

# Corporate governance report 2015

## **CORPORATE GOVERNANCE AND THE CORPORATE GOVERNANCE REPORT**

Corporate governance is the decision-making 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 auditor 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.

## **SHAREHOLDERS, THE ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE**

The Annual General Meeting (AGM) is the highest decision-making organ in Peab. All shareholders can use their right to vote at the AGM. The shareholders also have the right to ask questions and have opinions about Peab's business at the AGM.

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.



The AGM was held on 13 May 2015 at Grevieparken, Grevie. It was attended by 471 shareholders, representing over 71 percent of the votes, either personally or through representatives. The AGM elected Malte Åkerström, Göran Grosskopf, Mats Rasmussen, all reelected, and Ulf Liljedahl, new election, to act as Peab's nomination committee with Ulf Liljedahl as Chairman. The nomination committee's proposals will be presented to shareholders in the notice to attend the 2016 AGM. An account of the work of the nomination committee will be available on Peab's website.

#### THE BOARD OF DIRECTORS AND ITS WORK

Peab's Board of Directors is ultimately responsible for the business. 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 2015 AGM that the Board of Directors should consist of seven members chosen by the AGM and the following persons were elected as members of the Board of Directors (all reelected);

- Göran Grosskopf
- Karl Axel Granlund
- Fredrik Paulsson
- Mats Paulsson
- Lars Sköld
- Kerstin Lindell
- Nina Udnes Tronstad

Göran Grosskopf was appointed Chairman of the Board by the AGM. The members of the Board of Directors elected by the shareholders are compensated in accordance with decisions taken by the AGM.

The following employee representatives were appointed by the employee unions at the 2015 AGM; Patrik Svensson, Kim Thomsen and Lars Modin (members), Torsten Centerdal and Kristina Bengtsson (deputies).

The Board of Directors held eight meetings in 2015, of which six were ordinary Board meetings (including the constitutional meeting) and two additional Board meetings, which were held per capsulam.

Members of executive management have given reports at the Board meetings. The principle company accountant was present at two Board meetings. The Board's work follows the work program adopted by the Board of Directors. The Board evaluates its work on an annual basis.

#### THE AUDIT COMMITTEE

Members in 2015:

- Göran Grosskopf, Chairman
- Karl-Axel Granlund
- Fredrik Paulsson
- Mats Paulsson
- Lars Sköld
- Kerstin Lindell
- Nina Udnes Tronstad

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 twice in 2015. 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 2015:

- 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 six times during 2015. All members attended all meetings, except for one when the Chairman could not be present. The finance committee regularly reports to the Board of Directors.

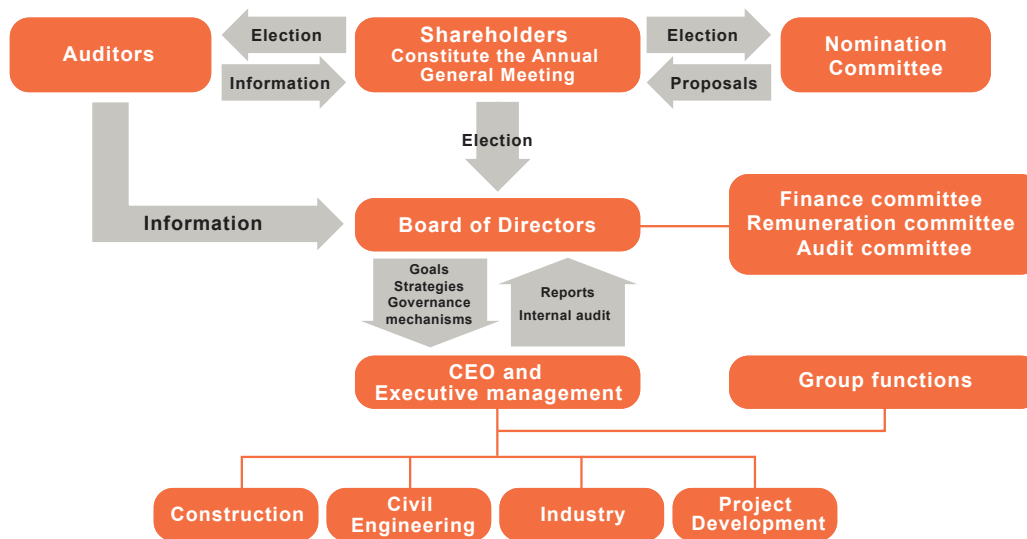
#### THE REMUNERATION COMMITTEE

Members in 2015:

