

CORPORATE GOVERNANCE REPORT

This corporate governance report for 2010 has been reviewed by the Company's external auditors in compliance with Chapter 9, Section 31 of the Swedish Companies Act. The report is part of the Report of the Directors, in compliance with Chapter 6, Section 6 of the Annual Accounts Act. According to the latter section, the corporate governance report shall include certain specific disclosures. These are provided partly in the running text below. Other mandatory information has been gathered under the heading "Other mandatory disclosures in compliance with Chapter 6, Section 6, Annual Accounts Act".

Corporate governance principles

Skanska AB is a Swedish public limited company. Skanska AB's Series B shares are listed on the NASDAQ OMX Stockholm. Skanska AB and the Skanska Group are governed in accordance with the Articles of Association, the Swedish Companies Act, the NASDAQ OMX Stockholm rule book for issuers and other applicable Swedish and foreign laws and ordinances. Skanska applies the Swedish Code of Corporate Governance ("the Code"). The Group's most important governing documents, in addition to those based on laws or other statutes, are available on Skanska's website, www.skanska.com.

Articles of Association

The Articles of Association are adopted by the Annual Shareholders' Meeting and shall contain a number of disclosures of a more fundamental nature for the Company, among other things what operations it shall conduct, the size and registered office of the Board of Directors, any regulations on different types of shares and conversion of shares, number of shares and how notice of a Shareholders' Meeting shall be provided. The complete Articles of Association are available on Skanska's website.

Annual Shareholders' Meeting

At the Annual Shareholders' Meeting, the highest decision-making body of the Company, Skanska's shareholders decide on central issues, such as adoption of income statements and balance sheets, the dividend to the shareholders, the composition of the Board, discharging the members of the Board of Directors and the President and CEO from liability for the financial year, amendments to the Articles of Association, election of auditors and principles of remuneration to senior executives. 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. Every shareholder is entitled to have an item of business dealt with at 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 2010 Annual Shareholders' Meeting

The Annual Shareholders' Meeting was held on April 13, 2010 in Stockholm. At the Meeting, a total of 595 shareholders were present personally or through proxy, representing about 56.8 percent of the total voting power in the Company. The Meeting re-elected Stuart E. Graham, Finn Johnsson, Johan Karlström, Sverker Martin-Löf, Sir Adrian Montague, Lars Pettersson and Matti Sundberg as members of the Board of Directors. Bengt Kjell resigned from the Board.

The Meeting elected Josephine Rydberg-Dumont and Charlotte Strömberg as new members of the Board and re-elected Sverker Martin-Löf as Chairman of the Board. The employees were represented on the Board by Inge Johansson, Roger Karlström and Alf Svensson as members, with Richard Hörstedt, Jessica Karlsson and Ann-Christin Kutzner as deputy members. Among other things, the Meeting approved a dividend to the shareholders totaling SEK 6.25 per share and an extension of the Skanska Employee Ownership Program for the period

2011–2013. All 15 members of the Board and the Company's auditors were present at the Annual Shareholders' Meeting.

Complete information about the 2010 Annual Shareholders' Meeting plus minutes of the Meeting are available on Skanska's website.

The 2011 Annual Shareholders' Meeting

The next Annual Shareholders' Meeting of Skanska AB will be held at 4:00 p.m. on April 5, 2011 at the Cirkus auditorium, Djurgården, 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 2011 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 2010 Annual Shareholders' Meeting gave the Chairman of the Board a mandate to allow the four 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 2011 Annual Shareholders' Meeting. The Nomination Committee has the following composition: Carl-Olof By, Chairman of the Nomination Committee; Jan Andersson; Håkan Sandberg; Anders Oscarsson; Bo Selling; and Sverker Martin-Löf, Chairman of the Board, Skanska AB.

