

Remuneration report

Introduction

This remuneration report for 2020 describes how Skanska AB's (the "Company") guidelines for salary and other remuneration to senior executives (the "Remuneration Guidelines"), adopted by the Annual General Meeting ("AGM") on March 26, 2020, have been applied in 2020. The report also provides information on remuneration to the President and CEO and a summary of the Company's outstanding share-related incentive programs. The report has been prepared in accordance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* issued by the Swedish Corporate Governance Board.

Further information on remuneration to senior executives as required by Chapter 5, Sections 40–44 of the Annual Accounts Act is available in Note 37, Remuneration to senior executives and board members, on pages 165–170 in the Annual and Sustainability Report for 2020 (the "Annual Report").

The Board of Directors (the "Board") has established a Compensation Committee. Information on the work of the Compensation Committee in 2020 is set out in the corporate governance report available on pages 33–41 in the Annual Report.

Remuneration of the Board is not covered by this remuneration report. Such remuneration is resolved annually by the AGM and is disclosed in Note 37 on pages 167–168 in the Annual Report.

Key developments 2020

The President and CEO, Anders Danielsson, summarizes Skanska's overall performance in 2020 in his statement on pages 6–7 in the Annual Report.

The Remuneration Guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability agenda, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The Remuneration Guidelines enable the Company to offer senior executives a competitive total remuneration. Senior executives include the President and CEO and the other members of the Group Leadership Team. Under the Remuneration Guidelines, the combined total 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. The variable cash remuneration shall aim at promoting the Company's business strategy and long-term interests, including its sustainability agenda. 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 applicable Remuneration Guidelines adopted by the AGM on March 26, 2020, are found in Note 37 on pages 165–166 in the Annual Report. During 2020, the Company has complied with the Remuneration Guidelines. No deviations from the Remuneration Guidelines have been made and no derogations from the decision-making process that according to the guidelines is to be applied to determine, review and implement the guidelines have been made. The auditor's report regarding the Company's compliance with the Remuneration Guidelines is available on the Group's website: group.skanska.com/corporate-governance/remuneration. No remuneration has been reclaimed.

In addition to remuneration covered by the Remuneration Guidelines, the AGMs of the Company have resolved to implement long-term share-related incentive programs.

Table 1 – Total remuneration of the President and CEO in 2020¹ (amounts in thousands of Swedish kronor (kSEK))

Name of senior executive (position)	1		2		3	4	5	6
	Fixed remuneration		Variable remuneration					
	Base salary ²	Other benefits ³	One-year variable remuneration ⁴	Multi-year variable remuneration ⁵	Extraordinary items	Pension expense ⁶	Total remuneration	Proportion of fixed and variable remuneration ⁷
Anders Danielsson (President and CEO)	12,500	123	9,375	8,027	–	4,375	34,399	49/51

¹ Except for multi-year variable remuneration, the table reports remuneration earned in 2020. Disbursement may or may not have been made the same year.

² Vacation allowance is included in the base salary.

³ Other benefits include company car, fuel, medical insurance, tax return assistance and meals.

⁴ One-year variable cash remuneration relating to the 2020 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2021. This calculation is further preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The variable cash remuneration agreement includes a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The one-year variable cash remuneration for the President and CEO may amount to not more than 75 percent of the fixed annual cash salary.

⁵ The value stated refers to a preliminary award of performance shares for 2020's invested saving shares, at the share price on December 30, 2020 (SEK 209.7). The President and CEO will receive an estimated 38,277 performance shares. The Board will determine the outcome in the first quarter of 2021 after reviewing operational performance. In order to receive performance shares, an additional three years of service are required. For 2020, the President and CEO invested in 6,379 saving shares, equivalent to kSEK 1,338, calculated based on the share price on December 30, 2020 (SEK 209.7).

The President and CEO has received remuneration related to the 2017 financial year. After a three-year lock-up period as part of the previous employee ownership program Seop 4, the President and CEO received 2,964 shares, equivalent to kSEK 621, for shares awarded during the 2017 financial year. The value has been calculated based on the share price on December 30, 2020 (SEK 209.7).

