

## **Item 16 – The Board of Directors’ (the “Board”) of Skanska AB (publ) (the “Company”) proposal to the 2020 Annual General Meeting for resolution on guidelines for salary and other remuneration to senior executives**

The Board proposes that the 2020 Annual General Meeting resolves on the following guidelines for salary and other remuneration to senior executives of the Company. Senior executives include the CEO and other members of the Group Leadership Team. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 Annual General Meeting. These guidelines do not apply to any remuneration decided by the Annual General Meeting (the “General Meeting”), including any long-term share related incentive plans.

### ***The guidelines’ promotion of the Company’s business strategy, long-term interests and sustainability***

A prerequisite for the successful implementation of the Company’s business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. These guidelines enable the Company to offer the senior executives a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the Company’s business strategy and long-term interests, including its sustainability. This is accomplished through the financial and non financial targets that determines the outcome of the variable cash remuneration and are clearly linked to the business strategy and the Company’s sustainability agenda. The variable cash remuneration is further described in the section “Variable cash remuneration” below.

The Company’s objectives for having a variable cash remuneration program and a long-term share related incentive plan are to (i) drive behaviors that will support the Company’s long and short term business success and create shareholder value, (ii) make the Company attractive as an employer for top talents, (iii) retain key individuals within the Company, and (iv) increase employees’ interest and involvement in the Company’s business and development.

For information regarding the Company’s business strategy, see the Company’s website: <https://group.skanska.com/about-us/strategy/>.

### ***Total remuneration***

The combined remuneration for each senior executive shall be market-related and competitive in the labor market in which the senior executive is placed, and distinguished performance should be reflected in the total remuneration. The remuneration may consist of the following components: fixed cash salary, variable cash remuneration, pension and insurance benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. Fixed salary and variable remuneration shall be related to the senior executive’s responsibility and authority.

### Variable cash remuneration

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one or several years. The variable cash remuneration shall be capped and related to the fixed salary, and may amount to not more than 100 per cent of the fixed annual cash salary.

The variable cash remuneration shall take into account both financial and non-financial performance. The outcome in relation to predetermined and measurable financial targets shall determine the total (financial) bonus potential, i.e. the financial targets shall be the basis of the total bonus potential. This outcome may be reduced depending on the outcomes of the non-financial targets. The variable cash remuneration must be based on results in relation to established targets and be designed to increase the alignment between the shareholders and senior executives of the Company.

The financial targets for the variable cash remuneration may be related to the Group's earnings before taxes, to relevant business unit's earnings before interest and taxes, etc.

The non-financial targets shall be set to support the business strategy and long term interests, including sustainability, by for example being clearly linked to the business strategy or sustainability. The non-financial targets should together represent 50 per cent of the total bonus which means that the total bonus outcome may be reduced with up to 50 per cent if the non-financial targets are not met.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other senior executives, the Compensation Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the Company.

The terms for variable cash remuneration shall be structured so that the Board, if exceptional economic conditions prevail, has the possibility to limit or refrain from paying variable remuneration, if such a payment is considered unreasonable and incompatible with the Company's responsibility in general to the shareholders, employees and other stakeholders. There shall also be a possibility to limit or refrain from paying variable remuneration if the Board considers that this is appropriate for other reasons. Further, the Board shall have the possibility to reclaim paid out variable cash remuneration if it is discovered after the payment that the senior executive has violated Skanska's Code of Conduct or other Skanska values, policies, standards or procedures.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 per cent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration for the CEO shall be made by the Board based on a proposal from the Compensation Committee. Any resolution on such remuneration for other senior

executives shall be made by the Compensation Committee based on a proposal from the CEO.

#### Pension and insurance

For the CEO, pension benefits, including health insurance (*Sw: sjukförsäkring*), shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits. The pension premiums to defined-contribution schemes shall amount to not more than 35 per cent of the fixed annual cash salary. For other senior executives, pension benefits, including health insurance, shall be defined contribution schemes. Variable cash remuneration shall not qualify for pension benefits, except when it follows from rules under a general pension plan (like the Swedish ITP plan). The pension premiums for defined-contribution pension shall amount to not more than 30 per cent of the fixed annual cash salary. If the variable cash remuneration qualify for pension benefits, the pension premiums for defined-contribution pension on the variable cash remuneration shall amount to not more than 30 per cent of the fixed annual cash salary.

#### Other benefits

Other benefits may include, for example, medical insurance (*Sw: sjukvårdsförsäkring*), housing, home travel, tax compensation, parking and company cars. Such benefits may amount to not more than 15 per cent of the fixed annual cash salary.

For employments governed by rules other than Swedish rules, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Senior executives who are expatriates, i.e. based in another country than their home country, may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits may not in total exceed 50 per cent of the fixed annual cash salary.

#### **Long-term share saving programs**

Long-term share saving programs, Skanska Employee Ownership Programs (“Seop 4” and “Seop 5”) have been implemented in the Company. Such plans have been resolved by the General Meeting and are therefore excluded from these guidelines. New plans may also be resolved by the General Meeting. Seop 4 and Seop 5 give present and future employees the opportunity of becoming shareholders of Skanska and include permanent employees in the Skanska Group. The performance criteria used to assess the outcome of the plans are clearly linked to the business strategy and thereby to the Company’s long term value creation, including its sustainability. The performance criteria consist of financial targets at Group, Business Unit and/or Business Unit Cluster level. At present, the financial target applicable at Group level is growth in earning per share (“EPS”). The financial targets applicable at Business Unit and/or Business Unit level vary depending on which business stream the relevant Business Unit or Business Unit Cluster belongs to, as set out in the table below.

Construction	Residential Development	Commercial Development
EBIT <sup>1</sup>	EBIT	EBIT
-	ROCE <sup>2</sup>	Leasing SQM <sup>3</sup>

Seop 4 and Seop 5 are further conditional upon the participant's own investment and three-year holding and employment period. For more information on Seop 4 and Seop 5, including the criteria which the outcome depends on, please see the Company's website: <https://group.skanska.com/4922a2/siteassets/corporate-governance/annual-general-meeting/2019/item-17-the-board-of-directors-proposal-on-a-long-term-employee-ownership-program-seop-5-.pdf>

#### ***Termination of employment***

In the event of employment termination by the Company, the normal period of notice is six months, combined with severance pay corresponding to a maximum of 18 months fixed cash salary, or, alternatively, a period of notice of maximum 12 months, combined with severance pay corresponding to a maximum of 12 months fixed cash salary. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years. When termination is made by the senior executive, the notice period may not exceed twelve months, without any right to severance pay.

#### ***Remuneration to board members in addition to board fees***

To the extent that a non-employed Board member elected by the General Meeting performs work for the Company, besides the Board membership, consultant fee and other remuneration may be granted for such work. Decisions on consultant fees and other remuneration to non-employed board members elected by the General Meeting are made by the Compensation Committee.

#### ***Salary and employment conditions for employees***

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed in the remuneration report.

#### ***The decision-making process to determine, review and implement the guidelines***

The Board has established a Compensation Committee. The Compensation Committee's tasks include preparing the Board's decision to propose guidelines for senior executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Compensation Committee shall also

<sup>1</sup> Earnings Before Interest and Taxes.

<sup>2</sup> Return On Capital Employed.

<sup>3</sup> Leasing Square Meters.

monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the Compensation Committee are independent of the Company and its senior executives. The CEO and other members of the senior executives do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

***Derogation from the guidelines***

The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Compensation Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

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Stockholm, February 2020

Skanska AB (publ)  
The Board of Directors