SKANSKA

# Annual and Sustainability Report 2021

# Contents



**Segment and IFRS reporting**
Skanska's business streams – Construction, Residential Development and Commercial Property Development – represent the Group's operating segments. The point at which revenue is recognized differs between segment and IFRS reporting for Residential Development and Commercial Property Development. In this report, revenues and earnings for these business streams on pages 5–34, 71, 96–101 refer to segment reporting, unless stated otherwise. The financial reports, including the statement of financial position and cash flow, have been prepared in accordance with IFRS.

**About this report**
The 2021 Annual and Sustainability Report is submitted by the Board of Directors and the President and CEO of Skanska AB (publ) to describe the operations of both the Company and the Group. The formal annual report consists of the Report of the Directors and financial reports on pages 37–46, 59–65 and 67–193 and has been audited by Skanska's external auditors. Pages 67–94 include Skanska's statutory sustainability report, according to the Swedish Annual Accounts Act. Skanska is reporting in accordance with the Global Reporting Initiative's (GRI) "core" sustainability reporting guidelines. Skanska aims to ensure that all information and data is relevant, transparent, consistent, accurate and complete and that it provides an objective picture of the Group's operations. Further information about Skanska's sustainability efforts can be found at: group.skanska.com/sustainability.

This document is in all respects a translation of the Swedish original Annual and Sustainability Report. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

Skanska AB, Swedish corporate identity number 556000-4615.

# We build for a better society

For 135 years we have been shaping societies around the world. And as the world continues to evolve, so do we – firmly rooted in our purpose and core values. We know that what is good for people, society and our environment is good for business, too.

Moving forward, our exceptional teams, leading knowledge and foresight and outstanding performance will provide the backbone for us to advance in creating a stronger relationship with customers, informed by a full understanding of their challenges and needs – championing a culture of improvement across the organization to deliver smarter solutions, and capitalizing and scaling innovations.

We will expand our offering within sustainability by refining our position as a responsible business, partnering to innovate on climate solutions and ultimately helping customers build sustainable buildings and infrastructure. Longer term, we see an opportunity to combine climate and social impact to design and build healthy, resilient places for all.

These are the fundamental building blocks for shaping a built environment that is more sustainable, creating long-term value for shareholders and society at large.

# A solid foundation

As a values-based organization, our future direction is firmly linked to our core beliefs. Our values not only guide us – they are integral to our success, living up to our purpose of building for a better society, and delivering industry-leading shareholder return.

## Our values

**Care for life – Protecting people and planet**
The health and safety of people and our environment lies at the very heart of what we do. In situations that are physically or psychologically unsafe, we refuse to be bystanders. We are change-makers and action-takers. This applies to the environment and climate change, too. We advocate for sustainable solutions and operate in this spirit, holding each other accountable for the legacy that we leave for future generations.

**Act ethically and transparently – Being a role model**
Each of us honors our individual responsibility to lead by example and to act with the highest degree of integrity and transparency. We encourage different perspectives, foster a space in which people can speak freely, and live by our Code of Conduct. Short cuts are unacceptable.

**Be better together – Teaming up**
Everything we do, we do better together. We listen and learn with curiosity to strive forward as a team, generously sharing knowledge along the way. We champion an inclusive culture of openness, fairness, trust and respect where all people feel a sense of belonging – regardless of who you are or where you come from. We innovate and deliver the best solutions by leveraging our own diversity together with that of our customers, partners and the communities where we operate.

**Commit to customers – Having a customer-first mindset**
Our customers' success is our success. We always listen closely to understand their needs and those of their customers, so that we can provide the tools they both need to reach their goals. Together, we look ahead to create smarter and more sustainable solutions that bring their visions to life.

# 2021 in brief

| Key ratios (SEK M, unless otherwise stated) | 2021 | 2020 |
|---|---|---|
| Revenue | 147,576 | 158,606 |
| Operating income | 9,832 | 11,860 |
| Profit for the period | 8,188 | 9,274 |
| Earnings per share, SEK | 19.80 | 22.46 |
| Operating cash flow from operations | 4,185 | 14,450 |
| Interest-bearing net receivables(+)/net debt(-) | 12,598 | 7,280 |
| Adjusted interest-bearing net receivables(+)/net debt(-) | 17,719 | 15,962 |
| Operating margin, Construction, % | 3.8 | 2.5 |
| ROCE in Project Development, % | 11.8 | 12.2 |
| Return on equity, % | 20.0 | 26.0 |
| Order bookings, SEK bn | 153.6 | 149.8 |
| Order backlog, SEK bn | 207.0 | 178.9 |
| Number of employees | 30,051 | 32,463 |

Certified commercial buildings share of total divestments

**84%**

> Read more on page 73.

Energy reduction in new office buildings

**-30%**

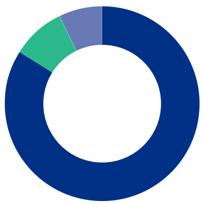
> Read more on page 75.

Carbon emissions

**-46%**

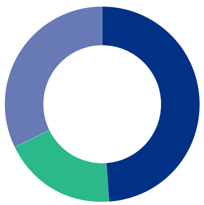
> Read more on page 71.

Revenue
per segment, 2021



- Construction, 84%
- Residential development, 9%
- Commercial Property Development, 7%

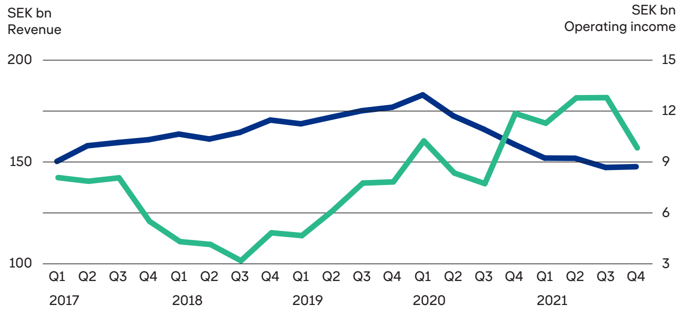
Operating income
per segment, 2021



- Construction, 49%
- Residential development, 19%
- Commercial Property Development, 32%

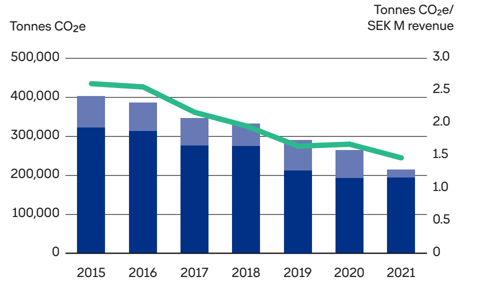
> Read more about Streams on pages 22–34.

Revenue and operating income




- Revenue, rolling 12 months
- Operating income, rolling 12 months

Carbon emissions in Skanska's own operations




- Scope 1
- Scope 2
- Carbon intensity (tonnes $CO_2e$/SEK M revenue)

# Showing strength in times of uncertainty

We entered 2021 with a solid financial position that allowed us to increase our investments in smarter, more sustainable projects. With stability and strong performance in our Construction and Project Development streams, I am confident that we have a good platform for growth.

Our markets were impacted by the pandemic during the year, although activity has gradually been picking up. With more momentum in the economy, we have also seen price increases in certain materials and bottlenecks in the supply chain. With our selective bidding approach, strong commercial management and home-market strategy that leverages our local expertise, we have been successful in managing these challenges.

With a strong balance sheet, solid operational steering and skilled teams, we are well-positioned to meet our customers' needs today and tomorrow. We launched a new strategic direction for the Group, a direction that will capitalize on the strengths and knowledge we have developed in our 135 years of activity, and sharpen the solutions needed to help our customers navigate an ever-changing future.

**A commercial foundation for steady growth**

In 2021 all Construction units improved profitability, Residential Development increased both volumes and profitability in all our markets, and Commercial Property Development started sizeable high-quality developments at record levels and realized attractive gains.

Overall for the year, operating income amounted to SEK 9.8 billion (11.9). In our Construction stream, where all business units were strong, the operating margin was 3.8 percent (2.5), exceeding our target of at least 3.5 percent. Return on capital employed in Project Development was 11.8 percent (12.2), exceeding our target of at least 10 percent. Our return on equity was 20.0 percent (26.0), well above our target of at least 18 percent. Based on our robust financial position,

"Our new strategic direction gives us the building blocks to continue creating healthy, sustainable places that will deliver value well beyond our lifetime."

Earnings per share

19.80 SEK

Operating margin – Construction

3.8%

ROCE – Project Development

11.8%

Skanska's Board of Directors proposes a dividend of SEK 10.00 (9.50) per share, of which 7.00 (6.50) per share as ordinary dividend and SEK 3.00 (3.00) per share as extra dividend.

We will continue to expand our Commercial Property Development operations, be a leading residential developer and further improve profitability with responsible growth in our Construction operations. In 2022 we will introduce a new business stream within the Group, Investment Properties. This will further strengthen our commercial foundation through additional value creation and stable cash flows, building up a portfolio of Swedish office properties over time.

**Expanding our sustainable impact**
We also took some important steps forward on our journey to eliminate carbon emissions across our business and value chain. We joined the Leadership Group for Industry Transition (LeadIT), a partnership of companies and countries committed to the Paris Agreement. Additionally, we sharpened our climate target, which became scientifically validated by the Science Based Targets Initiative (SBTi) to be in line with the Paris Agreement.

By 2030, we aim to reduce our own carbon emissions (scope 1 and 2) by 70 percent and our scope 3 emissions by 50 percent in our Project Development operations, to reach net-zero across our value chain by 2045. To date we have reduced our own carbon footprint by 46 percent since 2015. Our sustainability work is aligned with the UN Sustainable Development Goals, and we remain committed to the universal sustainability principles defined by the UN Global Compact.

However, if we are to help our customers achieve their climate targets and build resilience in the built environment going forward, we will need to do more. The value chain is a big piece of the puzzle. Transformation will require innovation, partnerships and industry collaboration.

**The next chapter in our history**
With our proven ability to adjust operations to current and future demands, empowered by our purpose and values, integrated business model and outstanding teams, I am confident that we are entering this next phase in a strong position.

Experience has shown me that the best projects in our portfolio do three things: they exceed customer needs, they are commercially successful and they positively impact society. I am fully confident that our new strategic direction sets out the building blocks to help continue to create these leading examples of healthy, sustainable places that will deliver value to the people they serve well beyond our lifetimes. This will enable us to continue to provide industry-leading shareholder returns.

I am proud of everything we have achieved this year in the midst of a changing landscape. This would not have been possible without the support and contribution of our teams, partners, customers and shareholders. Thank you for joining us on this journey, and I look forward to shaping this next chapter with you.

Anders Danielsson
President & CEO

# Global trends

No business operates in isolation. Social and demographic trends, changes in capital markets and environmental concerns influence progress. Megatrends such as urban growth, digitalization and the need for climate-smart solutions all impact our business.

