

Corporate governance report of Skanska AB (publ) for 2007 and the Board of Directors' report on internal control

Corporate governance report
This corporate governance report for 2007 plus the Board of Directors' report on internal control have not been reviewed by the Company's external auditors. The reports are not part of the formal financial statements.

Corporate governance

Skanska AB is a Swedish public limited company. Skanska's Series B shares are listed on the OMX Nordic Exchange Stockholm. Skanska AB and the Skanska Group are governed in accordance with Skanska AB's Articles of Association, the Swedish Companies Act, the listing agreement with the OMX Nordic Exchange Stockholm and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Code of Corporate Governance ("the Code"). Skanska is reporting departures from the Code for 2007 as noted below under "Departures from the Code."

Articles of Association

The Articles of Association are adopted by the shareholders' meeting and shall contain a number of mandatory disclosures of a more fundamental nature for the Company. Among other things, they shall state what operations the Company shall conduct, the size and registered office of the Board of Directors, the size of the share capital, any regulations on different types of shares, the number of shares and how notice of a Shareholders' Meeting shall be provided. The complete Articles of Association are available on Skanska's website, www.skanska.com/investors, under the heading "Corporate Governance."

Shareholders' meeting

At the shareholders' meeting, the highest decision-making body, the shareholders of Skanska decide on central issues, such as the adoption of the income statement and balance sheet, the dividend to the shareholders, the composition of the Board, discharging the members of the Board of Directors and the President from liability for the financial year, amendments to the Articles of Association,

election of auditors and principles of remuneration to senior executives. Shareholders who are listed in the register of shareholders on the record date and 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. Every shareholder is entitled to have an item of business dealt with by the shareholders' meeting. Well before notice of the meeting is issued, the Company's website provides information on how shareholders shall proceed in order to have an item of business dealt with.

The 2007 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on April 3, 2007 in Stockholm. At the Meeting, a total of 557 shareholders were present personally or through proxy, representing about 54.1 percent of the total voting power in the Company. The Meeting elected Jane Garvey, Stuart Graham, Finn Johnsson, Curt Källströmer, Sverker Martin-Löf, Sir Adrian Montague, Anders Nyrén, Lars Pettersson and Matti Sundberg as members of the Board of Directors. The employees were represented on the Board by Inge Johansson, Gunnar Larsson and Alf Svensson as members with Richard Hörstedt, Jessica Karlsson and Ann-Christin Kutzner as deputy members. The meeting re-elected

Sverker Martin-Löf as Chairman of the Board. The Meeting also approved a dividend to the shareholders totaling SEK 8.25 per share.

All members of the Board and the Company's auditors were present at the Annual Shareholders' Meeting.

Complete information about the 2007 Annual Shareholders' Meeting is available on Skanska's website, www.skanska.com.

Extra Shareholders' meeting

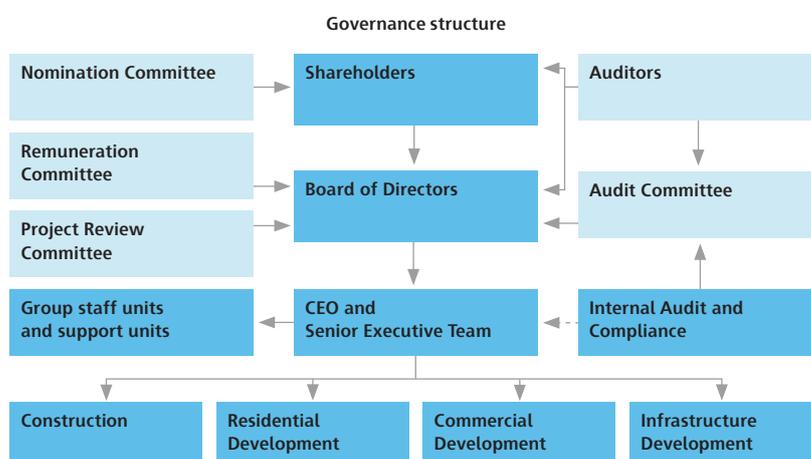
On November 29, an extraordinary shareholders' meeting was held in Solna. The meeting decided to introduce a new long term share ownership program. The program is described in the Annual Report, page 131.