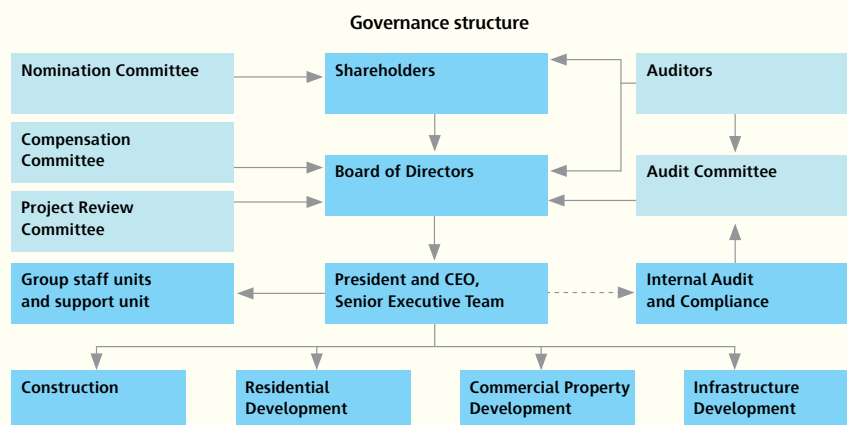
Information has been provided on Skanska's website on how shareholders can submit their own proposals to the Nomination Committee by sending an e-mail to the Committee. The Nomination Committee plans to publish its proposals no later than in the notice of the 2011 Annual Shareholders' Meeting. At the same time, these proposals and an explanatory statement will be available on Skanska's website.

The Nomination Committee, 2010

Representative on the Nomination Committee in preparation for the 2011 Annual Shareholders' Meeting	Representing	December 31, 2010 % of voting power
Carl-Olof By	AB Industrivärden	28.4
Håkan Sandberg	Svenska Handelsbanken AB, Handelsbanken Pension Foundation and the pension fund Pensionskassan SHB försäkringsförening	6.6
Bo Selling	Alecta	5.1
Jan Andersson	Swedbank Robur Funds	3.9
Anders Oscarsson	AMF Insurance and AMF Funds	2.5
Sverker Martin-Löf	Chairman of the Board, Skanska AB	

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 members and deputy members of the Board

Member	Position	Born	Nationality	Year elected	Audit Committee	Compensation Committee	Project Review Committee	Independent in relation to the Company and its management	Independent in relation to major shareholders
Sverker Martin-Löf	Chairman	1943	Sweden	2001	■	■	■	Yes	No
Stuart E. Graham	Member	1946	U.S.	2009	■	■	■	No	Yes
Finn Johnsson	Member	1946	Sweden	1998				Yes	No
Johan Karlström	President and CEO	1957	Sweden	2008			■	No	Yes
Bengt Kjell ¹	Member	1959	Sweden	2008				Yes	No
Sir Adrian Montague	Member	1948	U.K.	2007			■	Yes	Yes
Lars Pettersson	Member	1954	Sweden	2006		■		Yes	Yes
Josephine Rydberg-Dumont ²	Member	1955	Sweden	2010				Yes	Yes
Charlotte Strömberg ²	Member	1959	Sweden	2010	■			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				-	-
Roger Karlström	Employee Representative	1949	Sweden	2008				-	-
Ann-Christin Kutzner	Employee Rep. (Deputy)	1947	Sweden	2004				-	-
Alf Svensson	Employee Representative	1960	Sweden	2007				-	-

1 Until April 13, 2010
2 From April 13, 2010

■ = Chairman

■ = Member

The Board has established three special committees:

- The Audit Committee
- The Compensation Committee
- The Project Review Committee

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. For more detailed information about individual Board members and deputy members, see page 172.

Seven of the Board members elected by the Shareholders' Meeting are independent in relation to the Company and its management. Of these, more than two members are also deemed independent in relation to 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 2010

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 eleven meetings including its statutory meeting. Of these meetings, three were held per capsulam. At its September 2010 meeting, the Board visited the Skanska Sweden business unit. In conjunction with this meeting, the Board made a work site visit to the New Karolinska Solna and Norra Länken projects.

Among the more important issues that the Board dealt with during the year were the Group's 2011–2015 business plan, 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 its 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 quality of the Group's reporting, internal auditing and risk management functions 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 Audit Committee consists of Stuart Graham (Chairman), Charlotte Strömberg and Sverker Martin-Löf. During 2010, the committee held seven 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 salary and other compensation of the President and CEO. The committee makes decisions on the remuneration, pensions and other terms of employment of other members of the Senior Executive Team. The committee prepares the Board's decisions on general incentive programs and examines the outcomes of variable salary elements. During 2010, the committee evaluated Skanska's variable remuneration programs for its management and also monitored and evaluated the application of the principles for remuneration to senior executives as well as the existing remuneration structure and remuneration levels.