Covid-19 triggered a temporary global economic downturn, the long-term effects of which are not yet known. When the wider world presents complex challenges, we see opportunities to guide customers and positively shape society through our work.

**Economic and political development**
The Nordics and Central Europe have seen construction sector growth in recent years, thanks to expanding economies and public spending.

In the USA, increased public spending has supported growth. The outlook is for growth to continue in most markets over the longer term.

**Urbanization and evolving demographic dynamics**
Urbanization has shaped the world over the past four decades. More than half of the planet's population now lives in urban areas, with forecasts indicating that this figure will increase to 70 percent by 2050.[1]

Global increases in urban density accelerate the need for efficient and flexible transportation, affordable housing and local engagement to shape healthy, green and inclusive urban communities. Substantial investments are being made in mass transit, energy and water systems and other infrastructure, as well as in offices, homes, schools and hospitals.

The climate crisis and pandemic have highlighted the potential vulnerabilities of urban environments, such as structural inequalities[2] and inadequate infrastructure. Many cities are responding by planning a range of investments in sustainable and resilient infrastructure, aimed at linking economic progress and job opportunities with environmental

1 https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html
2 https://www.etui.org/sites/default/files/2021-12/01-ETU%20BM2021-Small.pdf Chapters 4 & 7

sustainability. Emphasizing urban mobility and energy efficiency, we can achieve a stronger, more circular economy.

**Climate change and the evolving sustainability agenda**
The impact of climate change and the need to mitigate its effects are high on the agenda for business leaders and governments. The latest report from the Intergovernmental Panel on Climate Change (IPCC)[1] emphasizes the need for rapid action. Climate change will be a key business-defining factor in the coming decade. The built environment accounts for nearly 40 percent of global energy-related carbon emissions, so expectations on our sector from policy makers, investors and customers to limit carbon emissions will be high.[2]

Urban areas will need to be more resilient so that buildings and infrastructure can withstand the increased frequency and severity of extreme weather. National and regional regulations are being written with this goal in mind, which creates business opportunities for us to support climate adaptation and a more resilient society.

Recent years have seen a sharp rise in investors' sustainability requirements on companies to address environmental, social and governance (ESG) issues. The EU Taxonomy, European Green Deal and the focus on an inclusive and green economic recovery from the pandemic are all examples of this. This trend is expected to continue in the coming years.[3]

**Digitalization**
In a world exposed to climate change, digitalization can accelerate positive transformation. Modern technologies, innovations and improved products are playing an increasingly significant role, offering the potential to fundamentally improve productivity, efficiency and the construction sector's sustainability performance across the entire business — from operations, compliance and communication to transparent disclosure and finance.[4] Two such examples are data collection and management of complex information to improve decision making, and resource optimization to improve productivity and efficiency.

There is also growing demand for connected solutions focused on quality, functionality and design. With digitalization, the construction and development industry is taking a holistic approach to buildings' life cycle and impact, taking end-user design needs into account from day one. These trends and behaviors will continue to impact the economy and change the way we live and work.

**Partnering for innovation**
Innovation and the development of energy-positive buildings are changing ideas about what a building can do and what it contributes to the urban ecosystem. This stimulates collaboration initiatives in the construction and project development industry in areas such as affordable housing and living concepts, sustainable solutions, city planning and the creation of safe and healthy working environments.

Many of these partnerships require cross-sectoral cooperation and dialogue with representatives across the value chain, from public entities and business partners to suppliers and private individuals. Working together, complex challenges can be solved and ambitious goals achieved.

1 https://www.un.org/climatechange?gclid=EAIaIQobChMI1-7Oh7rH9AIVwo1oCR3L_gZuEAAYASAAEgJJ1fD_BwE
2 https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic
3 https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/
4 https://www.weforum.org/reports/a-framework-for-the-future-of-real-estate

"Digital technology can fundamentally improve the construction sector's sustainability performance."

The built environment accounts for nearly

**40%**

of global energy-related carbon emissions.

## STAKEHOLDER DIALOGUE

At Skanska, we are committed to working with partners to tackle global challenges and build a better society. In the Nordic business units, Skanska Sweden and Commercial Property Development Nordic, we apply our Sustainovation collaborative model to identify sustainable development and construction solutions. We spoke with Klas Åkerbäck, external member of Sustainovation, COO at Trophi Fastighets AB and former senior international portfolio manager at Swedish public pension fund AP3, about how innovation and sustainability go hand in hand.

# A structured model to scale innovation

Klas Åkerbäck, COO, Trophi Fastighets AB

With the Sustainovation initiative, Skanska works with partners using a structured model to proactively develop and scale sustainable innovation. Mr. Åkerbäck has been a member of the innovation council since its start in 2020, providing an external perspective on Skanska's innovation processes. "At Sustainovation, we examine Skanska's ideas about doing new business in a new area to see if the idea is viable and, if so, to win support," he explains.

Sustainovation is designed to spur innovation and development by focusing on new business and producing new scalable sustainable solutions, rather than developing what already exists. "Sustainability underlies all ideas brought to the innovation council. For a high emission industry, I believe there are major business opportunities in finding new ways to emit less $CO_2$," Mr. Åkerbäck continues.

Speaking about the future of the construction industry, Mr. Åkerbäck has a positive outlook and says, "Historically there's been a lack of focus on innovation, but now plenty of opportunities are there for the taking."

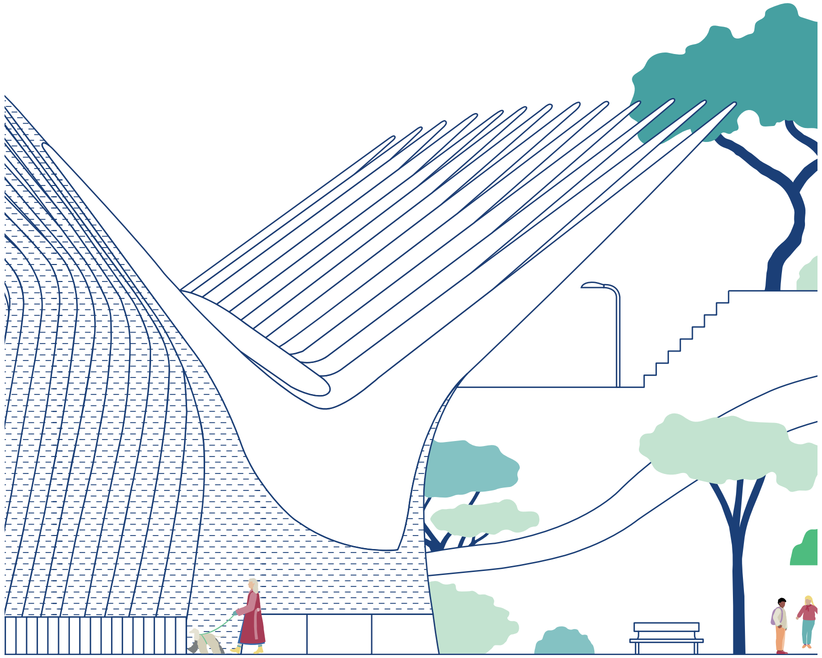
As an example, the idea for Biochar soil conditioner was pitched to the innovation council, showcasing the compatibility of climate efforts and business opportunities.

Skanska is supported by three external people on the innovation council, including Klas. "With my background in finance and property development, I help Skanska assess the financial viability of ideas presented to the council," Mr. Åkerbäck explains. "I also believe that external members are important for providing an outside perspective on aspects such as market opportunities. And because we are unaware of potential internal constraints, we can think on a wider spectrum."

"Skanska's process for innovation is unusually well structured, which is a real strength when it comes to scaling an idea to product," Mr. Åkerbäck continues. The innovation council sifts out the best ideas and helps the innovator to scale by providing guidance and funding. "Because Skanska has put so much work into having a structured process, the work we do within Sustainovation can be scaled to the group's other markets" Mr. Åkerbäck concludes.

# Skanska's targets

Skanska's targets reflect the ambition to remain industry-leading – operationally, financially and within sustainability.



## Operating margin – Construction

Target

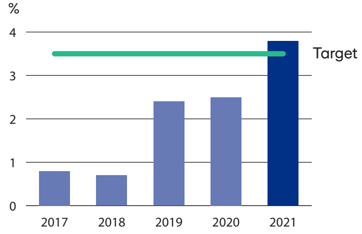
≥3.5%

Outcome 2021

3.8%

Performance in the Construction operations remained solid. Profitability improved in 2021 despite lower revenues. To continue this improvement trend, we remain focused on our strategy of selective bidding with an emphasis on commercial management.

Operating margin – Construction




## Return on capital employed[1] – Project Development

Target

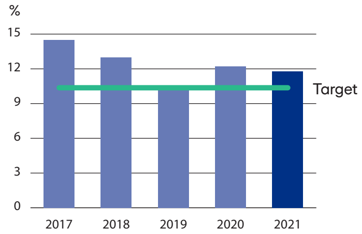
≥10%

Outcome 2021

12%

The Project Development operations continued to perform well. Commercial Property Development had yet another strong year of development gains and a record high level of new development starts. Performance in Residential Development was strong, with increased volumes and profitability in all of our markets.

Return on capital employed[1] – Project Development




## Return on equity[1]

Target

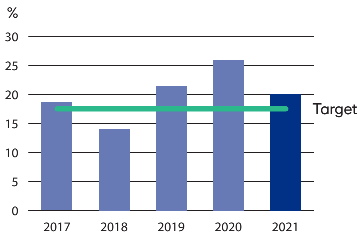
≥18%

Outcome 2021

20%

Strong performance in all of our business streams resulted in a return on equity, well above the 18 percent target.

Return on equity[1]




1 According to segment reporting.

## Adjusted net debt(-)/net cash(+)[1]

Limit

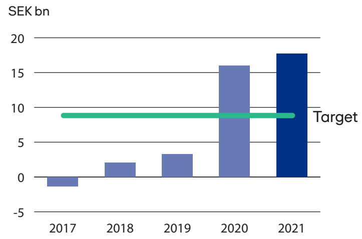
**-9** SEK bn

Outcome 2021

**+18** SEK bn

Strong cash generation through focus on working capital from Construction operations and divestments from Project Development.

Adjusted interest-bearing net receivables(+)/net debt(-)




## Climate target

Target 2030

**-70%**

Reduction of own carbon emissions (scope 1 and 2) compared with 2015.

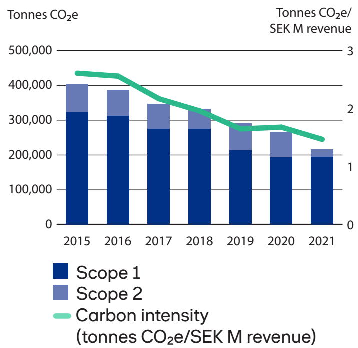
Outcome 2021

**-46%**

Since 2015 we have reduced our own carbon emissions by 46 percent and carbon intensity by 44 percent.

