

Corporate governance report of Skanska AB (publ) for 2006 plus the Board of Directors' report on internal control

This corporate governance report for 2006 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 report

Corporate governance

Skanska AB is a Swedish public stock corporation. Skanska's Series B shares are listed on the Stockholm Stock Exchange (Stockholmsbörsen). 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 Stockholm Stock Exchange and other applicable Swedish and foreign laws and ordinances.

Skanska applies the Swedish Code of Corporate Governance ("the Code"). Skanska is not reporting any departures from the Code for 2006.

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 capital stock (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, 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 adopting 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, principles of remuneration to senior executives, amendments to the Articles of Association and election of auditors. 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 2006 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on March 30, 2006 in Stockholm. At the Meeting, a total of 486 shareholders were present personally or through proxy, representing about 58.5 percent of the total voting power in the Company. The Meeting elected Roger Flanagan, Ulrika Francke, Jane Garvey, Stuart

Graham, Finn Johnsson, Curt Källströmer, Sverker Martin-Löf, Anders Nyrén and Lars Pettersson as members of the Board of Directors. The employees were represented on the Board by Folmer Knudsen, Gunnar Larsson and Nils-Erik Pettersson as members with Inge Johansson, Jessica Karlsson and Ann-Christin Kutzner as deputy members. The Meeting also approved a dividend to the shareholders totaling SEK 6.50 per share.

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

Complete information about the 2006 Annual Shareholders' Meeting is available on Skanska's website, www.skanska.com.

The 2007 Annual Shareholders' Meeting

The next Annual Shareholders' Meeting of Skanska AB will be held on April 3, 2007 in Stockholm, Sweden. The Meeting will take place at 4:00 p.m. at the Rival Hotel, Mariatorget 3, Stockholm.

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 2007 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 2006 Annual Shareholders' Meeting gave the Chairman of the Board a mandate to allow the five largest shareholders in terms of voting power each appoint a representative to comprise, together with the Chairman, a Nomination Committee in preparation for the 2007 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; Jan-Erik Erenius, AMF Pension and the AMF mutual funds; KG Lindvall, Robur mutual funds; Conny Karlsson, SEB 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 2007 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.

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 organization structure of the Group. The Board has established three special committees: the Audit Committee, the Compensation Committee and 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 2006 Annual Shareholders' Meeting, Board members Sören Gyll and Arne Mårtensson resigned. Curt Källströmer and Lars Pettersson were newly elected to the Board.

For more detailed information about Board members and deputy members, see page 138 of the Annual Report.

A majority consisting of eight of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, five 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 work of the Board in 2006

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 nine meetings including its statutory meeting directly after the Annual Shareholders' Meeting. At its September 2006 meeting, the Group visited Skanska Norway and received information about Skanska's activities in Norway. The Board also discussed Residential Development operations in the Nordic countries. 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

All committees report orally to the Board at each meeting in accordance with the mechanisms that are stipulated in the Board's procedural rules. Minutes of all Committee meetings are provided to the Board.

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. During 2006, Skanska established a new Group staff unit known as Internal Audit and Compliance. This unit reports directly to the Audit Committee. The Audit Committee consists of Anders Nyrén (Chairman), Ulrika Francke and Sverker Martin-Löf. During 2006, the committee held four meetings.

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 2006, the committee held four meetings.

The Project Review Committee has the Board's mandate to make decisions on its behalf regarding individual construction and real estate projects, investments and divestment 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 its decision. The Project Review Committee consists of Sverker Martin-Löf (Chairman), Roger Flanagan, Stuart Graham, Anders Nyrén and Nils-Erik Pettersson. During 2006, it held nine 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.