The 2008 Annual Shareholders' Meeting

The next Annual Shareholders' Meeting of Skanska AB will be held on April 3, 2008 in Stockholm, Sweden. The Meeting will take place at 4:00 p.m. at Nybrokajen 11, Konsertsalen, Stockholm, Sweden. Information has been provided on Skanska's website to shareholders on how they should proceed if they wish to have an item of business dealt with at the 2008 Annual Shareholders' Meeting.

The Nomination Committee

Among the tasks of the Nomination Committee is to propose candidates for election as members of the Board of





Directors. The 2007 Annual Shareholders' Meeting gave the Chairman of the Board a mandate to allow the three to five largest shareholders in terms of voting power each to appoint a representative to comprise, together with the Chairman, a Nomination Committee in preparation for the 2008 Annual Shareholders' Meeting. The Nomination Committee has the following composition: Carl-Olof By, AB Industrivärden, Chairman of the Nomination Committee; Håkan Sandberg, Svenska Handelsbanken AB and the Handelsbanken pension funds; Peter Lindell, AMF Pension; KG Lindvall, Swedbank Robur mutual funds; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

Information has been provided on Skanska's website on how shareholders can submit their own proposals to the

Nomination Committee by sending an e-mail to valberedningen@skanska.se. The proposal of the Nomination Committee will be published in the notice of the 2008 Annual Shareholders' Meeting. At the same time, the Nomination Committee's report on how it has pursued its work will be available on Skanska's website, at www.skanska.com/investors.

The Board of Directors

The Board of Directors makes decisions concerning overall issues about the Parent Company and the Group, such as Group strategy, publication of interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO as well as the organizational structure of the Group. The Board has established three special committees:

- The Audit Committee
 - The Compensation Committee
 - The Project Review Committee.
- These committees are described in detail below.

The members of the Board

The Board of Directors consists of nine members elected by the Annual Shareholders' Meeting without deputies plus three members and three deputy members appointed by the employees. The President and CEO is a member of the Board. At the 2007 Annual Shareholders' Meeting, Board members Roger Flanagan and Ulrika Francke resigned. Sir Adrian Montague and Matti Sundberg were newly elected to the Board.

For more detailed information about Board members and deputy members, see page 156 of the Annual Report.

Eight of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, six members are also deemed independent of the Company's largest shareholders. Only one member (the President and CEO) is active in the management of the Company.

The Nomination Committee, 2008

Members of the Nomination Committee, 2008	Representing	December 31, 2007 % of voting power
Carl-Olof By	AB Industrivärden	26.9
Håkan Sandberg	Svenska Handelsbanken AB and the Handelsbanken pension funds	4.6
Peter Lindell	AMF Pension	3.3
KG Lindvall	Swedbank Robur mutual funds	2.3
Sverker Martin-Löf	Chairman of the Board, Skanska AB	-

The members and deputy members of the Board

Member	Position	Born	Nationality	Year elected	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to Company and company management	Independent in relation to major shareholders
Sverker Martin-Löf	Chairman	1943	Sweden	2001	■	■	■	Yes	No
Jane F. Garvey	Member	1944	U.S.A.	2003				Yes	Yes
Stuart E. Graham	President and CEO	1946	U.S.A.	2003			■	No	Yes
Finn Johnsson	Member	1946	Sweden	1998	■			Yes	No
Curt Källströmer	Member	1941	Sweden	2006		■		Yes	Yes
Sir Adrian Montague	Member	1948	U.K.	2007			■	Yes	Yes
Anders Nyrén	Member	1954	Sweden	2002	■		■	Yes	No
Lars Pettersson	Member	1954	Sweden	2006		■		Yes	Yes
Matti Sundberg	Member	1942	Finland	2007			■	Yes	Yes
Richard Hörstedt	Employee Rep. (Deputy)	1963	Sweden	2007				-	-
Inge Johansson	Employee Representative	1951	Sweden	1999			■	-	-
Jessica Karlsson	Employee Rep. (Deputy)	1975	Sweden	2005				-	-
Ann-Christin Kutzner	Employee Rep. (Deputy)	1947	Sweden	2004				-	-
Gunnar Larsson	Employee Representative	1953	Sweden	2002				-	-
Alf Svensson	Employee Representative	1960	Sweden	2007				-	-

■ = Chairman

■ = Member

“The work of the Board is evaluated yearly through a systematic and structured process, among other things aimed at gathering good supporting documentation for improvements in the Board’s own work”.