> Read more about Skanska's climate target on page 71.

Carbon emissions in Skanska's own operations (scope 1 and 2)




**Financial targets 2022**

Skanska has launched a new business stream – Investment Properties – and revised financial targets for the Group as from 2022.

**Financial targets over time**

- Construction stream:
  Operating margin ≥3.5% (previously ≥3.5%)
- Project Development streams:
  Return on capital employed ≥10% (previously ≥10%)
- Investment Properties:
  Return on capital employed ≥6% (previously N/A)
- Group:
  Return on equity ≥18% (previously ≥18%)
- Group:
  Adjusted net debt(-)/cash(+)
  SEK -10 bn (previously SEK -9 bn)
- Group:
  Pay-out ratio 40–70% (previously 40–70%)

1 Interest-bearing net receivables/net debt excluding restricted cash, lease liabilities and interest-bearing net pension liabilities.

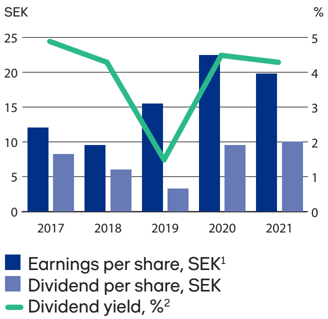
# Skanska share data

Skanska's Series B shares are quoted and traded on Nasdaq Stockholm. Skanska's market capitalization was SEK 98 billion on December 31, 2021.

**10.00**

Proposed dividend per share, SEK, 2021

Earnings, dividend and dividend yield (2017–2021)




1 Earnings per share according to segment reporting divided by number of shares outstanding.
2 Dividend as a percentage of respective year-end share price.

**Share price performance in 2021**
Skanska share price (SKAB)[1] increased 12 percent in 2021. The OMX Stockholm Index increased 35 percent and the DJ Construction & Materials Titans Index increased 25 percent during the same period. The closing price of Skanska's B share was SEK 234.20. The highest price paid in 2021 was SEK 259.40 on July 23 and the lowest was SEK 197.15 on January 7. The total shareholder return for Skanska's B share for the year was 17 percent, compared to 38 percent for OMX Stockholm Index and 28 percent for DJ Construction & Materials Titans Index.

**Dividend and dividend policy**
Pursuant to Skanska's dividend policy, 40–70 percent of profit for the year is paid out as dividends to shareholders, provided that the company's overall financial condition is stable and satisfactory. For the 2021 financial year the Board proposes a dividend of SEK 10.00 (9.50) per share, of which SEK 7.00 (6.50) per share as ordinary dividend and SEK 3.00 (3.00) per share as extra dividend, representing a pay-out ratio of 51 percent and corresponding to SEK 4,122 M (3,917).

No dividend is paid out for the Parent Company's holdings of Series B treasury shares. The total dividend amount may change by the record date, depending on share repurchases and transfers to participants in Skanska's long-term employee ownership program, Seop.

1 Bloomberg ticker SKAB:SS, Reuters quote SKAb.ST.

**Skanska share history**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Year-end market price, SEK | 234.20 | 209.70 | 211.70 | 141.00 | 170.00 |
| Year-end market capitalization, SEK bn | 98.3 | 86.5 | 87.1 | 57.8 | 69.5 |
| Number of shares for the year, million[1] | 412.2 | 412.3 | 411.5 | 409.7 | 408.9 |
| Highest share price during the year, SEK | 259.40 | 238.90 | 216.00 | 179.70 | 226.60 |
| Lowest share price during the year, SEK | 197.15 | 146.00 | 140.85 | 134.85 | 170.00 |
| Yield, %[2] | 4.3 | 4.5 | 1.5 | 4.3 | 4.9 |
| Earnings per share, SEK[3] | 19.80 | 22.46 | 15.46 | 9.55 | 12.01 |
| Dividend per share, SEK | 10.00[4] | 9.50 | 3.25 | 6.00 | 8.25 |
| Dividend pay-out ratio, %[5] | 51 | 42 | 21 | 63 | 69 |

1 Average number of shares outstanding at year end.
2 Dividend as a percentage of respective year-end share price.
3 Earnings per share for the period according to segment reporting divided by number of shares outstanding.
4 Based on the dividend proposed by the Board.
5 Dividend as a percentage of earnings per share.

**Index and ranking**
In addition to indexes directly linked to Nasdaq Stockholm, Skanska is also included in other indexes and rankings.

**Ratings:**
- CDP Climate A-
- MSCI AA

**Indexes:**
- OMX Stockholm 30 ESG Responsible Index
- FTSE4Good

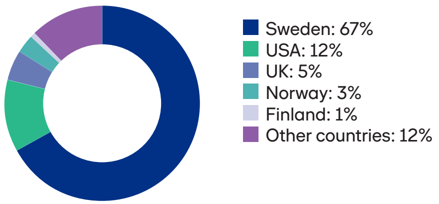
### Shareholder structure

67 percent of the share capital is owned by investors registered in Sweden and 33 percent by foreign investors. The USA and the UK account for the highest percentage of shareholders registered outside Sweden. At year end, the Parent Company (Skanska AB) held 7,655,488 Series B treasury shares, corresponding to 1.8 percent of the capital stock.

### Liquidity

In 2021, total trading in the Skanska share amounted to 655 million shares (437) at a total value of SEK 148 billion (83), corresponding to an average daily turnover of 2.6 million shares (1.9) or SEK 0.6 billion per trading day.

Ownership per country




**Shareholder structure**

| Holding | No. of shareholders | No. of shares | Capital (%) | Votes (%) |
|---|---|---|---|---|
| 1–1,000 | 94,012 | 21,371,553 | 5.1 | 3.6 |
| 1,001–10,000 | 14,068 | 39,193,723 | 9.3 | 6.9 |
| 10,001–20,000 | 670 | 9,579,694 | 2.3 | 1.8 |
| 20,001– | 666 | 285,902,117 | 68.1 | 76.9 |
| Anonymous holding | | 63,855,985 | 15.2 | 10.7 |
| **Total** | **109,416** | **419,903,072** | **100** | **100** |

**Share distribution**

| | Class A | Class B | Total |
|---|---|---|---|
| Number of registered shares | 19,661,632 | 400,241,440 | 419,903,072 |

In 2021, 22,932 Class A shares were converted to Class B shares at the request of shareholders. The total number of votes in the company subsequently amounted to 596,857,760.

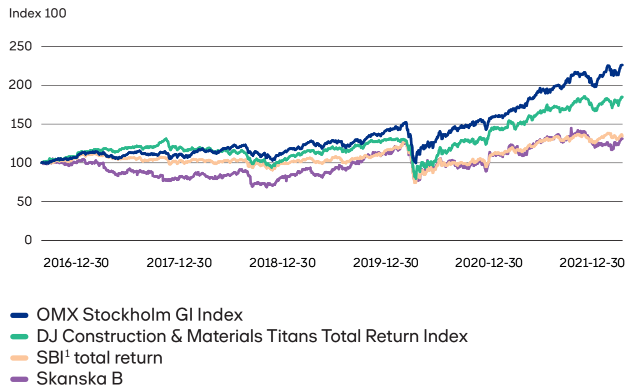
Source: Modular Finance Holdings, Euroclear, December 31, 2021.

**Largest shareholders in Skanska AB by voting power, December 31, 2021**

| Shareholders | % of votes | % of capital |
|---|---|---|
| Industrivärden AB | 24.3 | 7.4 |
| Lundberg Group | 13.2 | 5.8 |
| AMF Insurance & Funds | 4.0 | 5.7 |
| Skanska employees through Seop[1] | 3.3 | 4.7 |
| BlackRock | 2.0 | 2.8 |
| SHB Funds & Life Insurance | 2.0 | 2.8 |
| Vanguard | 1.8 | 2.6 |
| Swedbank Robur Funds | 1.6 | 2.2 |
| Norges bank | 1.1 | 1.6 |
| Carnegie funds | 1.2 | 1.8 |
| **10 largest shareholders in Skanska** | **54.8** | **37.7** |
| other shareholders in Skanska | 45.2 | 62.3 |
| **Total** | **100.0** | **100.0** |
| of which, shareholders in Sweden | 76.7 | 66.9 |
| of which, shareholders abroad | 23.3 | 33.1 |

1 Parent Company's (Skanska AB) holdings of Series B treasury shares. Not treated as a unified ownership group.

Total return on Skanska's B share compared to indexes

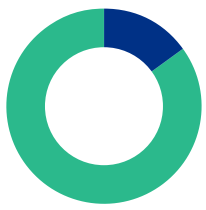



1 Strategic Benchmark Index (SBI) consists of listed companies which, taken together, reflect Skanska's operations.

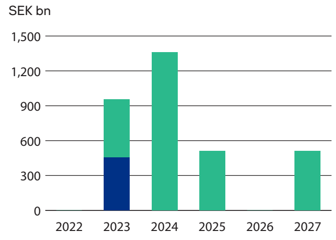
# Funding

## Our strong balance sheet allows us to increase our investments in new development projects.

Central funding, SEK 3.3 bn




Maturity profile




Skanska Group and business units are ensured funding through the group-wide Skanska Financial Services (SFS) function, which is responsible for managing the Group's debt. Centralized financial management operations and expertise at SFS produce economies of scale and improves control of financial and commercial risks.

Skanska has several funding programs – committed bank credit facilities as well as market funding programs – which provide good flexibility for temporary fluctuations in liquidity and help ensure long-term funding.

