

Corporate governance report¹

Good corporate governance ensures that Skanska is managed sustainably, responsibly and as efficiently as possible on behalf of all shareholders. The overall goal is to increase value for the shareholders and in doing so meet their expectations for invested capital. The purpose of the corporate governance is also to ensure oversight by the Board of Directors and management. By having a clearly-defined structure as well as proper rules and processes in place, the Board of Directors can ensure that management and employees are focused on developing the business and thereby generating value for shareholders.

Corporate governance principles

Skanska AB is a Swedish public limited company. Corporate governance for Skanska AB and its subsidiaries (Skanska) is based on both external and internal governing documents and on monitoring compliance with these by all units and functions in the organisation. The most important governing documents are the following:

External governing documents

- Swedish Companies Act
- Nasdaq Stockholm Rule Book for Issuers
- Swedish Corporate Governance Code (the Code)
- Annual Accounts Act
- International Financial Reporting Standards (IFRS) and other accounting rules

Internal governing documents

- Articles of Association
- Procedural Rules for the Board of Directors and Board Committees
- Instructions for the CEO
- Financial Policy
- Information Policy
- Risk Management Policy
- Skanska's Code of Conduct is available on Skanska's website <https://group.skanska.com/corporate-governance/governing-documents/>

Skanska has no deviations from the Code to report for the 2017 financial year. Nor has Skanska been subject to any rulings by Nasdaq Stockholm's Disciplinary Committee or decisions on breaches of sound practices in the stock market by the Swedish Securities Council.

Shareholders

Skanska AB's Series B shares are listed on Nasdaq Stockholm in the Large Cap segment. The share capital at the end of 2017 amounted to SEK 1,259,709,216 shared between a total of 419,903,072 shares, of which 19,755,414 are Series A shares and 400,147,658 are Series B shares. The company's Series A shares entitle the holders to ten votes per share and the Series B shares to

one vote per share. Series A and B shares carry the same right to share in the company's assets and entitle the holder to the same dividend. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.

At the end of 2017 Skanska had a total of 109,951 shareholders according to statistics from Euroclear Sweden. The ten largest shareholders held 56.9 percent of the votes and 40.8 percent of the capital. Industrivärden's holding amounted to 23.9 percent and Lundberg's holding to 12.4 percent of the votes.

More information about the Skanska share and shareholders is available on page 24.

Annual General Meeting

The shareholders' meeting is the highest decision-making body within Skanska and it is where shareholders exercise their influence over the company. At the Annual General Meeting (AGM) the shareholders decide on key issues, such as adoption of income statements and balance sheets, the dividend, the composition of the Board of Directors, discharging the members of the Board and the CEO from liability, election of auditors and principles for remuneration to senior executives. Skanska's financial year is from January 1 to December 31 and the AGM is to be held within six months of the end of the financial year. The date and venue for the AGM is communicated no later than in connection with the publishing of the third quarter interim report on the company's website. The notice to attend is published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on Skanska's website. An announcement of the convening of a meeting is published in Dagens Nyheter and in at least one more daily newspaper. All documents pertaining to the AGM are published on Skanska's website in both Swedish and English. Shareholders listed in the register of shareholders on the record date who notify the company of their intention to participate in the meeting are entitled to attend it either personally or by proxy through a representative or substitute. Shareholders have the right to have matters addressed at the AGM if they have submitted a request to the Board no later than seven weeks before the AGM.

Annual General Meeting 2017

The 2017 AGM was held on April 4 in Stockholm. A total of 1,107 shareholders were present, representing around 57.8 percent of the total number of votes. Among other matters, the meeting voted to re-elect Johan Karlström, Fredrik Lundberg, Charlotte Strömberg, Pär Boman, Jayne McGivern, John Carrig, Nina Linander and Hans Biörck as members of the Board and to elect Catherine Marcus as a new member. Hans Biörck was re-elected as Chairman of the Board. The employees were represented on the Board by Richard Hörstedt, Lennart Karlsson and Gunnar Larsson as members, with Pär-Olow Johansson and Anders Rättgård as deputy members. All members and deputy members of the Board, as well as the company's auditors and members of the Group Leadership Team, were present at the AGM. The AGM elected Ernst & Young AB as auditor, with Hamish Mabon as auditor in charge. The AGM also decided to approve a dividend to the shareholders of SEK 8.25 per share.