⁶ The President and CEO is covered by an individual occupational pension insurance scheme, including health insurance (Sv: sjukförsäkring). The occupational pension insurance scheme is a defined contribution scheme and the total premiums for the occupational pension insurance scheme shall amount to 35 percent of the fixed annual cash salary.

⁷ Pension expense (column 4), which in its entirety relates to base salary and is contribution defined, has been counted entirely as fixed remuneration.

Share based remuneration

Outstanding share-related incentive programs

Long-term share saving programs, Skanska Employee Ownership Programs (“Seop 4” and “Seop 5”) have been implemented in the Company. Seop 4 and Seop 5 give present and future employees the opportunity of becoming shareholders of the Company and is offered to permanent employees in the Skanska Group. The President and CEO participates in Seop 4 and Seop 5.

Subject to the participant having made an own investment in shares in the Company (saving shares), the participant may be awarded matching and/or performance shares. Matching and performance shares are awarded free of charge and are subject to three-year lock-up periods, during which the saving shares must be held, and employment must continue. Vesting of performance shares is also subject to the satisfaction of a number of result-related performance conditions. The performance conditions used to assess the outcome of Seop 4 and Seop 5 consist of financial targets at Group, business unit and/or business unit cluster level.

The financial target applicable at Group level, which apply for the President and CEO and the other members of the Group Leadership Team, is growth in earnings per share (“EPS target”). The 2020 preliminary outcome of the EPS target can be found in Table 3 (b), and information on the starting point and outperform target for the EPS target 2020 and on the financial targets applicable for participants in Seop 5 in the different business streams can be found in Note 37 on page 169 in the Annual Report. No matching shares are awarded to the President and CEO under Seop 5.

Further information on Seop 4 and Seop 5, including the conditions which the outcome depends on, is available on the Group’s website: group.skanska.com/corporate-governance/remuneration/incentive-programs. Information on costs of the programs, dilution effects, etc. is available in Note 37 on pages 169–170 in the Annual Report.

Table 2 – Remuneration of the President and CEO in shares

	The main conditions of the share programs					Information regarding the reported financial year ⁴					
	1	2	3	4	5	Opening balance	During the year		Closing balance		
	Name of senior executive (position)	Name of program	Performance period ¹	Award period ²	Vesting period ³	End of retention period	Share awards held at the beginning of the year	Awarded	Vested	Subject to performance condition	Awarded and unvested at year end
Anders Danielsson (President and CEO)	Seop 4	2017–2019	2017–2019	2020–2022	2020–2022	40,705	0	2,964 ⁷	–	37,741	–
	Seop 5	2020–2022	2020–2022	2023–2025	2023–2025	–	38,277 ⁶	0	–	38,277	–
Total						40,705	38,277	2,964	–	76,018	–

1 Each Seop program is divided into three annual programs, with an annual performance period. Seop 4 is divided into annual program 2017 with performance period 2017, annual program 2018 with performance period 2018 and annual program 2019 with performance period 2019. Seop 5 is divided into annual program 2020 with performance period 2020, annual program 2021 with performance period 2021 and annual program 2022 with performance period 2022. Vesting of performance shares is conditional upon satisfaction of a number of result-related performance conditions during the performance period for each annual program.

2 The investments in saving shares through the Seop programs are normally made by way of monthly salary deductions followed by monthly investments in saving shares, normally the month after the month the salary deduction was made. The acquisition period for Seop 4 comprises the financial year 2017 in respect of the annual program 2017, the financial year 2018 in respect of the annual program 2018, and the financial year 2019 in respect of the annual program 2019. The acquisition period for Seop 5 comprises the financial year 2020 in respect of the annual program 2020, the financial year 2021 in respect of the annual program 2021, and the financial year 2022 in respect of the annual program 2022. In connection with each monthly acquisition of saving shares, future matching and/or performance shares are awarded.