The work of the Board in 2007

The work of the Board of Directors follows a yearly agenda, which is stipulated in the Board’s Procedural Rules. In preparation for each Board meeting, the Board receives supporting documentation compiled according to established procedures. These procedures are aimed at ensuring that the Board receives relevant information and documentation for decision making before all its meetings. All documentation is formulated in the English language.

During the year, the Board held eight meetings including its statutory meeting. In addition, one meeting has been held per capsulam. At its September 2007 meeting, the Board visited the Skanska Finland business unit and received information about Skanska’s activities in Finland. The Board also discussed the new strategy plan. In conjunction with this meeting, the Board carried out two work site visits. Among the more important issues that the Board dealt with during the year were Group strategy, internal control, governance of operations, risk management and employee health and safety. During the year, the Board examined the relevance and timeliness of all legally mandated instructions.

The committees of the Board

In its Procedural Rules, the Board has specified the duties and decision making powers that the Board has delegated to the Committees. All committees report orally to the Board at each meeting in accordance with the mechanisms that are stipulated in the Procedural Rules. Minutes of all Committee meetings are provided to the Board.

Audit Committee

The main task of the Audit Committee is to assist the Board in overseeing financial reporting, report procedures and accounting principles as well as monitoring the auditing of the accounts for the Parent Company and the Group. The Committee also evaluates the Group’s internal control and studies the reports and opinions of the Company’s external auditors. The Company’s external auditors are present at all meetings of the Audit Committee. In this way, the Committee safeguards the quality of financial reporting, whose contents have been established by the Board in its Procedural Rules. The Committee prepares proposals regarding elections of auditors in the years such elections will occur. The Audit Committee consists of Anders Nyrén

(Chairman), Finn Johnsson and Sverker Martin-Löf. During 2007, the committee held five meetings.

Compensation Committee

The main task of the Compensation Committee is to prepare the Board’s decisions concerning employment of the President and CEO and other members of the Senior Executive Team, as well as the President and CEO’s and the Senior Executive Team’s compensation, pensions and other terms of employment. The committee prepares the Board’s decisions on general incentive programs and examines the outcomes of flexible salary elements. The Compensation Committee consists of Sverker Martin-Löf (Chairman), Curt Källströmer and Lars Pettersson. During 2007, the committee held five meetings.