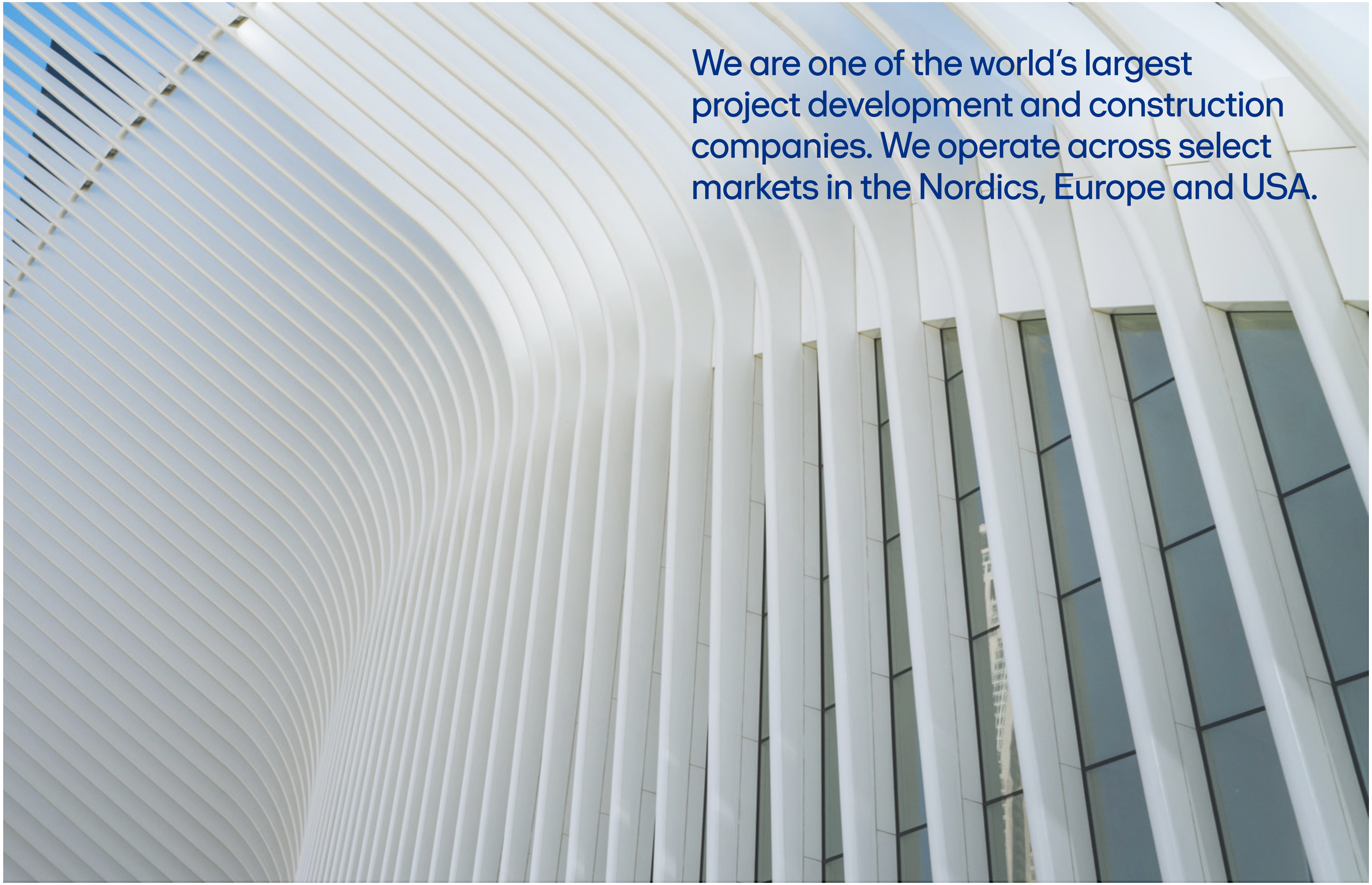
The central debt portfolio amounted to SEK 3.3 billion at year end. Unutilized credit facilities of SEK 6.6 billion combined with available liquidity of SEK 10.9 billion ensure that we have sufficient financial capacity.

All outstanding corporate bonds – amounting to SEK 0.5 billion – were in the form of green bonds. A revolving credit facility of EUR 600 M maturing in 2024 serves as a back-up facility for Skanska's funding requirements.

**Green bonds stimulate sustainable development**

At year end 2021, 100 percent of our central debt portfolio consisted of green bilateral loans or green bonds earmarked for green projects in accordance with Skanska's Green Bond Framework.

Skanska's Green Bond Framework is third-party verified and deemed strong and trustworthy by CICERO (the Center for International Climate Research), internationally recognized as a leading provider of independent reviews of green bond frameworks. Skanska also produces an impact report twice a year, with results made available to our stakeholders.



We are one of the world's largest project development and construction companies. We operate across select markets in the Nordics, Europe and USA.

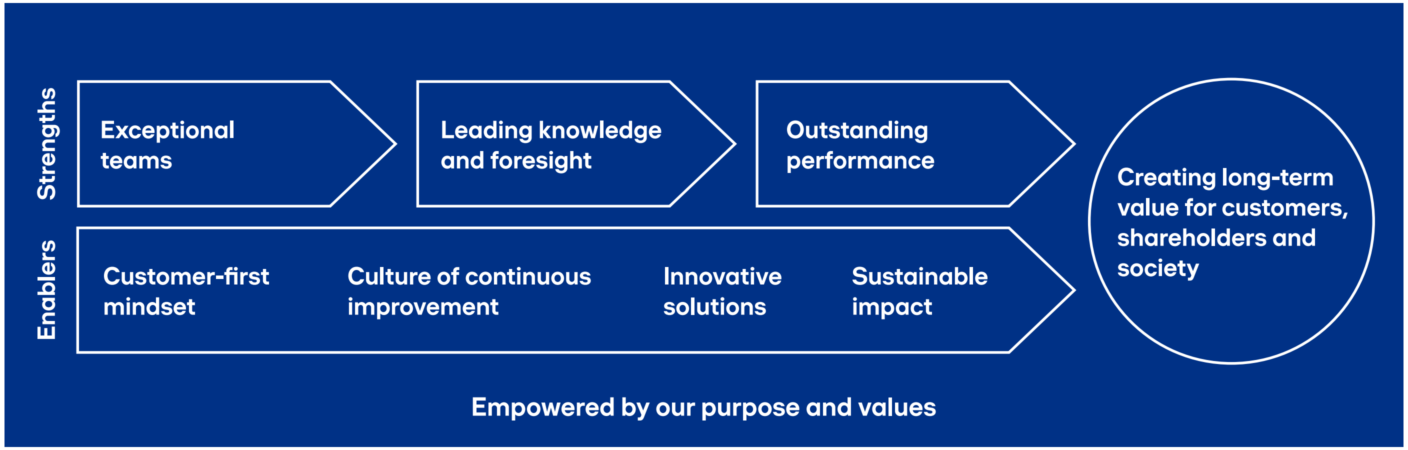
# Skanska's strategy

With our purpose and values, integrated business model, excellent people and trusted brand, we have a solid foundation to continue providing industry-leading total shareholder return.

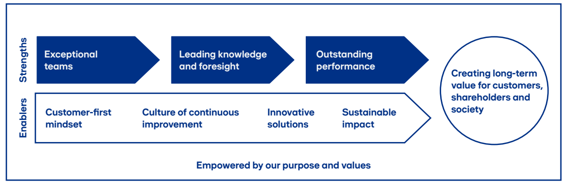
**New strategic direction**
A series of initiatives were implemented in 2018 to improve profitability and revise governance structure. Collectively, these measures stabilized our Construction business and strengthened our organizational governance and balance sheet.

During 2021, we further developed our strategy and we launched a revised strategic direction at the end of the year.

**2022 and beyond**
Our long-term strategy involves selective bidding, a strong commercial focus, controlled expansion of Commercial Property Development and increased cost efficiency in Construction. We want to be a leading residential developer, offering quality sustainable homes. To further capture commercial value and sharpen our customer offering, we are implementing a new business stream as of 2022, Investment Properties. It will further strenghten our commercial foundation through additional value creation and durable cash flow by building up a portfolio of Swedish office properties over time.



# Reinforcing our competitive advantage




To shape a future in which we and future generations will want to live, we will leverage our strengths as a business: developing people to their fullest potential, deepening our knowledge, continually improving performance.

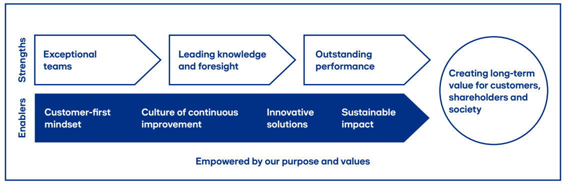
Our strengths build on each other and drive continuous progress and commercial leverage. Together, they form a foundation for sustainable business opportunities, customer success and shareholder value.

**Exceptional teams**
We invest in our people to develop tomorrow's leaders and change-makers, and to empower our business, customers and shareholders to thrive. By offering continuous opportunities for development and learning, we provide our people with the right skills to pave a path for future success.

**Leading knowledge and foresight**
Our integrated business model captures operational and financial synergies. Using cutting-edge digitalization, we put foresight, innovation and sustainability into action to help customers realize their full potential, and ultimately create shareholder value.

**Outstanding performance**
We deliver projects to satisfied customers using effective operational steering and smarter, more sustainable solutions – solutions that allow projects to deliver value throughout the entire life cycle, as well as profitable returns on investment. This helps us improve our own health and safety standards and people's quality of life and work. Every decision, idea and project presents us with an opportunity to listen, learn and advance.

# Enabling greater value creation




To drive our business forward, we will focus on four key performance enablers that harness our strategic strengths. Together, these areas will support us in delivering sustainable impact.

**Customer-first mindset**
Having a customer-first mindset is about partnering up with customers throughout their entire business journey to ensure success for them and their own customers.

By systematically incorporating our customer knowledge and insights, we continuously improve our product offering and customer relationship approach to strengthen our commercial value proposition.

**Culture of continuous improvement**
A culture of continuous improvement enables us to put our values into action. Achieving this involves developing our foundation of inclusive leadership and building on the skills, experience and insights of our diverse teams. A continuous improvement culture strengthens our capacity to develop leaders and team members fit for the future, makes us a stronger partner to our customers and enables us to innovate for smarter, more sustainable solutions.

**Innovative solutions**
Innovative solutions are achieved by developing an environment that nurtures new ways of thinking and applying an approach of solving challenges, which drives innovation in projects, products and processes in our operations. To scale up innovation, we focus on taking leadership in sustainable solutions, responding to customer needs in our offering and using our experience and insights across the Group, including data and digitalization capabilities to increase site productivity and resource efficiency.

**Sustainable impact**
We deliver sustainable impact by leading as a responsible business for people and planet, by creating transformative solutions for climate-smart built environments, and by developing healthy resilient places for inclusive communities and peoples' well-being.