The Board of Directors was authorized to acquire a maximum of 3,000,000 Series B shares in Skanska AB to ensure future share allotments to participants in Skanska's employee owner-

¹ This Corporate Governance Report for 2017 has been reviewed by the company's external auditors in compliance with Chapter 9, Section 31 of the Swedish Companies Act. The report contains information as required by Chapter 6, Section 6 of the Annual Accounts Act.

ship program (Seop) and on the transferal of a maximum of 763,000 Series B share in Skanska AB on Nasdaq Stockholm. These shares were acquired based on an earlier authorization to buy back treasury shares for the purpose of covering certain costs, primarily social insurance contributions, which may arise in connection with Skanska's employee ownership programs. Complete information on the AGM and the minutes of the meeting are available on Skanska's website. <https://group.skanska.com/corporate-governance/annual-general-meeting/agm-archive/>

Annual General Meeting 2018

The next AGM for shareholders in Skanska AB will be held at 10:00 a.m. on April 13, 2018 at Stockholm Waterfront Congress Centre in Stockholm, Sweden.

The Nomination Committee

The 2013 AGM gave the Chairman of the Board a mandate, ahead of each AGM, to allow each of the four largest shareholders in terms of voting power to appoint a representative to join the Chairman on the Nomination Committee. In determining which are deemed to be the largest shareholders in terms of voting power, the list of shareholders registered with and categorized by Euro-clear Sweden AB as of the last business day in August is to be used.

The Nomination Committee's mandate includes:

- evaluating the composition of the Board and its work;
- preparing proposals to submit to the AGM regarding the election of Board members and the Chairman of the Board;
- working with the company's Audit Committee to prepare proposals to submit to the AGM regarding the election of auditors;
- preparing a proposal to submit to the AGM on fees for members of the Board to be divided between the Chairman and other members, and any compensation for committee work, and for auditors;
- preparing a proposal to submit to the AGM regarding a Chairman for the AGM;
- where applicable, preparing a proposal on changes to the principles for appointing the next Nomination Committee.

On Skanska's website there is information on how the shareholders can submit their own proposals to the Nomination Committee <https://group.skanska.com/corporate-governance/annual-general-meeting/nomination-committee/>.

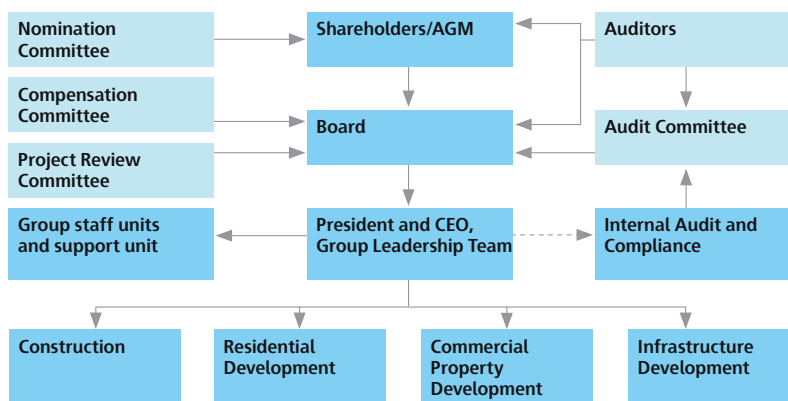
Nomination Committee 2018

The Nomination Committee for the 2018 AGM has the following composition: Helena Stjernholm, AB Industrivärden (23.9 percent of votes), Chairman of the Nomination Committee, Mats Guldbrand, L E Lundbergföretagen AB (12.4 percent of votes), Bo Selling, Alecta (4.8 percent of votes), Lars-Åke Bokenberger, AMF (2.7 percent of votes) and Hans Biörck, Chairman of the Board, Skanska AB. This information was announced on Skanska's website and published in a press release on October 2, 2017. According to the Code, the majority of the Nomination Committee's members are to be independent in relation to the company and management and at least one member is also to be independent in relation to the largest shareholders in the company in terms of voting rights. All of the appointed members are independent in relation to the company and management and three are independent in relation to the largest shareholders in the company in terms of voting rights.