Project Review Committee

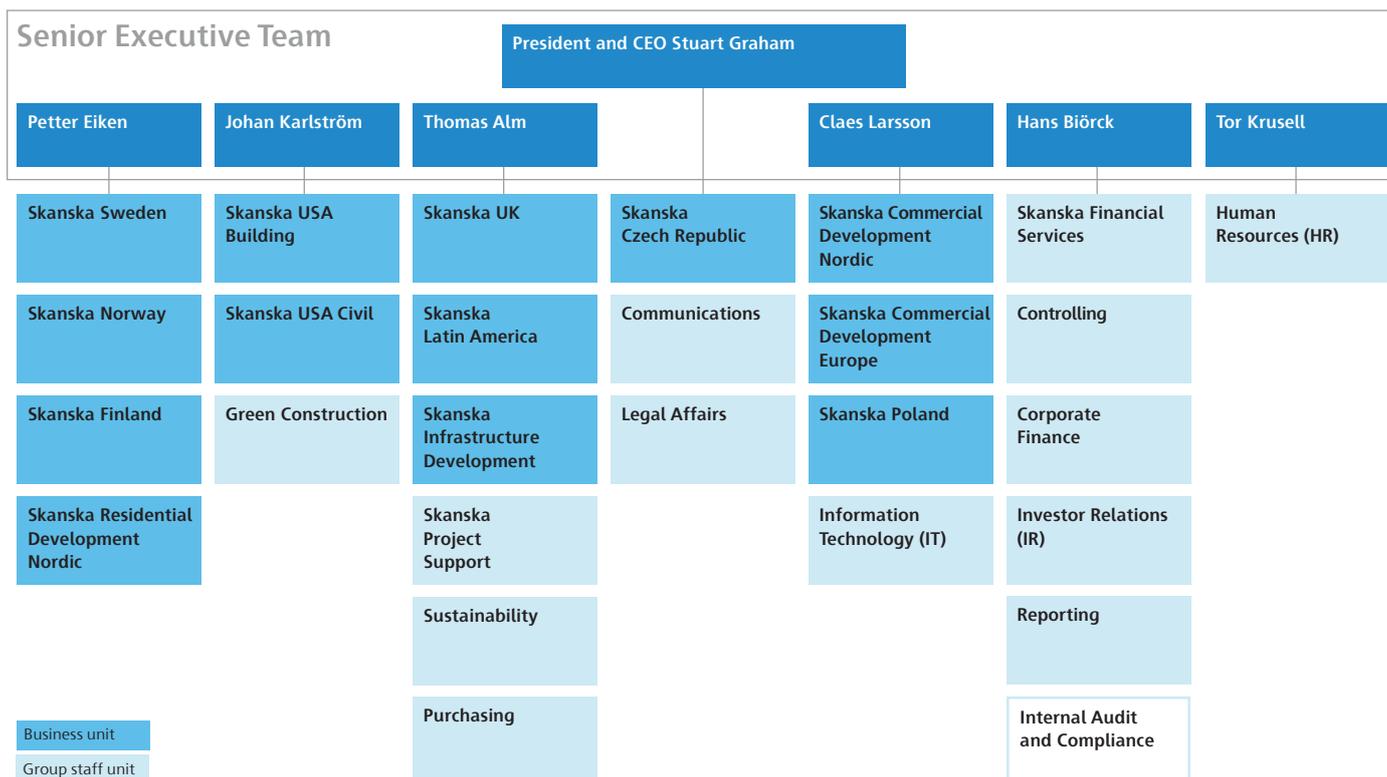
The Project Review Committee has the Board’s mandate to make decisions on its behalf regarding individual construction and real estate projects, investments and divestments in infrastructure projects and certain project financing packages. Projects that include especially high or unusual risks or other special circumstances may be referred to the Board for

Attendance at meetings and remuneration to the board

Board member	Board	Audit Committee	Compensation Committee	Project Review Committee	Remuneration, Board, SEK	Remuneration, Audit Committee, SEK	Remuneration, Compensation Committee, SEK	Remuneration, Project Review Committee, SEK	Total remuneration, SEK
Number of meetings	8	5	5	11					
Sverker Martin-Löf	8	5	5	11	1,275,000	75,000	50,000	125,000	1,525,000
Jane F. Garvey	6				425,000				425,000
Stuart E. Graham	8			9					
Finn Johnsson	7	4 ¹			425,000	75,000			500,000
Curt Källströmer	8		5		425,000		50,000		475,000
Sir Adrian Montague ¹	7			8 ¹	425,000			125,000	550,000
Anders Nyrén	7	5		9	425,000	75,000		125,000	625,000
Lars Pettersson	7		4		425,000		50,000		475,000
Matti Sundberg ¹	7			6 ¹	425,000			125,000	550,000
Richard Hörstedt	8								
Inge Johansson	8			8 ¹					
Jessica Karlsson	8								
Ann-Christin Kutzner	8								
Gunnar Larsson	8								
Alf Svensson	8								
Total					4,250,000	225,000	150,000	500,000	5,125,000

¹ Starting in April 2007

Skanska's management structure



its decision. The Project Review Committee consists of Sverker Martin-Löf (Chairman), Stuart Graham, Anders Nyrén, Sir Adrian Montague, Matti Sundberg and Inge Johansson. During 2007, the committee held eleven meetings.

Evaluation of the work of the Board

The work of the Board is evaluated yearly through a systematic and structured process, among other things aimed at gathering good supporting documentation for improvements in the Board's own work. External resources are not utilized in this evaluation. The evaluation also provides the Chairman of the Board with information about how the members of the Board perceive the effectiveness of the Board.