The committee consists of Sverker Martin-Löf (Chairman), Stuart Graham and Lars Pettersson. Stuart Graham is dependent in relation to the Company and its management. This diverges from the rules in the Code. The reason for the divergence is that Stuart Graham is highly familiar with the Company's remuneration structure and variable remuneration programs. He is thus especially suitable for this task. During 2010, the committee held three 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 Development and 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 committee consists of Sverker Martin-Löf (Chairman),

Johan Karlström, Stuart Graham, Sir Adrian Montague, Matti Sundberg and Inge Johansson. During 2010, the committee held twelve 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. The evaluation provides the Chairman of the Board with information about how the members of the Board perceive the effectiveness and collective competence of the Board as well as the need for changes in the Board. When evaluating the work of the Chairman, the Board is led by a specially designated member. The Chairman of the Board and the specially designated member inform the Nomination Committee of the results of these evaluations.

Fees to the Board of Directors

Total fees to the Board members elected by the Shareholders' Meeting were approved by the 2010 Annual Shareholders' Meeting in the amount of SEK 4,500,000.

The Chairman of the Board received SEK 1,350,000 in fees and other Board members SEK 450,000 each. This represented unchanged fees compared to 2009.

In addition, in accordance with the decision of the Shareholders' Meeting, members elected by the Shareholders' Meeting and serving on the Board's committees each received SEK 75,000 for their work on the Compensation Committee, SEK 150,000 for their work on the Project Review Committee and SEK 100,000 per member of the Audit Committee and SEK 125,000 to its Chairman. This also represented unchanged levels of compensation compared to 2009. For a further account, see Note 37, "Remuneration to senior executives and Board members."

Attendance at meetings and remuneration to the Board				
Board member	Board	Audit Committee	Compensation Committee	Project Review Committee
Number of meetings	11	7	3	12
Sverker Martin-Löf	11	7	3	12
Stuart E. Graham	11	6	2	8
Finn Johnsson	10			
Johan Karlström	11			12
Bengt Kjell ¹	0	1		
Sir Adrian Montague	11			10
Lars Pettersson	10		2	
Josephine Rydberg-Dumont ²	8			
Charlotte Strömberg ²	9	5		
Matti Sundberg	11			12
Richard Hörstedt	11			
Inge Johansson	11			12
Jessica Karlsson	11			
Roger Karlström	11			
Ann-Christin Kutzner	11			
Alf Svensson	10			

¹ Until April 13, 2010

² From April 13, 2010

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.

Operational management and internal control

The President and 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

President and CEO is specially evaluated at one Board meeting each year at which no senior executives are present. The President and CEO and the seven Executive Vice Presidents plus the Senior Vice President, Human Resources form the Senior Executive Team (SET). The Company's Procedural Rules stipulate that if the President and CEO cannot fulfill his duties, these duties devolve upon the Chief Financial Officer (CFO), or in his or her absence the Executive Vice President with the longest period of service in this position. For information on the President and CEO and the Senior Executive Team, see page 170. The President and CEO has no business dealings of any significance 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 unit

At Skanska Group headquarters in Solna, Sweden, there are Group staff units plus the support unit Skanska Financial Services AB. The Group staff units and support unit assist the President and 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 Board via its Audit Committee. A presentation of the Group staff units and support unit is found on page 171.

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 own management team. In each business unit, the Chairman of the Board is a member of Skanska's Senior Executive Team. Where appropriate, employee representatives are included.