3 Matching and/or performance shares may normally be vested only after the lock-up period for each annual program, which comprises three years. Vesting of matching and/or performance shares to participants within each annual program is estimated to occur monthly three years after the investment in each saving share, meaning that vesting of matching and performance shares under Seop 4 is estimated to occur monthly during the financial year 2020 in respect of the annual program 2017, during the financial year 2021 in respect of the annual program 2018, and during the financial year 2022 in respect of the annual program 2019. Vesting of performance shares under Seop 5 is estimated to occur monthly during the financial year 2023 in respect of the annual program 2020, during the financial year 2024 in respect of the annual program 2021, and during the financial year 2025 in respect of the annual program 2022.

4 Matching and performance shares related to saving shares invested under Seop 4 during 2017 have vested, whereupon matching shares (570) and performance shares (2,394) were transferred to the President and CEO. Under Seop 5, the President and CEO was preliminary awarded 38,277 future performance shares. Saving shares, in which the President and CEO has invested to become eligible to participate in the programs, are not included in the table.

5 There is no requirement to hold the saving, matching or performance shares after acquisition/vesting.

6 Value: kSEK 8,027, calculated based on the share price on December 30, 2020 (SEK 209.7) multiplied by the number of preliminary awards (38,277).

7 Value: kSEK 621, calculated based on the share price on December 30, 2020 (SEK 209.7) multiplied by the number of shares vested (2,964).

Application of performance criteria

The performance criteria for the President and CEO’s variable remuneration have been selected to deliver Skanska’s strategy and to encourage behavior which is in the long-term interest of the Company and the Group. In the selection of performance criteria, the strategic objectives and short- and long-term

business priorities for 2020 have been taken into account. The non-financial performance criteria further contribute to alignment with the sustainability agenda as well as Skanska’s purpose and values.

Table 3 (a) – Performance of the President and CEO in 2020: variable cash remuneration

	1	2	3
Name of senior executive (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance ¹ and b) actual award/remuneration outcome
Anders Danielsson (President and CEO)	Income after financial items 2020 ²	100%	a) SEK 7.8 billion b) kSEK 9,375 ³

1 Starting point and outperform target can be found in Note 37 on page 167 in the Annual Report.

2 The income excludes eliminations at the Group level and the operating unit Asset Management (portfolio of PPP assets).

3 Outcome relating to the 2020 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2021. This calculation is further preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The variable cash remuneration agreement includes a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The one-year variable cash remuneration for the President and CEO may amount to not more than 75 percent of the fixed annual cash salary.

In addition to the financial targets outlined in the Table 3 (a), the President and CEO has non-financial targets that may reduce the outcome of the variable cash remuneration. The outcome in relation to the financial targets determines the total (financial) bonus potential, i.e. the financial targets are the basis of the total bonus potential. This outcome may be reduced depending on the outcomes of the non-financial targets. The non-financial targets are set to support the Company's business strategy and long-term value creation, including its sustainability agenda, and

are activity-based targets related to inter alia work site safety and Skanska's climate target. The outcome is reduced in cases where the non-financial targets are not fully reached. The non-financial targets together represent 50 percent of the total bonus which means that the total bonus outcome may be reduced with up to 50 percent if the non-financial targets are not met. Information on Skanska's climate target is available on pages 15, 68–72 and 82–83 in the Annual Report.

Table 3 (b) – Performance of the President and CEO in 2020: share-based incentives

	1	2	3
Name of senior executive (position)	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance ¹ and b) actual award/remuneration outcome
Anders Danielsson (President and CEO)	Earnings per share 2020 ²	100%	a) SEK 22.5 b) kSEK 8,027 ³

1 Starting point and outperform target can be found in Note 37 on page 169 in the Annual Report.

2 Profit for the period attributable to equity holders, divided by the average number of outstanding shares during the year.

3 The value stated refers to a preliminary award of performance shares for 2020's invested saving shares, at the share price on December 30, 2020 (SEK 209.7). The President and CEO will receive an estimated 38,277 performance shares. The Board will determine the outcome in the first quarter of 2021 after reviewing operational performance. In order to receive performance shares, an additional three years of service are required.