The Chairman of the Board informs the Nomination Committee of the results of this evaluation.

Fees to the Board of Directors

Total fees to the Board members elected by the shareholders' meeting were approved by the 2007 Annual Shareholders' Meeting in the amount of SEK 5,125,000. The Chairman of the Board received SEK 1,275,000 in fees and other Board members SEK 425,000 each. Members elected by the Shareholders' meeting and serving on the Board's committees received SEK 50,000 each on the Compensation Committee, SEK 75,000 on the Audit Committee and SEK 125,000 on the Project Review Committee.

The Board's communication with the Company's auditors

As mentioned above, the Company's external auditors participate in all meetings of the Audit Committee. According to the Procedural Rules, the Board of Directors meets with the auditors twice

a year. On these occasions, the auditors orally present the findings of their auditing work. At least once per year, the Board meets the auditors without senior executives being present.

Operative management and internal control

The CEO and the Senior Executive Team

The President and Chief Executive Officer (CEO) is responsible for day-to-day management and oversight of the Group's operations. The work of the CEO is specially evaluated at one meeting each year at which no senior executives are present. The CEO and the six Executive Vice Presidents form the Senior Executive Team (SET). In the Procedural Rules it is stipulated that if the CEO can not fulfill his duties, the duties of the CEO devolve on the CFO, or in his or her absence the Executive Vice President with the longest

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period of service as Executive Vice President. Information on the CEO and the Senior Executive Team is found on page 155 of the Annual Report. The President and CEO has no business dealings of any significance with Skanska AB or its Group companies. The Annual Report, page 128, provides information about the transactions carried out between Skanska and the CEO. He owns no shares in companies that have significant business dealings with companies in the Skanska Group.

Group staff units and support units

At Skanska Group headquarters in Solna, there are twelve Group staff units plus two support units, Skanska Financial Services and Skanska Project Support. On December 1, a new Group Staff Unit, Green Construction, was established to focus on developing Skanska's expertise in environmentally friendly construction.

The Group staff units and support units assist the CEO and the Senior Executive Team on matters concerning Groupwide functions, coordination and controls. In addition, they provide support to the business units. The head of each Group staff unit, aside from the head of Internal Audit and Compliance, reports directly to a member of the Senior Executive Team. The head of Internal Audit and Compliance reports to the Audit Committee. A presentation of the Group staff units and support units is found on page 155 of the Annual Report.

The business units and their governance

The organizational structure of the Skanska Group is characterized by clear decentralization and 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 staff units and other resources in order to conduct its operations effectively.

Aside from day-to-day operations of the business units, there are matters related to the strategic development of the units as well as matters concerning their strategic investments and divestments. These items of business are prepared by the management team at each respective

unit and are then submitted to the Senior Executive Team or Skanska AB's Board of Directors for approval, depending on the size of the item of business. The Boards of Directors of the business units consist of representatives of Skanska AB, individuals from other business units as well as of the respective business unit's management team. In each business unit, the Chairman of the Board is a member of the Senior Executive Team. Where appropriate, employee representatives are included.

Each business unit follows a structured, step-by-step risk management process. Depending among other things on the size, type and geographic location of projects, a structured risk management report to the proper decision-making level is required before decisions on the projects are made.

Governing documents

As part of the governance of Group operations, Skanska AB's Board of Directors has adopted a number of policy documents.

In addition, the Senior Executive Team has adopted more detailed guidelines for the Group. These policies and guidelines are available to all business units on Skanska's intranet and are updated regularly to reflect changes in operations and new requirements. Among the more important governing documents are the Board's Procedural Rules, the Group's Financial Policy, Information Policy, Risk Management System and the Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the CEO/Senior Executive Team or at the business unit level. The threshold levels for decisions stated in the Procedural Rules are further broken down in the business units' own decision-making rules. The business units provide regular, systematic feedback on compliance with the more important governing documents, such as the Financial Policy and the Code of Conduct, to the Senior Executive Team.

Remuneration for senior executives

The 2007 Annual Shareholders' Meeting approved principles for remuneration

and other terms of employment for senior executives. These principles, as well as the Board's proposal for new principles to be approved at the 2008 Annual Shareholders' Meeting, are available on Skanska's website, www.skanska.com.