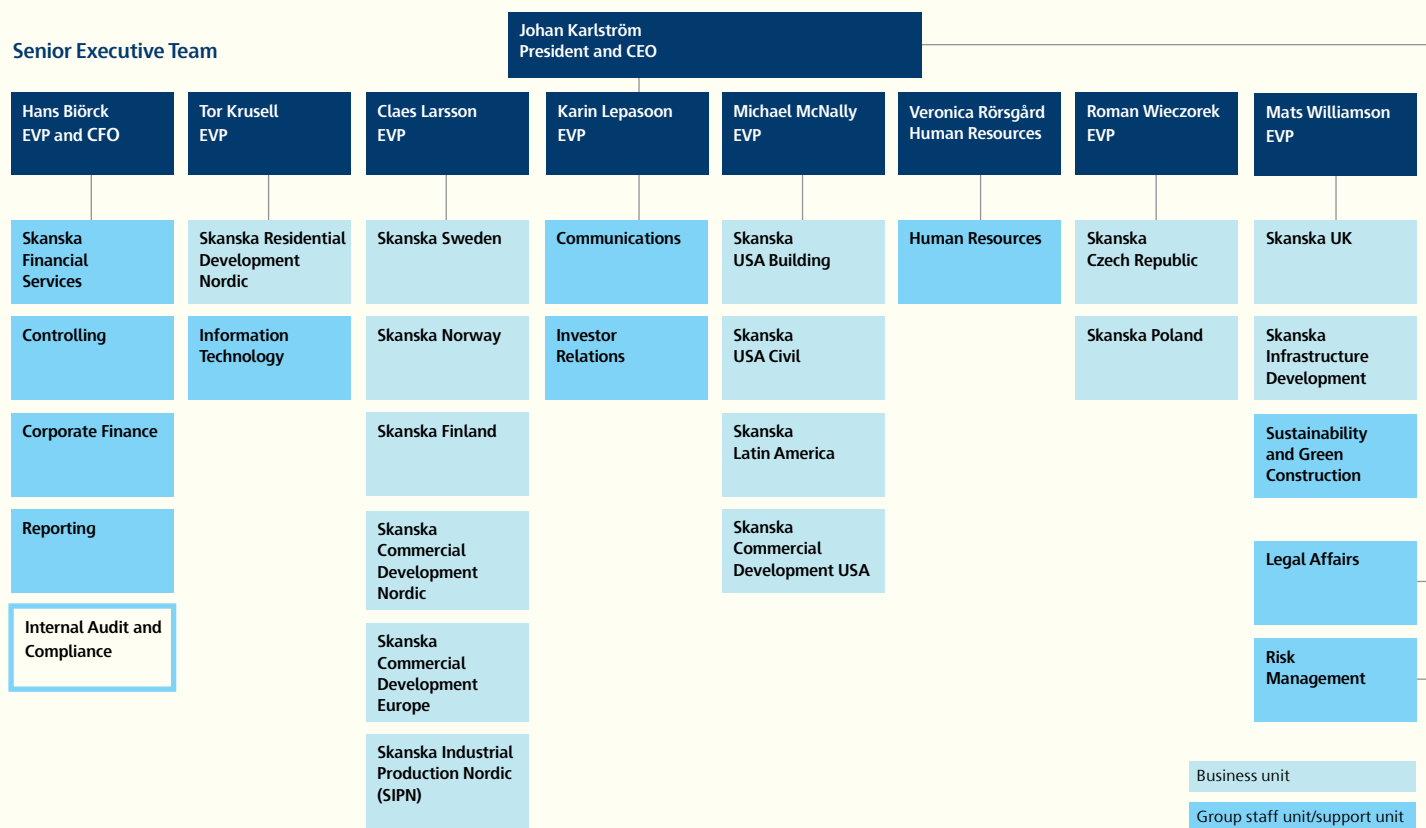
Each business unit follows a structured, step-by-step risk management process. Depending among other things on the size, type and geographic location of projects, a structured risk management report to the proper decision-making level is required before final decisions are made.

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 and the Group's Financial Policy, Information Policy, Risk Management Policy and Code of Conduct. The Board's Procedural Rules state what items of business shall be decided by the Board of Skanska AB, by the President and 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.

Skanska's management structure



Remuneration to the Senior Executive Team

The 2010 Annual Shareholders' Meeting approved principles for the salaries and other remuneration to senior executives. These principles, as well as the Board's proposal for new principles to be approved at the 2011 Annual Shareholders' Meeting, are available on Skanska's website. 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 a note.

The Company's auditors

The 2009 Annual Shareholders' Meeting selected the accounting firm KPMG AB as auditor of Skanska AB. This assignment runs until the 2013 Annual Shareholders' Meeting. The auditor in charge is George Pettersson, Authorized Public Accountant. For information on fees and other remuneration to KPMG, see the table below.

Fees and other remuneration to the auditors		
SEK M	2010	2009
Audit assignments	55	54
Tax advisory services	12	10
Other services	11	5
Total	78	69

Other mandatory disclosures in compliance with Chapter 6, Section 6, Annual Accounts Act

Due to the requirements in Chapter 6, Section 6 of the Annual Accounts Act concerning certain specific disclosures that must be provided in the corporate governance report, the following is herewith disclosed:

- Of the Company's shareholders, only AB Industrivärden directly or indirectly has a shareholding that represents at least one tenth of the voting power for all shares in the Company. On December 31, 2010, Industrivärden's holding amounted to 28.4 percent of total voting power.