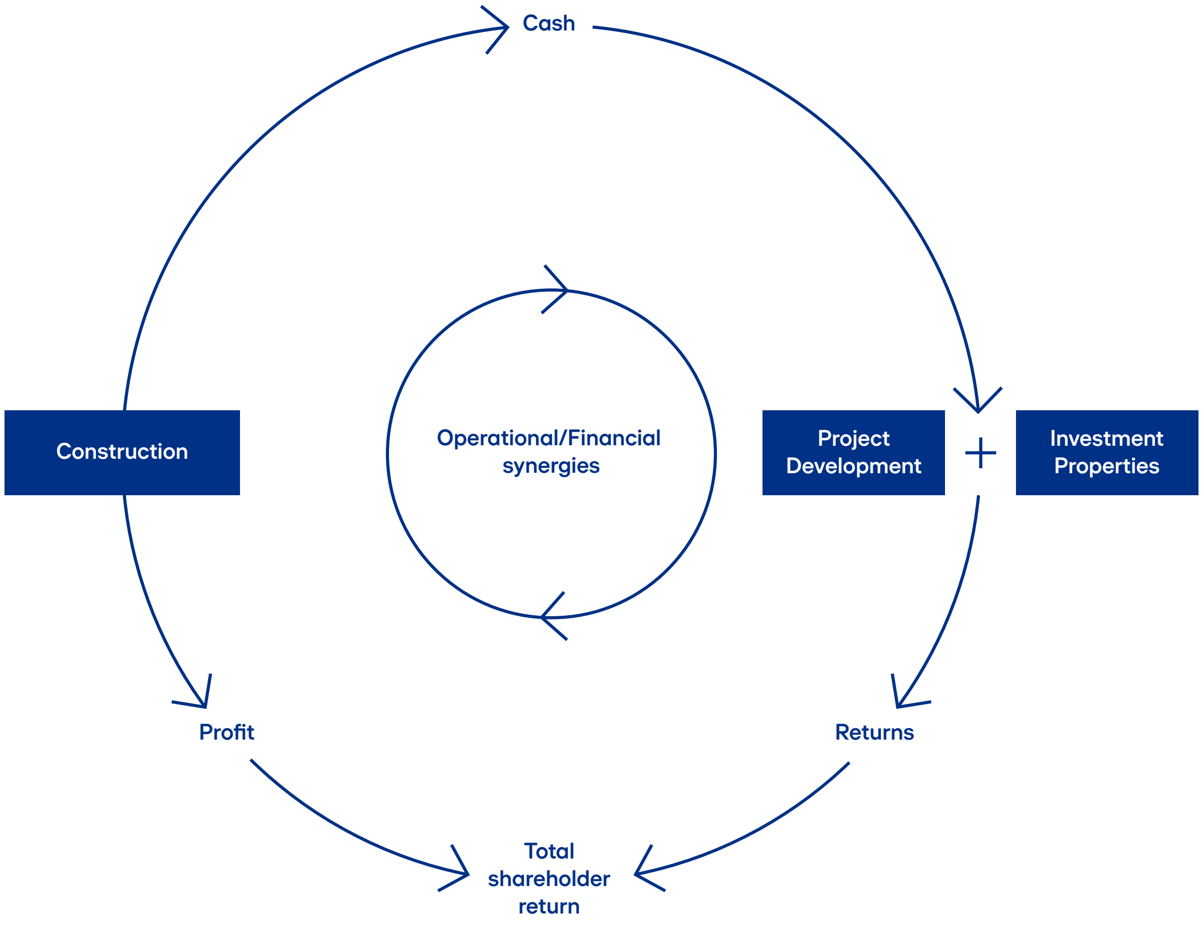
> Read more about our sustainable impact areas in the Sustainability report on pages 67–94.

# Business model

Our integrated business model together with our global reach and local expertize create operational and financial synergies across the Group. This maximizes market opportunities, improves cost control and further strengthens our financial position, enhancing returns. These synergies sustain our ability to deliver for our customers and generate greater value for our shareholders.

**Operational synergies**
Our global reach and local expertise generate operational synergies. Collaboration across the Group leverages our resources and capabilities to share best practices. Development projects bring Construction and Project Development units together, which reinforces a strong customer focus and optimizes the use of the Group's collective technical and financial resources.

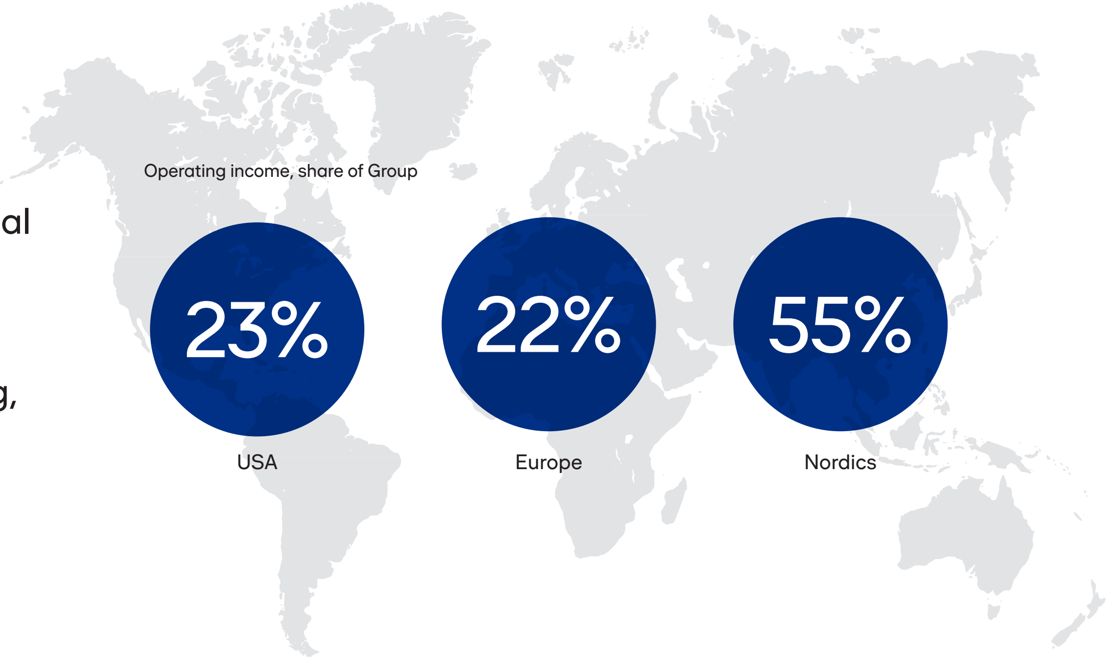
**Financial synergies**
Free working capital from our Construction business stream with profits generated by our operations, along with the capacity for external funding, mean that we can finance our own project development operations and thereby generate attractive return on invested capital. These investments also create new contracts for the Construction stream, generating further profits.



# Business streams

# Our business streams

Our operations are focused in the business streams: Construction, Residential Development and Commercial Property Development. Each stream collaborates and shares resources with the others. To further capture commercial property value and durable cash flow and to enhance our competitiveness and customer offering, we will implement a new business stream in 2022: Investment Properties.




## Construction

Profitable, stable and sustainable.

## Residential Development

Best-in-class homes across our markets.

## Commercial Property Development

Boosting investments for healthy spaces.

## Investment Properties

Managing high-class sustainable real estate.

New business stream as of 2022.

# Construction

We build sustainable solutions, resilient infrastructure and healthy, inclusive spaces for working, living and connecting.

# Construction

**Commercial direction**

- Improve profitability
- Grow volume responsibly
- Seize opportunities in a sustainable recovery
- Innovative solutions and digitalization to advance
- Sharpen our offering and solutions to meet customer needs of tomorrow.

**Performance 2021**
Performance in the Construction business stream continued to improve across our operations and the operating margin reached 3.8 percent (2.5).

Revenue in the Construction business stream decreased 6 percent and amounted to SEK 132.6 billion (140.5). The lower revenue is mainly related to Covid-19 disruptions, especially in Europe and the USA, and decisions by customers to postpone ramp-up of new projects. But it is also a continuing impact of the strategic actions to focus operations and be more selective in bidding in order to improve profitability. Operating income increased 42 percent and amounted to SEK 5,013 M (3,528). The business units either maintained strong profitability or improved profitability. Operating income in Europe includes a gain of SEK 370 M related to divestment of the infrastructure services business in the UK. Operating income in the Swedish operations includes payments of surpluses totaling SEK 160 M within the collectively bargained AGS group sickness policy.

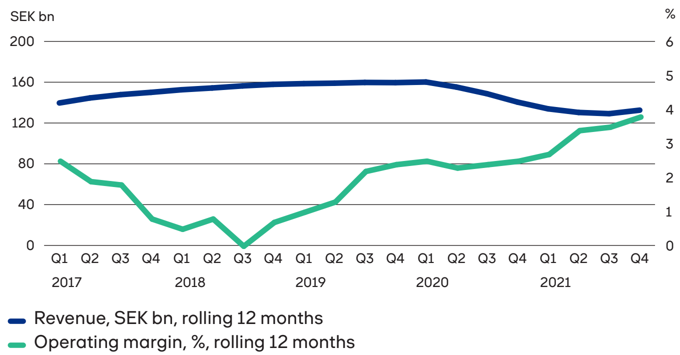
**Market outlook 2022**
The negative impact from the pandemic is still present in our markets, but activity is picking up as uncertainty starts to decrease. Price increases for certain materials and bottlenecks in the supply chain can be seen across our markets. Non-residential construction, which has been impacted most by the pandemic, is improving slightly and residential construction is stable. Public spending on infrastructure and social infrastructure is holding up relatively well, despite the postponement of some decisions. Funding may be a challenge, as public budgets are decreasing due to lower tax revenue and are being consumed to fight the pandemic and stimulate economies. At the same time, ambitious investment plans are under development in many of our markets, although lead times are expected to be long.

**Operations 2022**
As economic activity picks up in the wake of the pandemic, we expect to see gradual recovery in volumes. We are anticipating growth in selected markets and segments where performance has previously been steady. We will be embracing a sustainable approach to the recovery. We see opportunities for helping our customers build climate-smart solutions, resilient infrastructure and healthy, accessible and inclusive spaces for working, living and connecting across all our markets.

**Key data**

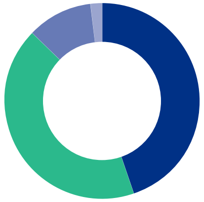
| SEK M (unless otherwise stated) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Revenue | 132,587 | 140,483 | 159,579 | 157,894 | 150,050 |
| Operating income | 5,013 | 3,528 | 3,772 | 1,099 | 1,205 |
| Operating margin, % | 3.8 | 2.5 | 2.4 | 0.7 | 0.8 |
| Free working capital, SEK bn | 29.1 | 25.7 | 26.4 | 25.6 | 21.8 |
| Operating cash flow | 7,022 | 6,451 | 4,849 | 3,275 | 2,136 |
| Order bookings, SEK bn | 153.6 | 149.8 | 145.8 | 151.7 | 151.8 |
| Order backlog, SEK bn | 207.0 | 178.9 | 185.4 | 192.0 | 188.4 |
| Number of employees | 28,557 | 30,944 | 33,225 | 37,006 | 39,002 |

Revenue and operating margin



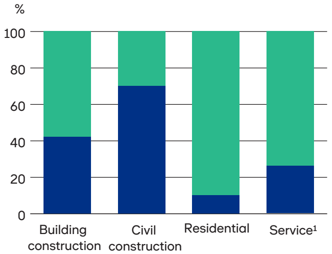
# Construction

Order backlog, total SEK 207 bn



**Type of product**
- Building construction, 45%
- Civil construction, 42%
- Residential, 11%
- Service[1], 2%

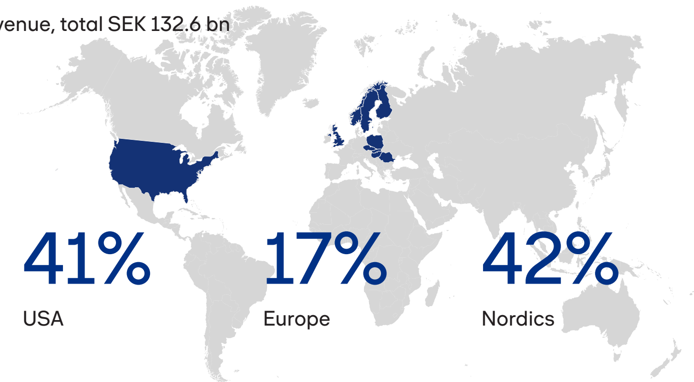
Customer structure




**Customer structure**
- Public customer
- Private customer

1 Facilities management or maintenance contract.

Revenue, total SEK 132.6 bn




**Countries:** Sweden, Norway, Finland, Poland, Czech Republic, Slovakia, UK, USA

## Increasing value creation in Construction

Our focus within Construction is to further improve profitability. Selective bidding and an improved focus on commercial management and cost efficiency are the main drivers for improving profitability. We aim to further improve the operational and resource efficiencies, safety, and sustainable solutions in our customer offering. To do this, we will share knowledge and foresight, develop innovative solutions and fully exploit the benefits of digitalization.

