

# Corporate governance report 2014

## CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE REPORT

Corporate governance is the decision systems that owners use to govern the company directly or indirectly. On the one hand these systems consist of external laws and regulations such as the Company Act and other relevant laws, the regulations for Nasdaq Stockholm issuers and the Swedish Code of Corporate Governance and on the other hand they consist of Peab's Articles of Association as well as Peab's own internal regulations and policies that the Board of Directors and executive management decide on.

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 13 May 2014 at Grevieparken, Grevie. It was attended by 386 shareholders, representing over 74 percent of the votes, either personally or through representatives.

The procedure of preparing the nomination of members of the Board of Directors and the auditor for the AGM follows the nomination procedure established at the previous AGM.

At the 2014 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, Magnus Svärth and Mats Rasmussen, all reelected, to act as Peab's nomination committee with Magnus Svärth as Chairman. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2015 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. It was decided at the 2014 AGM that the Board of Directors should consist of seven members chosen by the



Göran Grosskopf, Chairman of the Board

AGM and the following persons were elected as members of the Board of Directors;

- Göran Grosskopf (reelection)
- Karl Axel Granlund (reelection)
- Fredrik Paulsson (reelection)
- Mats Paulsson (reelection)
- Lars Sköld (reelection)
- Kerstin Lindell (new election)
- Nina Udnes Tronstad (new election)

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

The following employee representatives were appointed by the employee unions at the 2014 AGM; Patrik Svensson, Kim Thomsen and Lars Modin (members), Torsten Centerdal and Kristina Bengtsson (deputies).

## Board meetings, attendance 2014

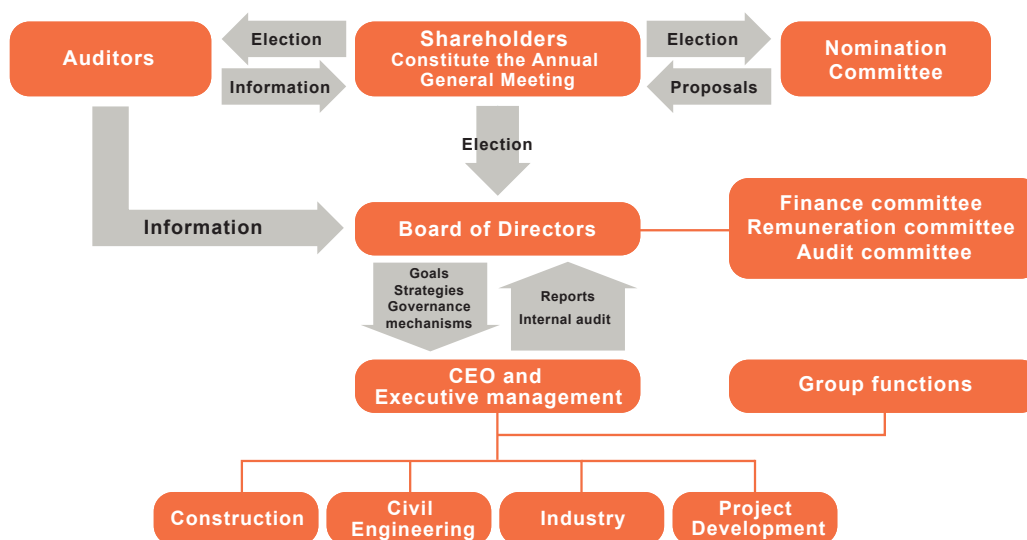
AGM elected members	12/2	4/4	13/5	13/5 <sup>1)</sup>	21/8	13/11
Göran Grosskopf	•	•	•	•	•	•
Mats Paulsson	•	•	•	•	•	•
Karl-Axel Granlund	•	•	•	•	•	•
Fredrik Paulsson	•	•	•	•	•	•
Svante Paulsson <sup>2)</sup>	•	•	•			
Anne-Marie Pålsson <sup>2)</sup>	•	•	•			
Anette Brodin Rampe <sup>2)</sup>	•	•				
Lars Sköld	•	•	•	•	•	•
Kerstin Lindell <sup>3)</sup>				•	•	•
Nina Udnes Tronstad <sup>3)</sup>				•	•	•
<b>Employee representatives</b>						
Patrik Svensson, ordinary	•	•	•	•	•	
Kim Thomsen, ordinary		•			•	
Lars Modin, ordinary	•	•	•	•	•	•
Torsten Centerdal, deputy	•	•	•	•	•	•
Kristina Bengtsson, deputy	•	•	•	•	•	•

<sup>1)</sup> Constitutional Board meeting.