- There are no limitations concerning how many votes each shareholder may cast at a Shareholders' Meeting.
- The Articles of Association prescribe that the appointment of Board members shall occur at the Company's Annual Shareholders' Meeting. The Articles of Association do not include any regulations on the dismissal of Board members or on amending the Articles of Association.
- The 2010 Annual Shareholders' Meeting approved a resolution authorizing the Company's Board of Directors to decide on acquisitions of Skanska's own Series B shares via a regulated market on the following conditions:
 - Acquisitions of Series B shares may only be made on the NASDAQ OMX Stockholm.
 - The authorization may be used on one or more occasions, however, not longer than until the 2011 Annual Shareholders' Meeting.
 - A maximum of 4,500,000 Series B shares in Skanska may be acquired for securing delivery of shares to participants in the Skanska Employee Ownership Program.
 - Acquisitions of Series B shares in Skanska on the NASDAQ OMX Stockholm may only be made at a price on the NASDAQ OMX Stockholm within the applicable price range at any given time, meaning the interval between the highest purchase price and lowest selling price.

Internal control

This description has been drafted in compliance with Chapter 6, Section 6, Paragraph 2 of the Annual Accounts Act and includes the most important features of the Company's internal control and risk management systems in connection 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 rules of

importance to the internal control task. Examples of these are the Company's risk management system, Financial Policy and Code of Conduct. All these rules 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 material risks in operating activities. Among other things, this includes instructions to various employees for 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.

During 2010, all business units plus Skanska Financial Services carried out self-evaluations to assess compliance with Group policies and procedures. These self-evaluations have been reviewed by Skanska's internal auditors.

Information and communication

Essential accounting principles, 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 compliance with Chapter 8, Section 49b of the Swedish Companies Act, 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

Internal Audit and Compliance, a Group staff unit 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 2010, the Internal Audit and Compliance unit concentrated its activities on auditing the material risks that have been identified in the business. These audits were conducted in projects as well as in business-critical processes and the central support functions. A total of about 90 audits were conducted during the year. These audits were carried out in accordance with a uniform audit methodology.

Disclosures required for compliance with Annual Accounts Act, Chapter 6, Section 2a

Disclosures in compliance with the Swedish Annual Accounts Act, Chapter 6, Section 2a, concerning information about certain circumstances that may affect the possibility of taking over the Company through a public buyout offer related to the shares in the Company are provided in Note 64, "Disclosures in compliance with Annual Accounts Act, Chapter 6, Section 2a."

Research and Development

Research and Development efforts center on coordinating and disseminating technical information, new solutions and innovation within Skanska's business units.

During 2010, high-priority areas for Skanska's research and development activities were "green construction" as well as collaboration and knowledge-sharing. More activities were initiated in the fields of green construction, environmentally friendly cooling of buildings, fuel cells, active glass façades etc.

In the U.S. a pilot project was established, copying the Nordic model of development cooperation with universities, which within a short time has generated many new business opportunities and provided access to external experts for problem solving.

In Sweden, Skanska has played a leading role in Bygginnovationen (Construction Innovation), a development program with a ten-year budget of SEK 250 M aimed at utilizing knowledge from university-level institutions to products, services or processes. There are similar efforts in Norway that focus on development and on generating knowledge. Skanska's ambition is to ensure joint participation by all its business areas in such national programs, which will significantly improve the Group's internal cooperation.

During 2010 the Research and Development network was made a part of Skanska's Knowledge Network, which is sponsored by the Senior Executive Team and is accessible to all employees via the intranet.

Sustainable development

Skanska's sustainable development agenda is based on long-term balance between financial results, social responsibility and sound environmental management – the Triple Bottom Line model – and on the Global Reporting Initiative, a framework for sustainability reporting.

Skanska has signed the United Nations Global Compact and remains committed to its ten principles concerning human rights, labor standards, environment and anti-corruption. In keeping with the Compact's rules, Skanska publishes an annual Communication on Progress (COP) on the Global Compact website. Skanska participates in the UN's Global Compact Nordic Network, in which more than 60 Nordic companies exchange best practices related to the ten principles.

Skanska continued to build further on its business ethics program during 2010, establishing a Corporate Ethics Committee to monitor progress and also mandating that each business unit must also establish an ethics committee. In addition, an Ethics Expert Group was established to exchange best practices.