**Market drivers:**
- GDP growth
- Public investment in infrastructure
- Urbanization

IN FOCUS

# Smart ground connections at San Francisco International Airport

At San Francisco International Airport (SFO) – one of the USA's busiest airports – we understand travelers' time is precious. We are proud to have helped improve airport connectivity and efficiency with the SFO AirTrain.

San Francisco AirTrain, San Francisco, USA

To improve the airport experience for its millions of travelers, SFO needed to expand and streamline ground connections between the airport's heavily trafficked areas. We provided design-build services for this USD 172 million project, which included two brand-new AirTrain stations. Today, the AirTrain provides seamless connectivity throughout the airport, enabling efficient travel between all airport terminals, all connected parking garages, the on-airport hotel, the BART station and the rental car center.

In addition to ensuring new levels of connectivity and efficiency for one of the USA's busiest airports, the project also met high sustainable construction standards and reduced SFO's environmental impact. As an example, the extended AirTrain guideways are expected to eliminate around 950,000 kilometers of shuttle bus trips to and from long-term parking each year.

Working closely with SFO, we prioritized sustainable design and construction elements at every stage of the project. Results of this collaboration include a large solar photovoltaic system with 2,700 PV panels generating around 40 percent of the AirTrain stations' annual power needs on site; new water-efficient fittings and fixtures that reduce water use by around 40 percent; and recycling over 75 percent of construction and demolition waste.

The two brand-new AirTrain stations have been awarded LEED Gold certifications, showcasing our focus on sustainable design and construction. The certification also highlights the facilities' environmental performance, especially in terms of lower operational carbon footprint, water and energy efficiency, waste reduction and well-being of occupants. The project was recently selected as one of the best regional airport/transit projects in Northern California.

This project demonstrates that the implementation of green building standards is essential for creating a healthy, sustainable and resource-efficient built environment, and we are proud to have provided our expertise.

# Residential Development

In close cooperation with our Construction business stream, we develop and build high-quality, energy-efficient and sustainable homes in different segments — both owned and rented — with a focus on shaping attractive and inclusive urban spaces.

# Residential Development

### Commercial direction

- Business growth
  - Maintain or grow in selected Nordic markets
  - Expand in Central Europe
  - Grow BoKlok in Norway and Finland
  - Ramp up BoKlok in the UK
- Landbank strategy
  - Buy strategic land
  - Drive permitting and landbank management
- Improve efficiency.

### Performance 2021

Project performance remained strong in 2021, with strong profitability and increased revenue.

The housing market remains solid. During the year, 4,363 (3,807) homes were started and 4,084 (3,991) were sold. Sales of 334 (675) rental apartments in Sweden totaling about SEK 800 M (1,500), are included. Operating income amounted to SEK 1,980 M (1,543). The operating margin was 13.8 percent (11.8), with solid performance for all business units.

### Market outlook 2022

Low interest rate policies to support economic recovery are improving affordability, which strengthens consumer confidence. Despite an increasing activity among developers, the housing market is experiencing a shortage of homes as new developments have been lagging behind demand. The risk of higher unemployment and/or interest rate levels may have a negative impact on demand. A structural shortage of housing in many of our markets may balance this to some extent.

### Operations 2022

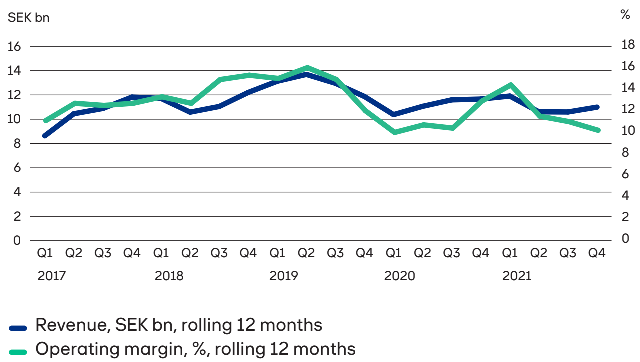
Supported by our solid landbank, we will meet demand for housing by developing and building homes that put people and the environment first. Our strong financial position allows us to seize opportunities in all our markets. There is a solid demand in Sweden and increased activity in Norway and Central Europe. We also see exciting potential in BoKlok's UK expansion.

### Key data

| SEK M (unless otherwise stated) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Revenue | 14,377 | 13,070 | 12,483 | 10,739 | 13,237 |
| Operating income | 1,980 | 1,543 | 1,195 | 1,505 | 1,716 |
| Operating margin, % | 13.8 | 11.8 | 9.6 | 14.0 | 13.0 |
| Investments | -11,488 | -10,419 | -9,437 | -10,542 | -11,093 |
| Divestments | 10,766 | 11,710 | 11,793 | 12,146 | 11,773 |
| Operating cash flow from business operations[1] | 718 | 164 | 2,702 | 1,154 | 1,229 |
| Capital employed, average, SEK bn | 14.4 | 13.6 | 13.0 | 13.6 | 12.7 |
| Return on capital employed[2], % | 14.1 | 12.8 | 9.8 | 11.4 | 15.4 |
| Homes started | 4,363 | 3,807 | 3,407 | 4,480 | 4,318 |
| Homes sold | 4,084 | 3,991 | 3,853 | 3,653 | 4,385 |
| Number of employees | 582 | 571 | 551 | 542 | 482 |

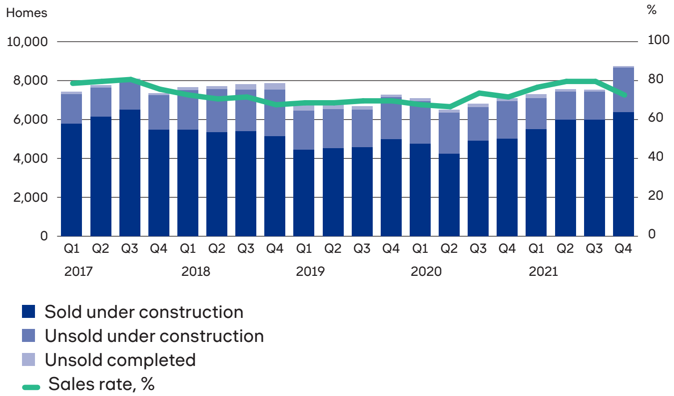
1 Before taxes, financing activities and dividends.
2 A definition is provided in Note 43.

Revenue and operating margin

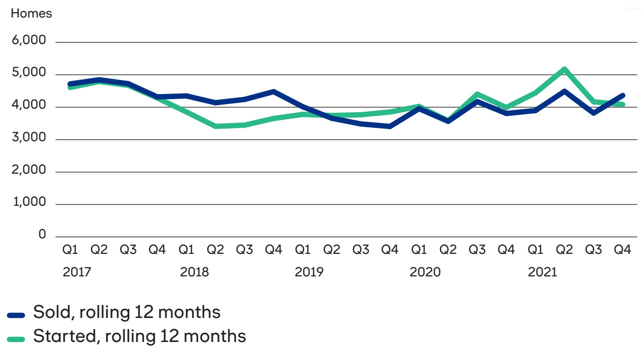


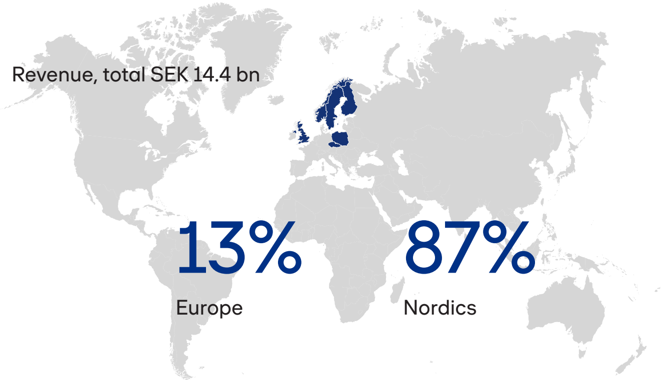
# Residential Development

Homes under construction and unsold completed




Homes sold and started




**Countries:** Sweden, Norway, Finland, Poland, Czech Republic, the UK

## Increasing value creation in Residential Development

We will focus on improving capital and operational efficiency by actively managing the landbank and collaborating with the Construction stream for innovative solutions. As a customer-centric business, we will improve the experience for homebuyers by using digital solutions throughout the entire sales process. This means more immersive interactions, including 3D visualizations. It also means using digital tools and platforms that help the customer make customized choices suiting their needs. Using customer data and marketing automation will help us become the preferred digital helping hand throughout the customer's entire experience: pre-, mid- and post-purchase.

There is an increased emphasis on providing energy-efficient, high-quality and sustainable homes in different segments – both owned and rented. Our priority is to continue to shape attractive and inclusive communities. There will also be a focus on reduced climate impact throughout the entire building life cycle, including the development of energy-positive buildings.

**Market drivers:**
- Household confidence indicator
- Urbanization
- Shortage of housing

IN FOCUS

# Scilla: Setting new standards in net-zero energy homes


As lifestyles change and people demand more sustainable choices, we are innovating to provide solutions for living with the long-term footprint in mind. In Sweden, we are using cutting-edge renewable energy solutions to develop a neighborhood that generates the majority of its annual electricity needs.

Nowadays, environmental consciousness goes beyond the cars we drive or the food we buy. Today's conscious consumers are also looking for sustainable homes. To meet this demand we are building Scilla, a net-zero energy apartment building in the new Täby Park district, north of Stockholm, that generates most of the energy it uses annually for heating, cooling, hot water and property electricity.

The building will have a total of 187 apartments that will all benefit from the solar cell system covering 1,400 square meters of the roof. These solar cells are expected to generate 270 kilowatt hours annually, covering more than 60 percent of the property's annual electricity needs. We are also investing to expand a solar cell plant in Karlskrona, which will enable us to achieve our net-zero energy target.

