

Corporate governance report 2017



"Good corporate governance is built on openness and transparency, which makes it possible for everyone to realize that the company is led with clear strategies, responsibly and with a far-reaching perspective. This is how we at Peab work to create value for our shareholders, employees and society."

Göran Grosskopf, Chairman

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, Peab's Code of Conduct as well as other 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 reads the corporate governance report and acknowledges that a corporate governance report has been drawn up and that its legally stipulated information is consistent with the annual accounts and Group accounts.

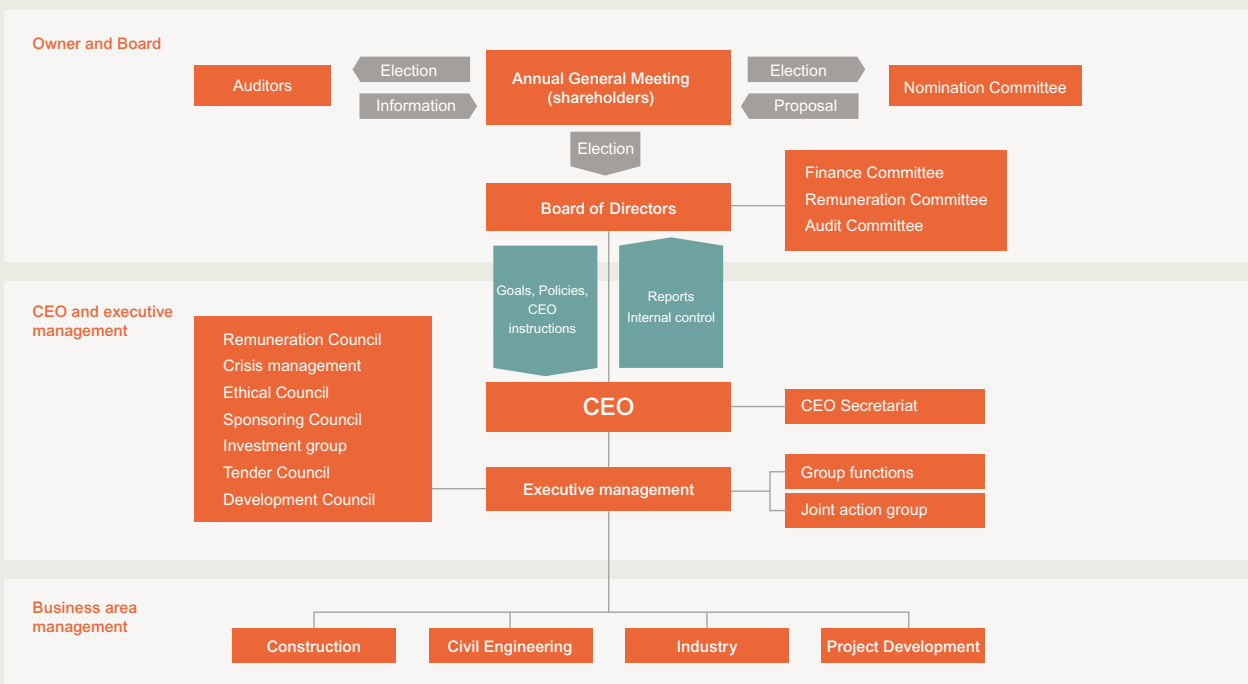
SHAREHOLDERS, ANNUAL GENERAL MEETING AND THE NOMINATION PROCEDURE

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 the Chairman of the Board and the CEO questions and have opinions about Peab's business at the AGM.

The process of nominating members of the Board of Directors and the auditor to the AGM follows the nomination procedure established at the previous AGM. In order to create diversity and breadth in the Board regarding experience, expertise and background, the Nomination Committee made the wording in the Swedish Code of Corporate Governance, paragraph 4.1, its diversity policy when nominating Board members to the 2017 AGM. Female members elected by the AGM made up 37.5 percent of the Board.