Ensuring safe and healthy work sites for employees, subcontractors and suppliers is of the greatest importance to Skanska. During 2010, 65 percent of the workforce was formally covered by OHSAS 18001, an international health and safety management standard. All Skanska employees are also covered by the safety guidelines and standards in force. During 2010 the Group established a Global Safety Leadership Team, consisting of senior executives and safety experts at Skanska, to promote safety work. During the autumn, Skanska held its sixth annual Safety Week. The year's theme was "Being Involved" and "Doing things better."

During 2010 the number of accidents resulting in lost working time fell to 3.6 (3.8 in 2009) per million hours worked. Extremely tragically, the number of work-related fatalities was the same as in 2009, nine. Five of these were employees of subcontractors, three were Skanska employees and one was a member of the general public. Each of these tragic events was communicated within the Group with the help of the Global Safety Stand Down program, in which all Skanska employees stop work to be informed of the reason for the accident and what lessons can be learned from it and to show respect for those who lost their lives.

Concern for the environment is a central issue for Skanska. During the year, 95 percent of Skanska's units were certified in accordance with the international environmental management system ISO 14001. Via this standard, changes in local, national and international environmental legislation were monitored and dealt with at the business unit level.

No serious environmental incidents, i.e. resulting in prosecution, were reported at any of Skanska's business units during 2010.

Taking into account the risks and opportunities presented by climate change remains a high-priority area for Skanska, since about 40 percent of the carbon dioxide emissions caused by humans comes from the built environment. Skanska is continuing its proactive environmental work. Such factors as stricter rules, building standards, taxes and trading in emission allowances that require better energy efficiency open up new business opportunities.

During 2010 Skanska continued to support such important work as the United Nations Sustainable Building & Climate Initiative” (SBCI), the World Business Council for Sustainable Development’s Energy Efficiency in Buildings (EEB) initiative and the European Union’s Corporate Leaders’ Group on Climate Change (CLG). Skanska has worked with the European Network of Construction Companies for Research and Development (ENCORD) on a new method for carbon dioxide measurement and reporting in the construction sector. As a result of its commitment to climate change issues, Skanska was ranked as number one in the Nordic countries and number two in the world in its industry by the global Carbon Disclosure Project (CDP) organization.

Growing demand for more environmentally friendly construction led to increased investments in green projects and such external environmental certifications as LEED (United States), GreenBuilding (European Union) and BREEAM (United Kingdom). Skanska continued to play an active role in Green Building Councils (GBCs) in the Czech Republic, Finland, Hungary, Norway, Poland, Sweden, the U.K. and the U.S. Skanska now has representatives on the boards of many of these. During 2010 it provided support to the World GBC for the creation of a GBC network throughout Europe. The objective of these non-profit GBCs is to promote green construction by means of industry-wide agreements.

Human resources

The average number of employees during 2010 was 51,645 (52,931), of whom 9,982 (10,844) in Sweden. Employee turnover was at a low level.

During 2010 the economy rebounded in several of the Group’s markets, thereby increasing the focus on attracting, recruiting and providing introductory training to new employees.

The Skanska Employee Ownership Program (SEOP) is aimed at attracting and retaining employees in the Group and creating greater affinity and dedication. The program gives all permanent employees of Skanska worldwide the opportunity to become shareholders in the Company. At present, 19 percent of Skanska’s employees participate in the program.

The Group keeps track of long periods of absence from work due to illness. Such absences accounted for 2.8 (3.0) percent of regular working time in Swedish operations. Of this, 39.1 (35.6) percent consisted of continuous absences due to illness of 60 days or longer.

The Group works with annual employee surveys in order to obtain a picture of job satisfaction, morale and professional development needs. These surveys are conducted at all Skanska business units and are measured using a global index. The results have improved over time, due to focused efforts to address high-priority areas. The results from the 2010 survey show that the positive trend in the Group is continuing.

One of the most important factors in attracting and retaining employees is the opportunity for continued professional development within the Company. Skanska thus devotes great effort to creating a culture in which managers and other employees provide each other with mutual feedback, where employees can undertake new, challenging assignments and where proficiency-raising special training programs are offered. At the Group level, the Skanska Top Executive Program (STEP) is run in collaboration with the IMD strategic and leadership institute in Switzerland. In addition, all business units have training programs that match the needs of the respective unit and target employees at all levels.

The yearly Talent Review process provides the basis for succession planning and professional development of employees. It is administered in a uniform way in all of the Group’s business units in order to obtain a Groupwide picture of competencies and development needs at both the individual and business unit level.