In preparation for the 2018 AGM the Nomination Committee held four meetings, at which minutes were kept, and maintained frequent contact between these meetings. No fees have been paid out for Nomination Committee duties. To perform its work, the Nomination Committee has taken part of the internal evaluation carried out of the Board's work, the Chairman's account of Board duties and the company's strategy. The Committee has also interviewed individual members of the Board as well as members of the Group Leadership Team.

The Nomination Committee applies the rules on the composition of the Board of Directors in accordance with the Code. The Nomination Committee has determined that the proposed members have a broad range of experience and complement each other's skills. The independence requirement is also deemed to have been met. The Nomination Committee has also discussed the diversity requirement. In this regard the Nomination Committee has decided to apply as its diversity policy Chapter 4.1 of the Code, which states that Board members are to collectively exhibit diversity and breadth of qualifications, experience and background. A gender balance is also to be aimed for. In addition to the information already provided on the background and experience of the members of the Board, it has been determined that the proposed Board will consist of 4 women and 3 men. The gender balance is therefore 57 percent/ 43 percent, which, in the opinion of the Nomination Committee, is consistent with the gender balance requirement.

Governance structure



The members and the deputy members of the Board

Member	Position	Born, year	Nationality	Elected, year	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to the Company and GLT	Independent in relation to major shareholders
Hans Björck	Chairman	1951	Sweden	2016	■	■	■	Yes	Yes
John Carrig	Member	1952	USA	2014	■	■	■	Yes	Yes
Johan Karlström	President and CEO ¹	1957	Sweden	2008			■	No	Yes
Nina Linander	Member	1959	Sweden	2014	■		■	Yes	No
Fredrik Lundberg	Member	1951	Sweden	2011			■	Yes	No
Charlotte Strömberg	Member	1959	Sweden	2010	■		■	Yes	Yes
Pär Boman	Member	1961	Sweden	2015	■	■	■	Yes	No
Jayne McGivern	Member	1960	UK	2015		■	■	Yes	Yes
Catherine Marcus	Member ²	1965	USA	2017			■	Yes	Yes
Richard Hörstedt	Employee Representative	1963	Sweden	2007			■	–	–
Lennart Karlsson	Employee Representative ³	1957	Sweden	2016				–	–
Gunnar Larsson	Employee Representative	1953	Sweden	2014				–	–
Pär-Olow Johansson	Employee Representative (Deputy)	1954	Sweden	2014				–	–
Anders Rättgård	Employee Representative (Deputy) ²	1961	Sweden	2017				–	–

■ = Chairman ■ = Member

¹ Until December 31, 2017.

² From April 4, 2017.

³ Until January 18, 2018.

The Nomination Committee's proposals, work report and supplementary information on proposed members of the Board is published in connection with the notice to attend the AGM and will also be presented to the 2018 AGM.

Board of Directors

According to the Articles of Association, the Board of Directors is to consist of no fewer than five and no more than ten members with no more than three deputies, all of which are elected by the shareholders at each AGM. The Board of Directors has overall responsibility for Skanska's organizational structure and management and the Board's main duty is to safeguard the interests of the company and the shareholders. The Board of Directors thus makes decisions regarding the Group's strategy, interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO and matters concerning the organizational structure of the Group. The Chairman leads the Board in its work and has regular contact with the President and CEO in order to stay informed about the Group's activities and development.

In 2017 the Board of Directors consisted of nine members elected by the AGM, without deputies, plus three members and two deputy members appointed by the employees. According to the Code the majority of the Board's AGM-elected members are to be independent in relation to the company and senior executives and at least two members are to also be independent in relation to the largest shareholder in the company. Eight of the Board members elected by the AGM are independent in relation to the company and its management. Of these, five members are also independent in relation to the company's largest shareholders. The composition of the Board and an assessment of the independence of each member are presented in more detail on pages 58–59.