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

## Board meetings, attendance 2015

AGM elected members	Independent in relation to the company and executive management	Independent in relation to the major share-holders	Attendance board meetings	Audit committee	Presence audit committee	Remuneration committee	Presence remuneration committee	Finance committee	Presence finance committee
Göran Grosskopf	Yes	Yes	100%	C	100%	C	100%	C	83%
Mats Paulsson	No	No	100%	M	100%	M	100%	M	100%
Karl-Axel Granlund	Yes	Yes	100%	M	100%	M	100%	M	100%
Fredrik Paulsson	No	No	100%	M	100%				
Lars Sköld	Yes	Yes	100%	M	100%				
Kerstin Lindell	Yes	Yes	100%	M	100%				
Nina Udnes Tronstad	Yes	Yes	88%	M	100%				
<b>Employee representatives</b>									
Patrik Svensson, ordinary			100%						
Kim Thomsen, ordinary			25%						
Lars Modin, ordinary			100%						
Torsten Centerdal, deputy			100%						
Kristina Bengtsson deputy			100%						
C - Chairman									
M - Member									



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, in accordance with the remuneration policy established each year by the AGM. 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 2015. All members of the committee participated. The remuneration committee regularly reports to the Board of Directors.

**REMUNERATION TO EXECUTIVE MANAGEMENT**

The 2015 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 64 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 2015 KPMG was elected the company auditor with the authorized public accountant Thomas Thiel as principle company accountant until the AGM 2016.

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, HR Director, the Business Area Manager of Construction and COO, the Business Area Manager of Civil Engineering and Industry and the Business Area Manager of Project Development.

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 MANAGEMENT**

Executive management adopts comprehensive goals and strategies for the business in the Group business plan. This is then passed on to the business areas, regions and companies that then make their own business plans.

Peab's organization is characterized by a focus on production with a clear decentralization and delegation of authority and responsibility in order to achieve efficiency and steering in each area.

Control is ensured through a clear decision process for each kind of major decision, comprising the need for specific approval from executive management or an organ appointed by executive management. This applies to acquisitions and divestitures of project and development property, operations and other major investments as well as in procurement processes

where there are predefined levels for each position. The principles for manning boards of directors and signatories in Group companies are adopted centrally.

**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. The BA Managers are responsible for running the business and for relaying sustainability work down the line organization by delegating responsibility and authorizations. BA Managers are responsible for integrating sustainability issues into everyday operations.

**GROUP FUNCTIONS**

The Group functions, which support both executive management and operations in the business areas, strategically and in day-to-day operations, are divided into the following teams;

- Finance and treasury
- Communication
- HR
- Production

**THE SUSTAINABILITY COUNCIL**

Peab Sustainability Council coordinates the overall sustainability work and creates the prerequisites for integrating sustainability work into the business. The Group CEO is the Chairman of the Sustainability Council and the other members are: COO, CFO, HR Director, Head of Communication, Head of Sustainability, General Counsel, and Head of Competence Development. The Sustainability Council met five times in 2015.



### THE ETHICAL COUNCIL

Peab has an Ethical Council that consists of one representative of executive management, three from Group functions and, where applicable, the senior manager (business area manager, Group function manager or administrative manager) under whose business area the area in question belongs.

The Ethical Council's undertaking is to answer questions of an ethical nature from the business and employees, to communicate Peab's approach to ethical issues, both internally and externally, and to prepare and make decisions on issues when laws or ethical guidelines are breached. The function and work of the Ethical Council was evaluated in 2015 and the development of the function will continue in 2016.

### 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 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 inde-

pendent 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.

### AUDITOR'S 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 2015 on pages 94-97 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 8, 2016  
KPMG AB



Thomas Thiel  
Authorized Public Accountant