Work with Skanska Unlimited, a program to provide opportunities to try an international career and facilitate exchanges of expertise within the Group, continued during 2010. This program gives employees the opportunity to carry out assignments at another business unit for 3–6 months. The year’s group of Unlimited participants consists of 34 people, who began their assignments early in 2011.

For Skanska, diversity is a matter of embracing and utilizing the abilities of every individual. Skanska is convinced that it can become a more competitive company if all employees are satisfied with their jobs and professional development, regardless of gender, ethnicity or educational background. Today a sizeable number of women are active at the project level and in Group administrative departments, but the percentage of women in management positions is still very low. Efforts to increase diversity are underway both at the Group level and in each business unit. Today Skanska provides training programs, a global network and a mentoring program aimed at fostering diversity throughout the organization.

Remuneration to senior executives

For information about the most recently approved guidelines for determining salaries and other remuneration to the President and CEO as well as other executive officers, see Note 37, “Remuneration to senior executives and Board members.”

The Board will present to the Annual Meeting in April 2011 the following proposal on guidelines for salary and other remuneration to senior executives, for approval by the Meeting.

The proposal of the Board for salary and other remuneration to senior executives, for approval by the 2011 Annual Meeting

Remuneration to senior executives of Skanska AB shall consist of fixed salary, variable remuneration if any, other customary benefits and pension. Senior executives are defined as the President and CEO and the other members of the Senior Executive Team. The combined remuneration for each senior executive shall be market-related and competitive in the labor market in which the executive is working, and outstanding performance shall be reflected in total remuneration.

Fixed salary and variable remuneration shall be related to the responsibility and authority of the executive. The variable remuneration shall be payable in cash and/or shares and it shall have a ceiling and be related to fixed salary. The allocation of shares shall require a three-year vesting period and shall be part of a long-term incentive program. Variable remuneration shall be based on outcome in relation to established targets and be designed with the aim of achieving increased alignment between the interests of the executive and the Company’s shareholders. The terms of variable remuneration should be designed in such a way that if exceptional economic conditions are prevailing, the Board has the opportunity to limit or refrain from paying variable remuneration if such payment is deemed unreasonable and incompatible with the Company’s other responsibilities toward shareholders, employees and other stakeholders.

In case of termination or resignation, the normal notice period is 6 months, combined with severance pay equivalent to a maximum of 18 months of fixed salary or, alternatively, a notice period with a maximum of 24 months.

Pension benefits shall be either defined-benefit or defined-contribution, or a combination of these, and should entitle the executive to receive a pension from the age of 65. In individual case, however, the pension age may be as early as 60. To qualify for a full defined-benefit pension, employment is required to have existed during as long a period as is required according to the Company’s general pension plan in each respective country. Variable remuneration shall not be pensionable, except in cases where it follows from the rules in a general pension plan, for example Sweden’s ITP occupational pension plan.

To the extent that a Board member performs work on behalf of the Company in addition to his or her Board work, a consultant fee and other compensation for such work may be payable.

The Board of Directors may diverge from these guidelines, if there are special reasons to do so in an individual case.

Matters related to the salary and other remuneration of the President and CEO are prepared by the Compensation Committee and decided by the Board. Matters related to the salary and other remuneration of other senior executives are decided by the Compensation Committee.

Groupwide share incentive programs

Skanska has two Groupwide share incentive programs, the long-term Skanska Share Award Plan that was applicable during 2005–2007 and the Skanska Employee Ownership Plan which runs during 2008–2010. The 2010 Annual Meeting approved the introduction of a new Skanska Employee Ownership Plan for 2011–2013 that is essentially identical to the 2008–2010 plan.

Long-term Share Award Plan (SAP), 2005–2007

The Skanska Share Award Plan (SAP) applied during 2005–2007, with disbursement in the form of Skanska shares during 2009–2011. The Plan covers about 300 managers.

To ensure the delivery of shares to those who are covered by the plan, 300,000 Series D shares held by the Company were converted into Series B shares during 2010. A total of 352,202 Series B shares were transferred to participants in the 2006 program.

Skanska Employee Ownership Program, 2008–2010 (SEOP)

The purpose of the program is to strengthen the Group's ability to retain and recruit qualified personnel and to align employees more closely to the Company and its shareholders.

The program gives employees the opportunity to invest in Skanska shares while receiving incentives in the form of possible allocation of additional share awards. This allocation is predominantly performance-based.

