following persons were reelected as members of the Board of Directors:

- Göran Grosskopf
- Karl Axel Granlund



Göran Grosskopf, Chairman of the Board

- Fredrik Paulsson
- Mats Paulsson
- Svante Paulsson
- Anne-Marie Pålsson
- Annette Brodin Rampe
- Lars Sköld

Göran Grosskopf was appointed Chairman of the Board by the AGM.

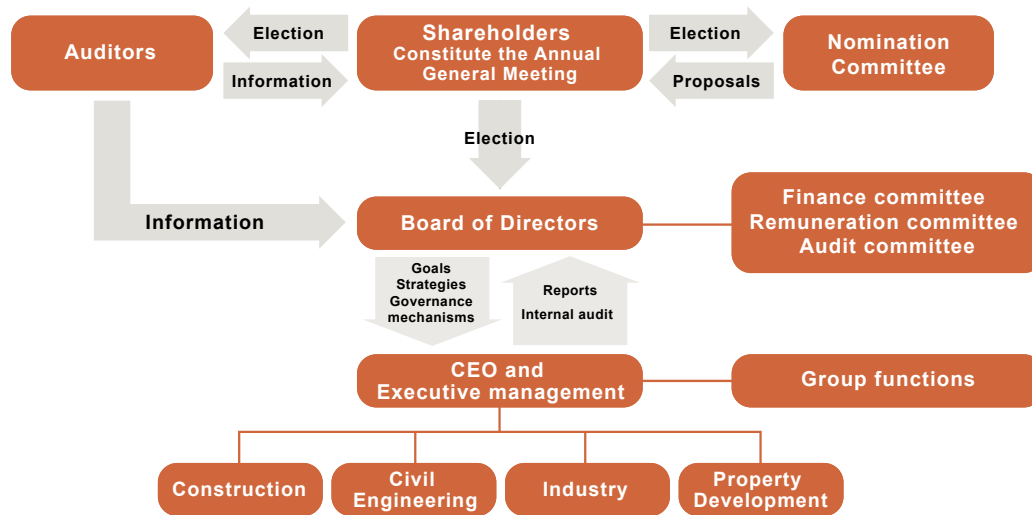
The following employee representatives were appointed by the employee unions at the 2012 AGM: Patrik Svensson, Kim Thomsen and Lars Modin (members), Lars

## Board meetings, attendance 2012

AMG elected members	30/1	14/2	2/4	15/5	15/5 <sup>1)</sup>	22/5	9/7	20/8	14/11
Göran Grosskopf	•	•	•	•	•	•	•	•	•
Mats Paulsson	•	•	•	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•	•	•	•
Fredrik Paulsson	•	•	•	•	•	•	•	•	•
Svante Paulsson	•	•	•	•	•	•	•	•	•
Anne-Marie Pålsson	•	•	•	•	•	•	•	•	•
Anette Brodin Rampe	•	•	•	•	•	•	•	•	•
Lars Sköld	•	•	•	•	•	•	•	•	•
<b>Employee representatives</b>									
Patrik Svensson, member	•	•	•	•	•	•	•	•	•
Kim Thomsen, member	•	•	•	•	•	•	•	•	•
Lars Modin, member	•	•	•	•	•	•	•	•	•
Lars Bergman, deputy		•					•		•
Monica Mattson, deputy		•	•	•	•	•	•	•	•

1) Constitutional Board meeting

• Attendance



Bergman and Monica Mattson (deputies).

The Board of Directors held nine meetings in 2012, of which five were ordinary Board meetings (including the constitutional meeting). There were four additional Board meetings, three were held per telephone and one was held per capsulam.

Members of executive management have given reports at the Board meetings. The company auditor was present at two of the ordinary Board meetings. 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.

The majority of the AMG elected members of the Board of Directors (Göran Grosskopf, Karl-Axel Granlund, Anne-Marie Pålsson, 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 2012

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Fredrik Paulsson
- Mats Paulsson
- Svante Paulsson
- Anne-Marie Pålsson
- Annette Brodin Rampe
- Lars Sköld

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 twice in 2012. All members of the committee attended, as did the company accountants. The audit committee regularly reports to the Board of Directors.

#### THE FINANCE COMMITTEE Members in 2012

- Göran Grosskopf, Chairman,
- Karl-Axel Granlund
- 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 give reports to the finance committee meetings. The finance committee met nine times during 2012. All members attended all meetings. The finance committee regularly reports to the Board of Directors.

#### THE REMUNERATION COMMITTEE Members in 2012

- 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 once in 2012. All members

of the committee participated. The remuneration committee regularly reports to the Board of Directors.

#### REMUNERATION TO EXECUTIVE MANAGEMENT

The 2012 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 9 in the Annual Report, page 56, 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:

##### Accountants

- Alf Svensson, KPMG (reelection)
- Thomas Thiel, KPMG (new election)

##### Deputy accountants

- Dan Kjellqvist, KPMG (reelection)
- 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

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. Executive management has during 2012 consisted of the CEO, the Deputy CEO responsible for Finance and treasury, the Deputy CEOs and Business Area Managers of Construction, Civil Engineering, Industry and Property Development, the HR Director and the Head of Strategy.

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.

**BUSINESS AREAS**

Group operations are run in four business areas: Construction, Civil Engineering, Industry and Property Development. Each business area has a management team led by the BA Manager and consisting otherwise of operational managers in the business area and staff members.

**GROUP STAFF**

Group staff, which supports both executive management and operations in the business areas, strategically and in day-to-day operations, is been divided into the following teams:

- Finance and treasury

- HR
- Purchasing and logistics
- Strategy and business support
- Operations development
- Communication

The staff teams work independently with defined goals and coordinate their work in dialogue with each other.

**BUSINESS 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 that set up their own business plans for divisions, regions and companies.

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 which 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 for bidding for individual positions,

- centrally determined principles for board appointments and signing for the company.

**ETHICAL GUIDELINES**

Peab founded its ethical work on Peab's core values; Down-to-earth, Developing, Personal and Reliable many years ago. These core values form the basis of "Peab's Ethical Guidelines" established by executive management. We work continuously to spread and root Peab's Ethical Guidelines throughout the organization.

**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 and 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:

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

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. In 2012 work on strengthening the central coordination of internal control and risk management was initiated. 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 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 2012 on pages 86-89 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, 3 April 2013

Alf Svensson  
Authorized Public Accountant

Thomas Thiel  
Authorized Public Accountant