The work of the Board in 2017

The work of the Board of Directors follows an annual agenda established in the Board's Procedural Rules. In preparation for each Board meeting, the Board receives reports and documentation compiled according to established procedures. The purpose of this is to ensure that the Board has the relevant information and documentation on which to base decisions. In 2017 the Board held nine meetings, including its statutory meeting. The more important issues dealt with by the Board during the year included the appointment of a new CEO, updating and monitoring operations, review and approval of the interim reports and year-end report, writedowns on construction projects in Poland, the UK and USA Civil, restructuring of Construction operations, Infrastructure Development operations and the Group management structure, renewal of the Revolving Credit Facility (RCF), establishing an additional RCF with a green profile, internal control, risk management and compliance matters.

The Board's committees

The overall responsibility of the Board of Directors cannot be delegated, but the Board may appoint committees to do preparatory work and explore certain issues in preparation for decisions by the Board. Skanska's Board has formed three committees to provide structure, improve efficiency and ensure the quality of its work (i) Audit Committee, (ii) Compensation Committee and (iii) Project Review Committee. The members of the committees are appointed annually at the statutory meeting of the Board. The Board's Procedural Rules specify which duties and decision-making powers have been delegated. The committees report orally to the Board at each meeting and all minutes from these meetings are submitted to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing of financial reporting, reporting procedures and accounting principles, and to monitor the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the quality of the Group's reporting, internal auditing and risk management, and reviews the reports and opinions of the company's external auditors. The Committee monitors the external auditors' assessment of their impartiality and independence, and that there are routines in place stipulating which non-audit services they provide to the Parent Company and the Group. The Committee also monitors compliance with the rules on auditor rotation. The external auditors are present at all Audit Committee meetings. At least once a year the Audit Committee meets the auditors without senior executives being present.

In 2017 the Audit Committee consisted of Charlotte Strömberg (Chairman), Hans Biörck, John Carrig, Nina Linander and Pär Boman.

The Committee held six meetings in 2017. Important matters addressed during the year included capital allocation, financing, pension reporting, external reporting, implementation of the Enterprise Resource Planning (ERP) systems, IT strategy and security, impairment testing, writedowns on construction projects in Poland, the UK and USA Civil, larger disputes, review of the interim reports and year-end report, risk management and compliance matters.

Compensation Committee

The main task of the Compensation Committee is to prepare recommendations for board decisions on the appointment of the President and CEO, including salary and other compensation, and other Group Leadership Team members, including compensation, pension and employment terms for these individuals. The Committee prepares recommendations for board decisions on incentive programs, and examines the outcomes of variable salary components.

In 2017 the Compensation Committee consisted of Hans Biörck (Chairman), John Carrig, Jayne McGivern and Pär Boman. The Code requirements regarding independence, according to which the Chairman of the Board is permitted to be the Chairman of the Compensation Committee and other AGM-elected members are to be independent in relation to the company and the Group Leadership Team, have therefore been met.

The Committee held seven meetings in 2017. Important matters addressed during the year was appointment of a new CEO, review of executives' other assignments, review of Skanska's variable remuneration programs for the Group Leadership Team, and review and evaluation of the application of the principles for remuneration to senior executives as well as the existing remuneration structure and remuneration levels.

Project Review Committee

The Project Review Committee makes decisions on individual projects within the Construction, Commercial Property Development and Residential Development business steams, investments and divestments within Infrastructure Development and certain project financing packages. Projects that involve especially high or unusual risks or other special circumstances may be referred to the Board for a decision. The Committee consists of all AGM-elected members and employee representative Richard Hörstedt. The Committee held eleven meetings in 2017.

Evaluation of the work of the Board

The work of the Board is evaluated annually through a structured process aimed at improving work processes, efficiency and collective expertise, and to assess any need for change. The Chairman of the Board is responsible for the evaluation and for presenting the findings to the Board and the Nomination Committee. In 2017 an evaluation was carried out in the form of a questionnaire and individual conversations between the Chairman and each member of the Board, but also through discussion during board meetings. The Chairman was also evaluated through a written questionnaire; the board meeting on this occasion was chaired by another member appointed for the purpose. The outcome of the 2017 evaluation was that the work of the Board was deemed to be functioning well.