Comparative information on the change of remuneration and company performance

Table 4 – Change of remuneration and company performance over the last five reported financial years (RFY)

Annual change ¹	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	RFY 2020
Executive remuneration (kSEK)						
President and CEO remuneration (Anders Danielsson) ²	–	–	–	16,868 (+91.8%)	32,347 (+6.3%)	34,399 ³
President and CEO remuneration (Johan Karlström) ⁴	36,629 (+8.2%)	39,618 (–46.4%)	21,248	–	–	–
Company's performance						
Income after financial items (SEK bn) ⁵	6.2 (+29.8%)	8.0 (–29.7%)	5.7 (–12.9%)	4.9 (+57.5%)	7.8 (+48.9%)	11.6 ⁶
Earnings per share (SEK) ⁷	12.0 (+32.5%)	15.9 (–24.5%)	12.0 (–20.8%)	9.5 (+63.2%)	15.5 (+45.2%)	22.5
Carbon emissions (tonnes) ^{8,9}	402,659	386,100	346,926	332,360	290,678	264,595
Carbon emission intensity ^{9,10}	2.60	2.55	2.16	1.95	1.64	1.67
Lost time accident rate (LTAR) ^{9,11}	3.3	2.8	3.4	3.5	3.1	3.1
Average remuneration on a full-time equivalent basis of employees¹² of the Company (kSEK)¹³						
Employees ¹² of the Company	–	–	–	–	–	1,439 ¹⁴

1 The table reports actual outcome and annual change in percentage.

2 President and CEO from 1 January 2018.

3 Total remuneration in 2020 as set out in column 5 of Table 1.

4 President and CEO until 31 December 2017.

5 The income excludes eliminations at the Group level.

6 The table reports the income excluding eliminations at the Group level, but including the operating unit Asset Management (portfolio of PPP assets). In Table 3 (a), the income after financial items is reported excluding both eliminations at the Group level and the operating unit Asset Management. Variable cash remuneration to the President and CEO for 2020 has been related to income after financial items excluding eliminations at the Group level and the operating unit Asset Management, as set forth in Table 3 (a).

7 Profit for the period attributable to equity holders, divided by the average number of outstanding shares during the year.

8 Scope 1 (direct) and 2 (indirect – market based). More information can be found on page 82 in the Annual Report.

9 Carbon emissions, carbon emission intensity and lost time accident rate (LTAR) are reported in the table without annual change in percentage in accordance with the method used for reporting of Non-financial information in the Annual Report available under the heading Sustainability report on pages 80–86 in the Annual Report.

10 Scope 1 and 2 (market-based)/SEK M revenue, according to segment reporting.

11 Number of Skanska employee and subcontractor lost-time accidents multiplied by 1,000,000 hours and divided by total labor hours.

12 Excluding members of the Group Leadership Team.

13 Comparative information on the change of remuneration is not included in the table. As 2020 is the first financial year for which the reporting obligation exists, the Company does not have readily available the required information for the previous financial years 2015–2019.

14 Average remuneration for the Company's other employees includes payments of remuneration and benefits made in 2020. For one-year variable cash remuneration the amount included in the table is however preliminary variable cash remuneration related to the 2020 financial year which will be finally determined and disbursed after the outcome is established in the first quarter of 2021. The calculation of the one-year variable cash remuneration is further preliminary insofar as the outcome of the non-financial targets have yet not been taken into account. When calculating the preliminary one-year variable cash remuneration, full outcome of the non-financial targets has consequently been considered. The value included for multi-year variable remuneration (the share saving program Seop 5) refers to a preliminary award of matching and performance shares for 2020's invested saving shares, at the share price on December 30, 2020 (SEK 209.7). The Board will determine the outcome of the share saving program in the first quarter of 2021 after reviewing operational performance. In order to receive matching and performance shares, an additional three years of service are required. The average remuneration further includes pensions vested during the year in defined-benefit plans and pension expenses for defined-contribution plans.