Information about salaries and other remuneration to the President and CEO and the other members of the Senior Executive Team as well as share award and share-related incentive programs outstanding are found in Note 37 of the Annual Report, page 129.

The Company's auditors

The 2005 Annual Shareholders' Meeting selected the accounting firm of KPMG Bohllins AB as auditor of Skanska AB. This assignment runs until the 2009 Annual Shareholders' Meeting. The auditor in charge is Caj Nackstad, Authorized Public Accountant. For information on fees and other remuneration to KPMG Bohllins AB, see the table below.

Fees and other remuneration to the auditors

SEK M	2007	2006
Audit assignments	58	52
Other audit-related assignments	6	6
Tax advisory services	9	9
Total	73	67

Departures from the Code

As a departure from the Code's rule 3.8.2 there is no member of the Audit Committee who is independent of the Company's major shareholders. The explanation behind this departure is the following. The members of the Committee – Anders Nyrén, Sverker Martin-Löf and Finn Johnsson – are dependent on AB Industrivärden. All of them have a long experience of economic and financial reporting issues from Swedish and international industry. The demands on members of the Audit Committee are especially high in a company such as Skanska with decentralized global operations in a risky, project-oriented industry. The Board's assessment is that the present committee members are the most suitable for the assignment.

The Board of Directors' report on internal control

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control. This report has been drafted in compliance with the Swedish Code of Corporate Governance, section 3.7.2, taking into account the Swedish Corporate Governance Board's application instruction of September 5, 2006, and is thus limited to internal control dealing with financial reporting.

Control environment

The Board of Directors' Procedural Rules and instructions for the President and CEO and the committees of the Board ensure a clear division of roles and responsibilities in order to foster effective management of business risks. The Board has also adopted a number of fundamental guidelines of importance to the internal control task. Examples of these guidelines are the Company's risk management system, financial policy and Code of Conduct. All these guidelines are available to all business units on Skanska's intranet. The Senior Executive Team reports regularly to the Board on the basis of established procedures. In addition, the Audit Committee presents reports on its work. The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities. Among other things, this includes guidelines for various employees to ensure that they will understand and realize the importance of their respective roles in the maintenance of 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



"The Senior Executive Team is responsible for the system of internal controls required to manage significant risks in operating activities."

reporting and/or have an impact on the Company's results. This work is limited to risks that may individually have an effect of SEK 10 M or more.

The Company has then made certain that there are policies and procedures in the Group to ensure that these risks are managed effectively.

During 2007, all business units plus Skanska Financial Services carried out self-evaluations to assess whether Group policies and procedures are being followed. These self-evaluations have been reviewed by Skanska's internal auditors.

Information and communication

Essential guidelines, manuals and other documents of importance to financial reporting are updated and communicated regularly to the affected employees. There are several information channels to the Senior Executive Team and the Board of Directors for essential information from employees. For external communication, there is an information policy document that ensures that the Company lives up to the existing requirements for correct information to the market.

Monitoring

The Board of Directors continually evaluates the information supplied by the Senior Executive Team and the Audit Committee. Of particular importance is the Audit Committee's work in monitoring the effectiveness of the Senior Executive Team's work with internal control. This work includes ensuring that steps are taken concerning shortcomings and proposed actions that have emerged from internal and external auditing.

Internal Audit and Compliance

The Group staff Unit Internal Audit and Compliance, established in 2006, is responsible for monitoring and evaluating risk management and internal control work. This task includes examining compliance with Skanska's guidelines. The Group staff unit is independent of the Senior Executive Team and reports directly to the Board of Directors via its Audit Committee. Internal Audit and Compliance plans its work in consultation with the Audit Committee and regularly reports the findings of its examinations to the Committee. The unit communicates continuously with Skanska's external auditors on matters concerning internal control.

During 2007, the Internal Audit and Compliance unit concentrated its activities on auditing the material risks that has been identified in the business. These audits have been conducted in projects as well as in the central support functions. A total of about 60 audits were conducted during the year. These audits were carried out in accordance with a uniform audit methodology.

Solna, February 2008

The Board of Directors, Skanska AB (publ)