The program runs for three years, 2008–2010, with allotment of shares earned by the employees not taking place until after a three year vesting (or "lock-up") period, i.e. during the years 2011–2013. To be able to earn matching shares and performance shares, a person must be employed during the entire vesting period and have retained the shares purchased within the framework of the program.

At present, 19 percent of the Group's permanent employees are participating in the program.

The cost of the SAP and SEOP programs are presented in the following table

SEK M	SAP	SEOP	Total programs
Employee-related costs for share awards¹			
Total preliminary cost of the programs	133	673	806
Expensed January 1	-126	-152	-278
Cost for the year	-7	-191	-198
Total expensed December 31	-133	-343	-476
Remaining to be expensed	0	330	330
Of which expensed in			
2011	0	186	186
2012 or later	0	144	144
Total	0	330	330
Share awards earned through 2010			
Number of shares	1,245,779	3,524,779	4,770,558
Dilution through 2010	0.30%	0.85%	1.15%
Maximum dilution at end of programs	0.30%	1.59%	1.89%
Share awards earned at end of programs			
Number of shares	1,245,779	6,818,633	8,064,412
Series B shares distributed	740,167	190,586	930,753
Total undistributed share awards	505,612	6,628,047	7,133,659
Series B shares in own custody			8,253,247

¹ Excluding social insurance contributions

Repurchases of shares

In order to ensure delivery of shares to the participants in Skanska's share incentive programs, the 2010 Annual Shareholders' Meeting gave the Board of Directors a mandate to repurchase Skanska's own shares. The decision means that the Company may buy a maximum of 4,500,000 of Skanska's own Series B shares.

During the year, Skanska repurchased a total of 2,110,000 shares at an average price of SEK 119.22. The average price of all repurchased shares is SEK 105.40.

Proposed dividend

The Board of Directors proposes a regular dividend of SEK 5.75 (5.25) per share and an extra dividend of SEK 6.25 (1.00) per share for the financial year 2010, totaling SEK 12.00 (6.25) per share. The extra dividend proposed by the Board is conditional upon Skanska's sale of its 50 percent stake in the company that owns the concession for the Autopista Central highway having been completed and the full sale price having been paid. The dividend for 2010 totals an estimated SEK 4,934 M (2,582). The Board proposes April 8 as the record date for the regular dividend and proposes that the Board be granted authorization by the Annual Shareholders' Meeting to set the record date for the conditional extra dividend.

No dividend is paid for the Parent Company's holding of its own Series B shares. The total dividend amount may change by the record date, depending on repurchases of shares and transfers of shares to participants in Skanska's long-term share award plans.

The Board's reasons for its proposed dividend

The nature and scale of Skanska's operations can be seen in the Articles of Association and this Annual Report. The operations carried out in the Group do not pose risks beyond those that occur or can be assumed to occur in its industry or the risks that are otherwise associated with carrying out business operations. The Group's dependence on the economic does not deviate from what otherwise occurs in its industry.

The equity/assets ratio of the Group amounts to 26.8 (24.1) percent. The proposed dividend does not jeopardize the investments that have been deemed necessary. The financial position of the Group does not give rise to any judgment except that the Group can continue its operations and that the Group can be expected to meet its short- and long-term obligations.

With reference to the above and what has otherwise come to the Board's attention, it is the judgment of the Board that the dividend is justified with reference to the demands that the nature, scale and risks of its operations place on the size of the Company's and the Group's equity and the Group's consolidation requirements, liquidity and position otherwise. Future profits are expected to cover both the growth of business operations and the growth of the regular dividend.

Events after the end of the report period

To ensure delivery of shares pursuant to Skanska's Share Award Plan related to the financial year 2007, 490,000 Series D shares were converted to Series B shares.

Business plan for 2011–2015

During 2010, Skanska drafted its business plan for 2011–2015. After a consolidation phase, Skanska is now aiming at achieving profitable growth. Skanska will continue to take advantage of the financial synergies of having both construction operations and development operations within the Group and will also use its financial strength and collective global experience. Skanska will continue to strive to be a leader in green construction and project development, health, safety, business ethics, human resource development and risk management.

Skanska's financial targets are a return on equity of 18–20 percent annually, an average operating margin in Construction of 3.5–4.0 percent over a business cycle and a return on capital employed averaging 10–15 percent annually for the combined project development business streams.