Meeting and exceeding our customers' high expectations is important to us. With this always in mind, we go the extra mile to ensure buildings not only have smart energy solutions, but also meet the highest sustainability standards and provide options for sustainable living. We impose strict environmental requirements for building materials used in this property. Through our good cooperation with our suppliers and subcontractors, we ensure that all building materials and chemicals used during construction are carefully controlled.

No hazardous substances or chemicals are used in paint, adhesives, sealants, varnishes or other materials. We use low-carbon concrete, which has a much lower climate impact than ordinary concrete. All waste generated during construction is recycled or completely reused. Thanks to these measures, Scilla has been awarded the Nordic Swan Ecolabel (Svanen), confirming that the homes are built to allow for low energy consumption and with carefully selected materials to ensure minimal harm to the environment and peoples' health.

Close to public transport and with a car and bicycle pool, the neighborhood is also designed to encourage sustainable transport choices. Scilla's environmental performance far exceeds the performance of many other environmentally certified homes – to the benefit of the environment and, most importantly, to the people and families who will spend their future in these homes and enjoy sustainable living.

# Commercial Property Development

We develop new projects, with a strong focus on offices, implementing innovative and sustainable solutions. Collaborating with our Construction business stream, we create smarter places for people to work and connect in an environment that enhances health and well-being.

# Commercial Property Development

**Commercial direction**

- Significant increase in investments compared with 2016–2020
  - Expand in USA, Finland and Norway
- Develop pipeline, backfill landbank and progress zoning
- Opportunities in logistics, multifamily and life science
- Strong sustainability focus
- Tenant focus
  - Future-proof office concept and pandemic-secure design to boost leasing
  - Synergies with our new business stream, investment properties, as of 2022.

**Performance 2021**
The business stream delivered yet another strong year of development gains and a record high level of new development starts.

In the Commercial Property Development business stream, divestments worth SEK 10.3 billion (13.8), were made in 2021. Operating income amounted to SEK 3,264 M (3,897) and includes gains from property divestments totaling SEK 3,928 M (4,750). The comparable period was positively impacted by divestment of the Solna United project and the 2+U project. By the end of the year, Skanska had 36 ongoing projects. 21 new projects were started, spread across all our markets. During the year, new leases were signed for 196,000 square meters (233,000).

**Market outlook 2022**
The uncertainty following the pandemic has impacted market activity, pushing some development starts forward and turning investor interest to lower risk investments. Investor appetite for high quality developments is expected to be solid at about current yield levels supported by stable credit market and good availability to capital. The leasing market is still relatively hesitant, but leasing activity picked up as pandemic restrictions was halted. The reinstatement of restrictions due to the recent increase in virus infection-rates is however for the time being slowing the recovery somewhat.

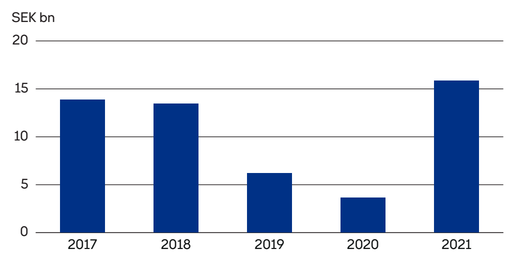
**Operations 2022**
By actively managing our landbank and closely cooperating with our Construction stream to align production, we aim to improve capital efficiency. Backed by a strong financial position, we stand ready to seize opportunities to further build our portfolio, ensuring successful business and value creation for many years to come.

**Key data**

| SEK M (unless otherwise stated) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Revenue | 11,102 | 14,983 | 17,850 | 16,271 | 11,440 |
| Operating income | 3,264 | 3,897 | 3,287 | 3,069 | 2,714 |
| of which, gain from divestments of properties[1] | 3,928 | 4,750 | 4,275 | 4,005 | 2,879 |
| Investments | -7,344 | -9,777 | -12,946 | -11,452 | -10,716 |
| Divestments | 9,961 | 16,988 | 13,713 | 15,275 | 9,341 |
| Operating cash flow from business operations[2] | 2,168 | 5,281 | 1,063 | 3,984 | -3,119 |
| Capital employed, SEK bn | 32.7 | 30.9 | 34.5 | 26.7 | 24.5 |
| Return on capital employed, %[3] | 10.8 | 11.9 | 10.5 | 12.8 | 15.5 |
| Number of employees | 431 | 445 | 427 | 414 | 389 |
| 1 Additional gain included in Eliminations was | 239 | 359 | 240 | 321 | 197 |

2 Before taxes, financial activities and dividends.
3 A definition is provided in Note 43.

New projects, Total investments

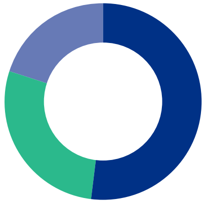


# Commercial Property Development

Capital employed,
total SEK 33 bn

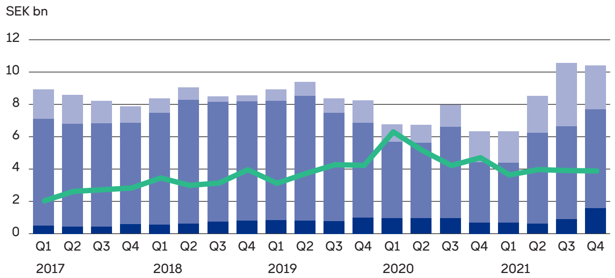
**Geographic area**
- Nordics, 36%
- Europe, 31%
- USA, 33%

Leasing,
total 196,000 sq m



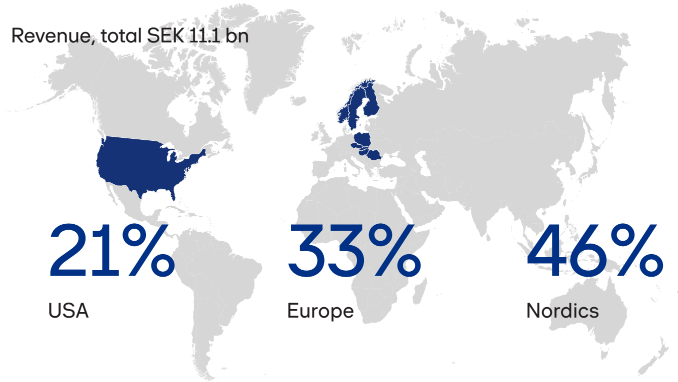
**Geographic area**
- Nordics, 52%
- Europe, 28%
- USA, 20%

Unrealized and realized gains




**Unrealized gains:**
- Land
- Ongoing projects
- Completed projects
- Realized gains, rolling 12 months

Revenue, total SEK 11.1 bn




**Countries:** Sweden, Norway, Finland, Denmark, Poland, Czech Republic, Hungary, Romania, USA

## Increasing value creation in Commercial Property Development

In Commercial Property Development, the aim is to increase investment activity, leveraging our solid project pipeline and landbank. We will begin new customer- and investor-friendly developments, with a heavy focus on offices, in all our markets across the Nordics, Europe and the USA.

A crucial step moving forward will be the implementation of innovative and sustainable solutions throughout the entire building life cycle that are people- and climate-centric, such as the development of energy-positive buildings. We will continue to shape places in attractive locations to allow people to work and connect in an environment that promotes health and well-being.

**Market drivers:**
- Economic Growth
- Urbanization
- Cost-efficient location
- Attractive investment

IN FOCUS

# Taking healthy sustainable office space to new heights


Not only is Generation Park Y in Warsaw our first skyscraper ever built in Central Europe, it is also considered the city's most sustainable building.

Generation Park Y is admired as Warsaw's most sustainable building, and for good reason. With its WELL and LEED Platinum certification, the building showcases our attention to detail and well-being in designing the space. We also anticipate receiving Building without Barriers certification.

At Generation Park Y, we put people and their everyday needs at the forefront. As an example, the attractive green spaces between the buildings are ideal spots for taking a break or co-working outdoors in one of the pergolas. The lobby's green wall has more than 6,000 plants (330 square meters) selected for their unique properties – in terms of air purification, oxygen production and the absorption of volatile organic compounds.

The buildings of the complex are surrounded by concrete paving that reduces smog levels in the air, thanks to its catalytic properties, and is self-cleaning during rainfall. This technology will also be used for the public square between buildings.

By applying innovative solutions, Generation Park Y sets new standards for resource efficiency. With responsible management and conscious use of the building structure, and by equipping it with a grey- and rainwater recovery system, drinking water consumption can be reduced up to 60 percent. The daily greywater accumulation capacity is as much as 20,000 liters. Outdoor vegetation has been designed to require no tap water. With its tight façade, high-performance glazing, rooftop solar reflecting material and energy-efficient devices, Generation Park Y is equipped to use much less energy than other office buildings that meet national building code requirements.

The Generation Park complex has three office buildings with a total leasable area of 88,000 square meters, including office and retail space. Generation Park Y, the third phase of the complex, was completed in early 2021 and has a leasable area of 47,600 square meters. PZU Group, a Polish insurance company, has leased 100 percent of the office space for a 10-year period – to date our largest ever office lease agreement in terms of square meters.

In December 2021, the Generation Park Y complex was sold to HANSAINVEST Real Assets for EUR 285 M (SEK 2.9 billion). The two other buildings, Generation Park X and Z, were sold in 2018 and 2020, respectively.

> Read more about our cooperation with PZU Group and Generation Park Y on page 36.

## STAKEHOLDER DIALOGUE

PZU Group, one of Central and Eastern Europe's largest insurance groups, was looking for new office space for its headquarters and found Generation Park Y in Warsaw, Poland. PZU will lease the entire high-rise building in the heart of Warsaw's business district – representing Skanska's largest-ever lease. We spoke with Wojciech Demczuk, Planning and Space Management Manager at PZU, about the new office and their partnership with Skanska.

# "Skanska allowed us to improve our employees' well-being"

Wojciech Demczuk,
Planning and Space Management
Manager, PZU

In early 2020 PZU was looking for a new office space for its 4,600 employees to thrive. In addition to size and central location, PZU prioritized well-being and sustainability, areas in which Skanska meets PZU's high standards.

"Skanska is helping us implement our new strategy, in which well-being and sustainability are core values," Mr. Demczuk says. Generation Park Y fits perfectly into the new strategy. "Not only does it reduce our carbon footprint, it also allows us to improve our employees' well-being," he continues. "Our new office will have a variety of different work areas – quiet spaces and spaces for collaboration as well as places to go and rest. We believe this will make our daily work much more comfortable."