The AGM was held on 10 May 2017 at Grevieparken, Grevie. It was attended by 477 shareholders, representing over 73 percent of the votes, either personally or through representatives. The AGM elected Göran Grosskopf, Ulf Liljedahl, Mats Rasmussen and Malte Åkerström, all reelected, to act as Peab's Nomination Committee with Ulf Liljedahl as Chairman.



DIVERSITY POLICY

The Board should be composed in a manner that reflects the company's operations, phase of development and other relevant circumstances, characterized by diversity and breadth regarding the qualifications, experience and background of the members elected by the AMG. An equal gender balance should be striven for.

GOVERNING DOCUMENTS

Each year the Board adopts the Board's working program, instructions for the CEO and Board committees, Peab's Code of Conduct, Finance Policy, Information Policy and Policy for internal governance and control. Peab's Code of Conduct is available on Peab's website www.peab.com. The AMG annually adopts the Remuneration Policy.

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 2017 AGM that the Board of Directors should consist of eight members chosen by the AGM and the following persons were reelected as members of the Board of Directors:

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

Göran Grosskopf was appointed Chairman of the Board by the AGM and Mats Paulsson was appointed vice Chairman. The members of the Board of Directors elected by the shareholders are compensated as members of the Board and, where applicable, as members of committees in accordance with decisions taken by the AGM. Board member compensation is reported in note 9 in the Annual Report.

The following employee representatives were appointed by the employee unions at the 2017 AGM; Patrik Svensson, Kim Thomsen and Egon Waldemarsson (members), Torsten Centerdal and Kristina Bengtsson (deputies).

The Board of Directors held eight meetings in 2017, of which five were ordinary Board meetings (including the constitutional meeting) and three additional Board meetings, of which one was held over the telephone and two were 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 and to evaluate the nominations to the 2017 AGM the Chairman of the Board produced and compiled an inquiry which all the Board members and deputies answered. Regarding the evaluation of the Chairman of the Board, the Chairman of the Nomination Committee has approved the inquiry's contents and compiled it. The result of the evaluation was reported at a Board meeting and Nomination Committee meeting in preparation for nomination.

THE AUDIT COMMITTEE

Members during 2017:

- Lars Sköld, Chairman
- Göran Grosskopf
- Kerstin Lindell

The Audit Committee prepares the work of the Board of Directors by ensuring the quality of company financial reports and maintains regular contact with the company accountant regarding the scope and focus as well as their view of company risks. In addition, the Audit Committee monitors what other services besides auditing are performed by the company accountants, it evaluates the auditing work and informs the Nomination Committee about the evaluation. It also assists the Nomination Committee in proposals of auditors and remuneration for auditing work. The Audit Committee met four times in 2017. The principle company accountant participated in the relevant parts of three

Board meetings, attendance 2017

AGM elected members	Independent in relation to the company and executive management	Independent in relation to the major shareholders	Attendance Board meetings	Audit Committee	Presence Audit Committee	Remuneration Committee	Presence Remuneration Committee	Finance Committee	Presence Finance Committee
Göran Grosskopf	Yes	No	100%	M	100%	C	100%	C	100%
Mats Paulsson	No	No	100%			M	100%		
Karl-Axel Granlund	Yes	Yes	100%			M	100%	M	100%
Kerstin Lindell	Yes	Yes	100%	M	100%				
Fredrik Paulsson	No	No	100%					M	100%
Malin Persson	Yes	Yes	100%						
Lars Sköld	Yes	Yes	100%	C	100%				
Nina Udnes Tronstad	Yes	Yes	100%						
Employee representatives									
Patrik Svensson, ordinary			100%						
Kim Thomsen, ordinary			75%						
Egon Waldemarsson, ordinary			100%						
Torsten Centerdal, deputy			100%						
Kristina Bengtsson, deputy			100%						

C – Chairman M – Member

of these meetings. The Audit Committee regularly reports to the Board of Directors.