Fees to the Board

Total fees to the AGM-elected Board members were approved by the 2017 AGM in the amount of SEK 9,715,000. The Chairman of the Board received SEK 2,040,000 in fees and other Board members who are not employed by the Group received SEK 680,000 each. The Chairman of the Audit Committee received SEK 220,000 and the other members of the Committee received SEK 157,500. The Chairman of the Compensation Committee received SEK 110,000 and the other members SEK 105,000. The Chairman of the Project Review Committee received SEK 205,000 as did each of the other members, who are not employed by the Group. For more detailed information, see Note 37, "Remuneration to senior executives and Board members."

Attendance at the Board and Committee meetings

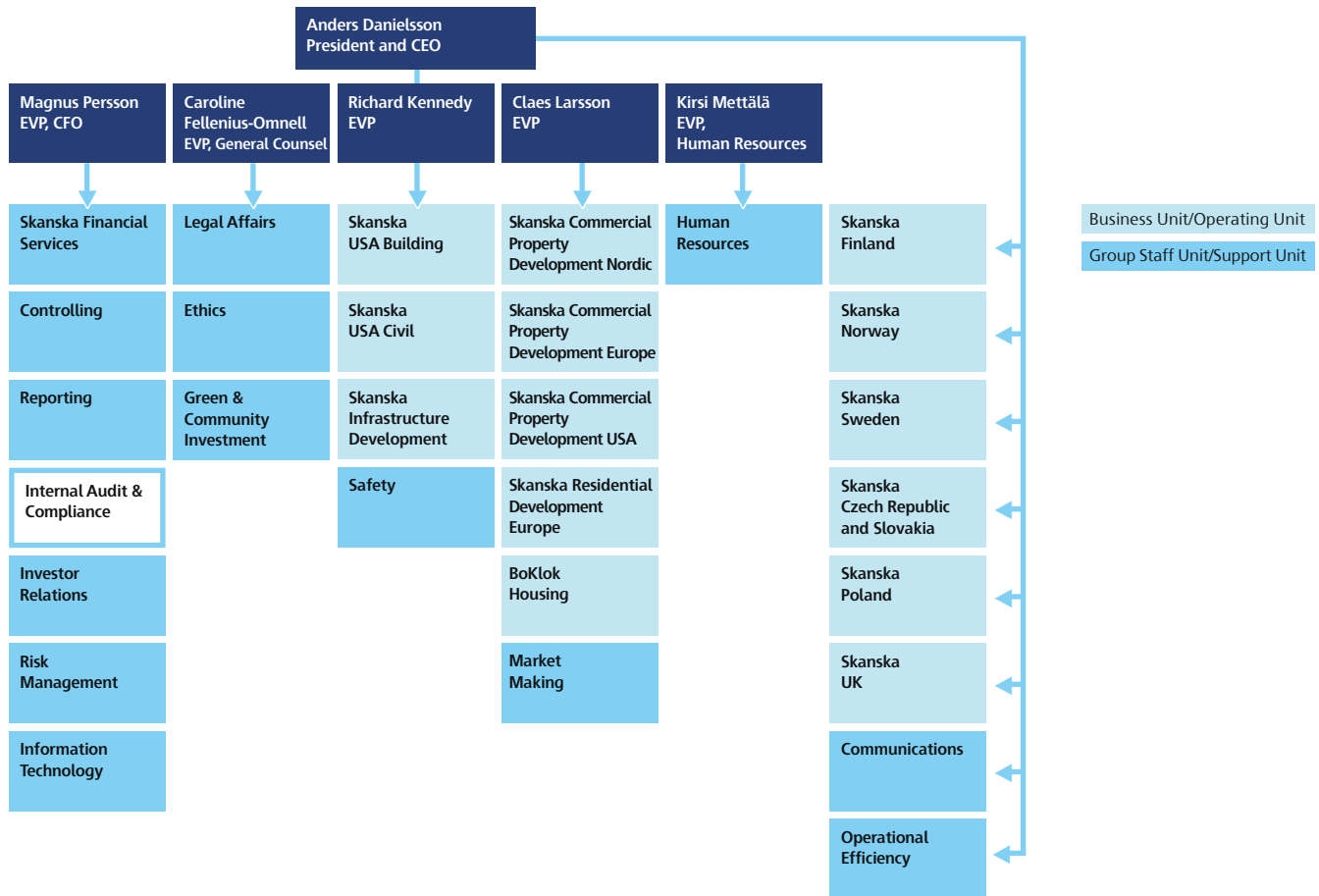
	Board meetings	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	9	6	7	11
Member				
Hans Biörck	9	6	7	11
Johan Karlström ¹	9			10
Fredrik Lundberg	9			11
Nina Linander	9	6		11
John Carrig	9	6	7	11
Charlotte Strömberg	9	6		10
Pär Boman	9	6	6	11
Jayne McGivern	9		7	10
Catherine Marcus ²	8			9
Gunnar Larsson	9			
Richard Hörstedt	9			11
Lennart Karlsson ³	7			
Pär-Olow Johansson	9			
Anders Rättgård ²	8			