<sup>2)</sup> Left 13/5 during the regular AGM.

<sup>3)</sup> Began 13/5 during the regular AGM.

• Attendance



The Board of Directors held six meetings in 2014, five of which were ordinary Board meetings (including the constitutional meeting) and one additional Board meeting, which was held per telephone.

Members of executive management have given reports at the Board meetings. The company's auditors were present at one of the ordinary Board meetings before the AGM in 2014. After the AGM the principle company accountant was present at one Board meeting. The Board's work follows the work program adopted by the Board of Directors. 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 AGM elected members of the Board of Directors (Göran Grosskopf, Karl-Axel Granlund, Kristina Lindell, Lars Sköld and Nina Udnes Tronstad) are independent in relation to the company and executive management. They are also independent in relation to the company's major owners. Mats Paulsson and Fredrik Paulsson are regarded as dependent in relation to the major shareholders as well as the company and executive management.

#### THE AUDIT COMMITTEE Members in 2014

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Fredrik Paulsson
- Mats Paulsson
- Svante Paulsson <sup>1)</sup>
- Anne-Marie Pålsson <sup>1)</sup>
- Lars Sköld
- Annette Brodin Rampe <sup>1)</sup>
- Kerstin Lindell <sup>2)</sup>
- Nina Udnes Tronstad <sup>2)</sup>

<sup>1)</sup> Member until the AGM 13/5 2014.

<sup>2)</sup> Member since the constitutional Board Meeting after the AGM 13/5 2014.

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 accountants, 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 2014. All members of the committee attended the meeting as well as the principle company accountant. The audit committee regularly reports to the Board of Directors.

#### THE FINANCE COMMITTEE Members in 2014

- 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 2014. All members attended all meetings. The finance committee regularly reports to the Board of Directors.

#### THE REMUNERATION COMMITTEE Members in 2014

- 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 and it provides the Board of Directors with a proposal regarding the CEO's salary and other terms. The remuneration committee also decides the salaries and other terms for other members of executive management based on proposals from the CEO. The remuneration committee met twice in 2014. All members of the committee participated. The remuneration committee regularly reports to the Board of Directors.

#### REMUNERATION TO EXECUTIVE MANAGEMENT

The 2014 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 52 and on our website.

#### INCENTIVE PROGRAM

Peab has no outstanding share or share-related incentive programs for the Board of Directors or 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 2014 KPMG was elected the company auditor with the authorized public accountant Thomas Thiel as principle company accountant until the AGM 2015.

In addition to auditing, the accountant has 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.

#### EXECUTIVE 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 consists of the CEO, the CFO, the Business Area Manager of Construction and COO, the Business Area Manager of Civil Engineering and Industry, Business Area Manager of Project Development and the HR Director.

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 Project 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, are been divided into the following teams;

- Finance and treasury
- HR
- Purchasing
- Information
- CSR/Corporate Social Responsibility

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 then is broken down and worked with in the different business areas, regions and companies that make 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 which includes requiring special approval by executive management, or an organ delegated by it. This refers to the acquisition/divestiture of development property, businesses and other major investments as well as predetermined levels for bidding for individual positions. Principles for board appointments and signing for the company are centrally determined.

#### 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. Processes and tools for internal steering and control is provided and coordinated by the Group function 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;

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

The CEO has the comprehensive responsibility for an efficient control environment and good internal control in the Group. It is the responsibility of each Business Area Manager to ensure good internal control in their respective area and they need also to ensure that everyone works in accordance with the Group policies, systems and routines.

The CEO is responsible for evaluating the financial reporting at the first ordinary meeting of the Board of Directors after the end of the financial year.

The Board of Directors has assessed the need for an internal auditing department. The established control structure in Peab ensures sufficient management and control of the Group. At this time there is therefore no need for an internal auditing function in the company.

#### 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 are responsible for the corporate governance report 2014 on pages 87-89 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.

Förslöv, April 7, 2015  
KPMG AB



Thomas Thiel  
*Authorized Public Accountant*