Board of Directors	Year of birth	Nationality	Elected	Audit Committee	Compensation Committee	Project Review Committee	Remuneration, SEK
Sverker Martin-Löf, Chairman	1943	Sweden	2001	X	X	X	1,425,000
Roger Flanagan	1944	United Kingdom	1998			X	500,000
Ulrika Francke	1956	Sweden	2003	X			475,000
Jane F. Garvey	1944	United States	2003				400,000
Stuart E. Graham, President and CEO	1946	United States	2003			X	-
Finn Johnsson	1946	Sweden	1998				400,000
Curt Källströmer	1941	Sweden	2006		X		450,000
Anders Nyrén	1954	Sweden	2002	X		X	575,000
Lars Pettersson	1954	Sweden	2006		X		450,000
Jessica Karlsson, Employee Representative (Deputy)	1975	Sweden	2005				-
Folmer Knudsen, Employee Representative	1942	Sweden	1992				-
Ann-Christin Kutzner, Employee Rep. (Deputy)	1947	Sweden	2004				-
Inge Johansson, Employee Rep. (Deputy)	1951	Sweden	1999				-
Gunnar Larsson, Employee Representative	1953	Sweden	2002				-
Nils-Erik Pettersson, Employee Representative ¹	1948	Sweden	1998			X	-
Total							4,675,000

¹ Board member until December 11, 2006.

Attendance at Board and Committee meetings during 2006

	Board	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	9	4	4	9
Sverker Martin-Löf	9	4	4	9
Roger Flanagan	9			9
Ulrika Francke	9	3		
Jane F. Garvey	6			
Stuart E. Graham ¹	9			6
Sören Gyll ²	2			
Finn Johnsson	9			
Curt Källströmer ³	6		3	
Arne Mårtensson ²	2		1	
Anders Nyrén	9	4		7
Lars Pettersson ³	5		3	
Jessica Karlsson	9			
Folmer Knudsen	9			
Ann-Christin Kutzner	9			
Inge Johansson	9			
Gunnar Larsson	9			
Nils-Erik Pettersson ⁴	9			5

¹ Appointed as a member of the Project Review Committee in April 2006.

² Resigned from the Board in April 2006.

³ Elected to the Board in April 2006.

⁴ Resigned as Employee Representative on the Board in December 2006.

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 2006 Annual Shareholders' Meeting in the amount of SEK 4,675,000, including a special appropriation of SEK 675,000 for committee work. The Chairman of the Board received SEK 1,200,000 in fees and other Board members SEK 400,000 each. Members of the Board's committees received SEK 50,000 each on the Compensation Committee, SEK 75,000 on the Audit Committee and SEK 100,000 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 its 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. Information on the CEO and the Senior Executive Team is found on page 137 of the Annual Report.

The President and CEO has no business dealings with Skanska AB or its Group companies. 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 eleven Group staff units plus two support units, Skanska Financial Services

and Skanska Project Support. 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 backup 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. A presentation of the Group staff units and support units is found on page 137 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, 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, communications 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 Code of Conduct, to the Senior Executive Team.

Remuneration for senior executives

In compliance with the rules in the Swedish Code of Corporate Governance, the 2006 Annual Shareholders' Meeting approved principles for remuneration and other terms of employment for senior executives. These 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 116.

The Company's auditors

The 2005 Annual Shareholders' Meeting selected the accounting firm of KPMG Bohlins 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 further information on the Company's auditors, see page 139 of the Annual Report.

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 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 2006, 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

During 2006, Skanska established the Group staff unit known as Internal Audit and Compliance (referred to in the 2005 Corporate Governance Report as the "Internal Control function"), which 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 since August 1, 2006 it has reported directly to the Board of Directors via its Audit Committee (during the buildup phase, the Internal Control function reported via Controlling, a Group staff unit, to the Company's Chief Financial Officer). 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 2006, the Internal Audit and Compliance unit has concentrated its activities on implementation of the business units' self-evaluation as well as on drafting an audit strategy. This strategy includes a risk-based assessment of how the unit shall allocate its resources, the drafting of work programs for effective auditing and a system for submitting reports and monitoring audits.

Solna, February 2007

The Board of Directors, Skanska AB (publ)