¹ Until December 31, 2017.

² From April 4, 2017.

³ Until January 18, 2018.

Skanska’s management structure
Group Leadership Team, from 17 January, 2018



Operational management and internal control

The President and CEO and the Group Leadership Team

The President and CEO is appointed by the Board of Directors and runs the company in accordance with the instructions adopted by the Board. The President and CEO is responsible for the day-to-day management of the operations of the company and the Group. The work of the President and CEO is evaluated at one board meeting each year at which no senior executives are present. On September 13, 2017 Skanska announced in a press release that Johan Karlström had informed the Board that he wished to retire from his position as CEO. He will continue to serve as a senior advisor until January 2019. On December 7, 2017, Skanska announced that the Board of Directors had appointed Anders Danielsson as the new President and CEO. Anders Danielsson started the position as the new President and CEO on January 1, 2018, when Johan Karlström left his position. The President and CEO has no business dealings of any significance with Skanska AB or its Group companies.

The President and CEO and the Executive Vice Presidents form the Group Leadership Team.

In alignment with the strategic review in 2017, Skanska is undertaking a comprehensive restructuring of the business, primarily in the Construction stream, to improve profitability. Effective as of

January 17, 2018, a new Group Leadership Team in a new structure replaced the former Senior Executive Team, in order to strengthen the units’ performance.

Information on the President and CEO and the members of the Group Leadership Team can be found on pages 56–57.