THE FINANCE COMMITTEE

Members in 2017:

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

The Finance Committee has the mandate to make decisions in between Board meetings on financial matters such as currency, interest and investment positions in accordance with the Finance Policy established by the Board of Directors. The Finance Committee reports decisions made at the next Board meeting. Executive management representatives give reports to the Finance Committee meetings. The Finance Committee met thirteen times during 2017. The Finance Committee regularly reports to the Board of Directors.

THE REMUNERATION COMMITTEE

Members in 2017:

- 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, 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 four times in 2017. The Remuneration Committee regularly reports to the Board of Directors.

REMUNERATION TO EXECUTIVE MANAGEMENT

The 2017 AGM 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 9 in the Annual Report, 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 are elected by the AGM. At the AGM in 2017 KPMG was elected the company auditor with the authorized public accountant Dan Kjellqvist as principle company accountant until the AGM 2018.

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.

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. In 2017 executive management consisted of the President and CEO, the CFO, the COO, the Business Area Manager of Construction, 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

focus on managing the business, following up the business plan and strategic matters. Heads of Group staff teams and other officers are called to attend meetings when needed.

GROUP FUNCTIONS

The Group functions, which support both executive management and operations in the business areas, strategically and in day-to-day operations, were divided into the following teams in 2017;

- Production oriented functions
- Finance and treasury oriented functions
- Communication

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

To provide support for a cross-functional workflow within the Group executive management has delegated some work and decisions to a number of councils and groups consisting of representatives for different group functions and, in certain cases, representatives of business area management. Every council or group has a specific mandate and decision-making process, and they all report to executive management. In addition, executive management has formed a joint action group consisting of executive management, deputy business area managers and heads of Group functions. This joint action group meets around once a quarter and functions primarily as a reference group for change processes, strategic matters and frameworks as well as for rooting decisions made by executive management.

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 Business area Manager and consisting otherwise of operational managers in the business area and staff members. The Business area Managers are responsible for managing each operation and for running the line organization by delegating responsibility and authorizations.

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 and systems managing and controlling financial reporting. The principles of this process are established in the Policy for internal governance and control.

The purpose of the internal control process is to provide the Board, management and other stakeholders with a reasonable assurance that Peab's goals are met regarding business management and an effective and efficient organization, reliable internal and external

reporting and that applicable laws, regulations and other rules are followed. The Policy for internal governance and control regulates the principles on how internal control of financial reporting is governed, organized and reported based on the following factors;

- control environment
- information and communication
- risk assessment
- control actions
- evaluation/follow-up

The President and CEO is responsible for good internal control in the Group and that it is organized and follows the Policy for internal governance and control. 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 instruments for internal steering and control are provided and coordinated centrally.

It is the responsibility of each BA Manager to ensure that their respective unit in the Group has good internal control and follows the Policy for internal governance and control as well as other established processes and instruments.

The President and CEO is responsible for evaluating the management and control of 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.

OTHER MANDATORY INFORMATION IN ACCORDANCE WITH CHAPTER 6, SECTION 6 OF THE ANNUAL ACCOUNTS ACT

- Direct and indirect shareholdings in the company that represent at least a tenth of the number of votes of all the shares in the company are presented in the Board of Directors' report under the Peab Share.
- There are no limits in articles of association regarding how

many votes individual shareholders can have at the AGM, which is also made clear in the Board of Directors' report under the Peab Share.

- The articles of association stipulate that the appointment of Board members takes place at the company's AGM. The articles of association do not contain any stipulations regarding the dismissal of Board members or changes in the articles of association.
- Authorization of the Board by the AGM to decide on new issues of Peab shares is presented in the Board of Directors' report under the Peab Share.
- Authorization of the Board by the AGM to decide on the purchase of own shares is presented in the Board of Directors' report under Holdings of own shares.

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 executive management.

Deviation

Mats Paulsson, who is a member of the Remuneration Committee, is not independent in relation to the company and executive 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 executive 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

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the Corporate governance report for the year 2017 on pages 110 – 113 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the Corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A Corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Förslov, March 29, 2018

KPMG AB

Dan Kjellqvist

Authorized Public Accountant