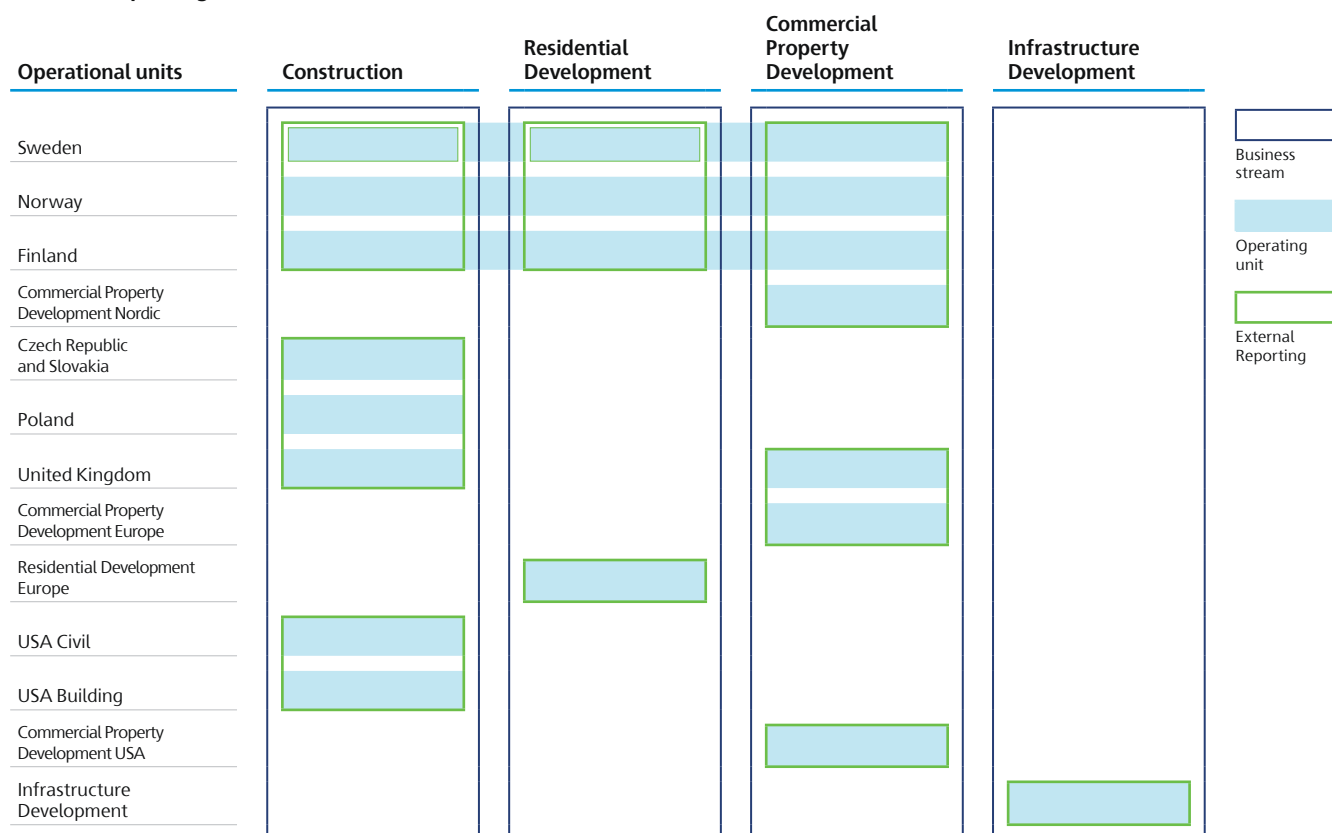
Group Staff Units and Support unit

Group Staff Units and the Support unit, Skanska Financial Services AB, are based at the Group headquarters in Stockholm. The Group Staff Units and Support units assist the President and CEO and the Group Leadership Team on matters relating to corporate functions, coordination and oversight. They also provide support to the business units. The head of each Group Staff Unit reports directly to a member of the Group Leadership Team. The head of the Internal Audit and Compliance unit reports directly to the Board by way of the Audit Committee. A presentation of the Group Staff Units and the Support unit can be found on page 57.

The Business Units and their governance

The Skanska Group has a decentralized structure characterized by a large measure of delegation of authority and responsibility to the Business Units. Each Business Unit is headed by a president and has its own administrative departments and other resources in

Skanska reporting structure



order to conduct its operations effectively. Aside from day-to-day operations managing projects, the Business Units deal with matters such as their strategic development, business plans, investments, divestments and organization.

In addition to the Board's governing documents, the Group Leadership Team has adopted policies and guidelines for the Group. These policies and guidelines are updated regularly to reflect changes in operations or new regulations. The Board's Procedural Rules state which items of business will be decided upon by the Board of Skanska AB, by the President and CEO/Group Leadership Team or at the Business Unit level. The thresholds for decision authority stipulated in the Procedural Rules are further broken down in the Business Units' own rules on decision authority. The Business Units provide regular, systematic feedback to the Group Leadership Team on compliance with the more important governing documents, such as the Risk Management Policy, Financial Policy, Information Policy and the Code of Conduct. Risk management follows a structured process in which the decision-making body depends, among other things, on the size, type and geographic location of the projects/assignments.

Remuneration to senior executives

The 2017 AGM approved principles for salaries and other remuneration to senior executives. These are described on page 160. Information about salaries and other remuneration to the President and CEO and other members of the Group Leadership Team,

as well as outstanding share award and share-related incentive programs are found in Note 37.

The company's auditors

According to the Articles of Association, the AGM is to elect one or two authorized public accountants and no more than two deputy auditors. Registered accounting firms may also be appointed as the company's auditor. The auditors have attended two board meetings to report on the auditing process of Ernst & Young AB for Skanska and to provide the members of the Board with an opportunity to ask questions without management being present. The auditors have also attended all meetings of the Board's Audit Committee. For information on fees and other remuneration to the accounting firm, see the table below and Note 38.

Fees and other remuneration to auditors

	Ernst & Young		KPMG	
	2017	2016	2017	2016
SEK M				
Audit assignments	49	46	-	8
Audit-related activities besides the annual audit assignment	5	0	-	-
Tax advisory services	1	3	-	1
Other services	3	1	-	2
Total	58	50	-	11

Internal control

This description includes the most important elements of the company's internal control and risk management systems in connection with financial reporting.

Control environment

The Board of Directors has overall responsibility for ensuring that Skanska has effective and adequate risk management and internal control. The purpose is to provide a reasonable assurance that the operations are run appropriately and efficiently, that external reporting is reliable and that laws and internal rules are complied with. The Board's Procedural Rules and instructions for the CEO and Board Committees ensure a clear division of roles and responsibilities for the purpose of ensuring effective management of business risk. The Board has also adopted a number of fundamental rules of importance for internal control work, such as the company's Risk Management Policy, Financial Policy, Information Policy and Code of Conduct. The Group Leadership Team reports regularly to the Board according to established routines. The Audit Committee also presents reports on its work. The Group Leadership Team is responsible for the system of internal controls required to manage material operational risks. This includes providing instructions to people in various positions in order to maintain good internal control.

Risk assessment and control activities

Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial reporting and/or have an impact on the company's performance results. The company has subsequently ensured that the Group has rules in place to guarantee that these risks are managed. The Group Leadership Team and the corporate departments are responsible for managing general risks relating to strategy, macroeconomics and regulatory frameworks, while the main tasks relating to operational risks and opportunities are carried out at the local level within the Business Units.

Risks and opportunities for improvement are both greatest during the actual execution phase of the projects, and thus the work focuses heavily on this phase. Since almost every project is unique, risks and opportunities must be analyzed with respect to project type, location, execution phase and client.

Skanska uses a Group-wide procedure for identifying and managing risks associated with construction contracts, projects and investments. A specialized Group Staff Unit, the Skanska Risk Team, examines and analyzes projects and investments above a certain size. The proposals are then processed by the Skanska Risk Team, which issues a recommendation. The final decision on ten-

ders, investments or divestments is made by the Group Leadership Tender Board which consists of the Group Leadership Team and in certain cases, by the Project Review Committee.

The company considers the greatest risks that the Group faces to be the following:

- Loss or lack of key individuals
- Ethical breaches
- Project or investment losses
- Macro-financial instability
- Accidents with multiple people affected

A more detailed description of the risks and how they are managed is found on pages 16–18.

Information and communication

Significant accounting principles, manuals and other documents of importance in financial reporting are updated and information on them is communicated regularly. There are several information channels to the Group Leadership Team and the Board of Directors for important information. For its external communication, the Group has an Information Policy to ensure that the company meets the existing regulations for providing the market with accurate information.

Monitoring

The Board of Directors continually evaluates the information provided by the Group Leadership Team and the Audit Committee. Of particular importance is the result of the Audit Committee's work on monitoring the effectiveness of the Group Leadership Team's internal control processes. This includes ensuring that steps are taken to address the shortcomings revealed in internal and external audits and to implement the proposed actions.

Internal Audit and Compliance

The Internal Audit and Compliance Group Staff Unit is responsible for monitoring and evaluating risk management and internal control processes. The unit's work is planned in consultation with the Audit Committee and reporting takes place directly to the Board through the Committee. Matters relating to the internal audit are also communicated on an ongoing basis to Skanska's external auditors. In 2017 the Internal Audit and Compliance unit focused on reviewing the risks identified relating to the company's projects, business critical processes and key corporate departments. A total of some 120 audits were conducted during the year within all business units. There was a particular focus on the business operations in the USA and central Europe. The audits were performed in accordance with a uniform audit method.