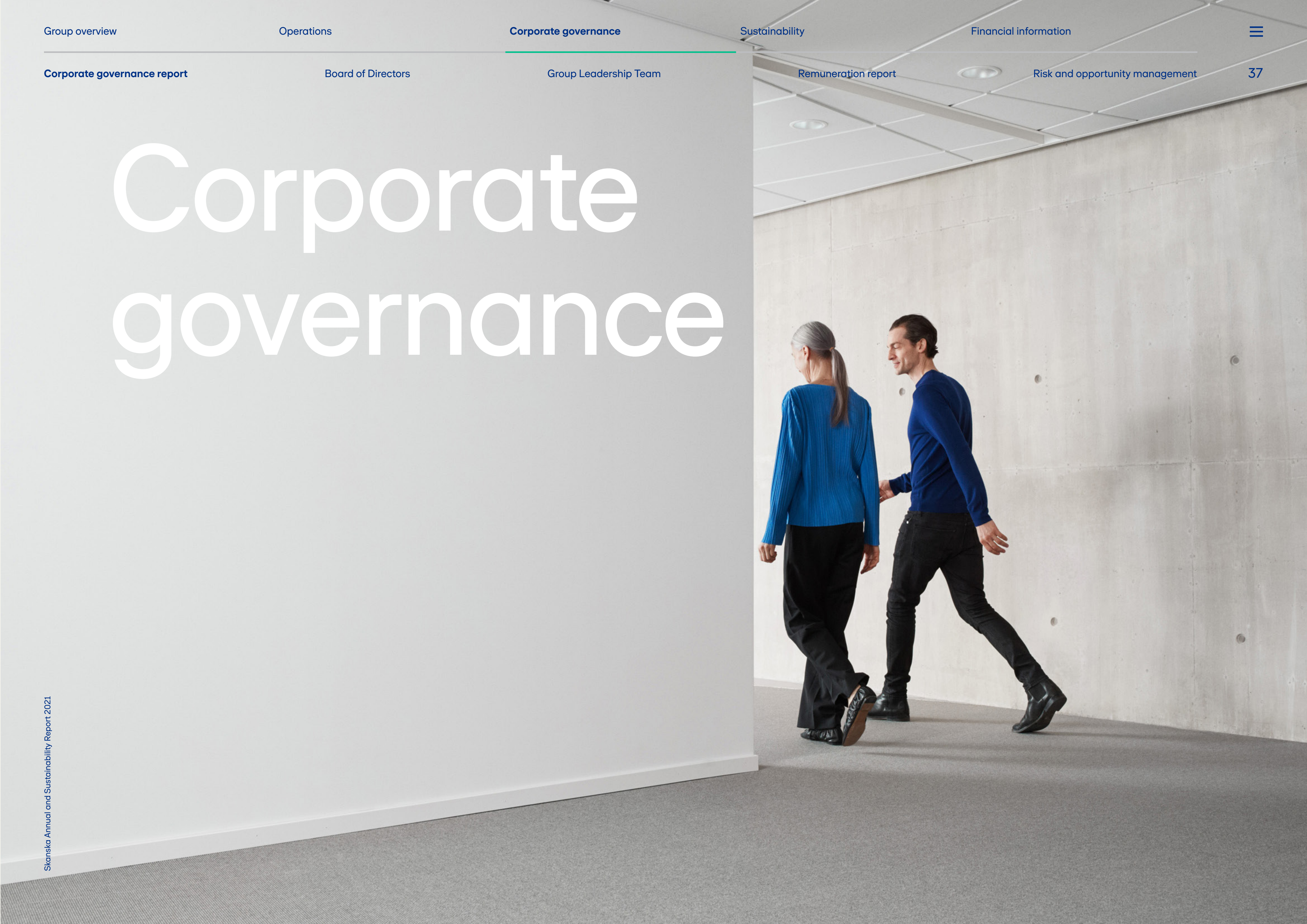
The way people work has changed in the wake of the pandemic. "This new office will provide us with connected spaces where we can have hybrid meetings, where some people are in the office and others are working from home. This is essential to give our employees the flexibility to work from home and continue to collaborate efficiently," Mr. Demczuk explains.

On what distinguishes this project from others, Mr. Demczuk highlights the opportunity for PZU employees and future occupants to visit the construction site. "These site visits have made our change management project very easy, as people are getting used to the building," he says. This is a big move for PZU Group, and Mr. Demczuk emphasizes the importance of employees having the opportunity to understand what the building will look and feel like.

"For PZU this project is the biggest office move so far. Thanks to Skanska's high standards and execution, our cooperation is great," he concludes.

The new Generation Park Y high-rise building comprises 47,600 square meters of office, retail, service and warehouse space, as well as 325 parking spaces.

> Read more about Generation Park Y on page 35.



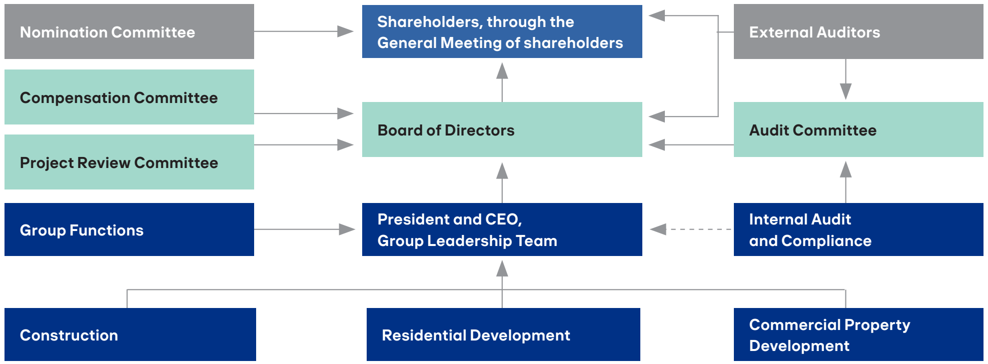
# Corporate governance

# Corporate governance report

Good corporate governance ensures that Skanska is managed responsibly, efficiently and in a sustainable way on behalf of all of our stakeholders including but not limited to shareholders, customers, suppliers, society and employees. Corporate governance describes how rights and responsibilities are distributed among corporate bodies according to applicable laws, rules and regulations as well as internal rules and processes. The purpose of corporate governance is also to ensure oversight by the Board of Directors (the "Board") and management, guide our employees in good business conduct and ensure a sound risk culture.

This corporate governance report for 2021 has been reviewed by Skanska's external auditors in accordance with Chapter 9, Section 31 of the Swedish Companies Act. The report contains information as required by Chapter 6, Section 6 of the Annual Accounts Act.

### Governance structure




**Corporate governance principles**
Skanska is one of the world's largest project development and construction companies. We operate across select markets in the Nordics, Europe and USA. Supported by strong trends in urbanization and demographics, and by aiming to be in the forefront of sustainability, Skanska offers competitive solutions. Driven by Skanska's purpose, values and business model, Skanska helps create sustainable futures for customers and communities as well as create value for shareholders. The parent company of the Group is Skanska AB (the "Company"), with a registered office in Stockholm, Sweden.

As a Swedish public limited company with shares listed on Nasdaq Stockholm, Skanska is subject to a variety of external rules that affect its corporate governance. In addition, Skanska has adopted internal rules to govern the Group as well as processes for monitoring compliance with external and internal rules by all business units and functions in the Group. Skanska's ethical and sustainability endeavors are an integral part of the business, and the Board discusses these issues on a regular basis.

Skanska has no deviations from the Swedish Corporate Governance Code (the "Code") to report for the financial year 2021. Nor has Skanska been subject to any rulings by Nasdaq Stockholm's Disciplinary Committee or decisions on breach of good practices in the stock market by the Swedish Securities Council in 2021.

Further information about Skanska's corporate governance is available on the Group's website: group.skanska.com/corporate-governance/.

**Shares and shareholders**
Skanska's Series B shares are listed on Nasdaq Stockholm in the Large Cap

**Key external governing documents**

- Swedish Companies Act
- Nasdaq Nordic Main Market Rulebook for Issuers of Shares
- Swedish Corporate Governance Code
- Swedish Annual Accounts Act
- Swedish Securities Market Act
- EU Market Abuse Regulation
- International Financial Reporting Standards (IFRS) and other accounting rules
- Non-Financial Reporting Directive (NFRD)
- Global Reporting Initiative (GRI) Standards.

**Key internal governing documents**

- Articles of Association, which are available on the Group's website
- Procedural Rules for the Board and its Committees
- Instructions for the President and CEO
- Group steering documents, including Group policies, standards and procedures, guidelines, and business processes for approval, control and risk management
- Skanska's Code of Conduct, which is available on the Group's website.

segment. The share capital at the end of 2021 amounted to SEK 1,259,709,216 consisting of a total of 419,903,072 shares, of which 19,661,632 were Series A shares and 400,241,440 were Series B shares. Series A shares entitle the holders to ten votes per share and Series B shares entitle the holders to one vote per share. There are no other restrictions in the Articles of Association on the number of votes each shareholder may cast at a General Meeting. Series A shares and Series B shares entitle the holder to the same dividend.

At the end of 2021, Skanska had a total of 109,416 shareholders, according to statistics from Euroclear Sweden AB. The ten largest shareholders held 54.8 percent of the votes and 37.7 percent of the capital. AB Industrivärden's holding amounted to 24.3 percent of the votes and Lundberg Group's holding to 13.2 percent. More information about the Skanska share and shareholders, including the Company's holdings of Series B treasury shares, is available on pages 14–15.

**General Meetings of shareholders**
The General Meeting is Skanska's highest decision-making body and it is where shareholders exercise their decision-making rights. At the Annual General Meeting ("AGM"), the shareholders decide on key issues, such as adoption of income statements and balance sheets; the dividend; the composition of the Board; discharging the members of the Board and the President and CEO from liability; and election of external auditors. Skanska's financial year is from January 1 to December 31, and the AGM is to be held within six months of the end of the financial year. The date and venue for the AGM is communicated no later than the publishing of the third quarter interim report on the Group's website. The notice convening the meeting is published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on the Group's website. An announcement of the notice convening the meeting is published in Dagens Nyheter and in at least one more Swedish daily newspaper. All documents relating to the AGM are published on the Group's website in both Swedish and English. Shareholders 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. According to the Articles of Association, the Board may decide that shareholders shall be entitled to exercise their voting rights by post before the AGM. Shareholders have the right to have matters addressed at the AGM if they have submitted a request to the Board no later than seven weeks before the AGM.

***Annual General Meeting 2021***
The AGM 2021 was held on March 30, 2021, in Stockholm. A total of 786 shareholders, representing approximately 60.4 percent of the total number of votes, were represented at the AGM. Due to the risk of the spread of Covid-19 and the authorities' regulations and advice, the AGM was carried out solely through advance voting pursuant to temporary legislation. The AGM was thus carried out without the possibility for shareholders to attend physically, in person or by proxy, and the shareholders exercised their voting rights by voting in advance, so-called postal voting. As communicated by the Swedish Corporate Governance Board in a press release in March and December 2020, this is not to be considered a deviation from the Code. Pre-recorded presentations by the Chairman of the Board and the President and CEO were made available on the Group's website before the AGM.

**Annual General Meeting 2022**
Skanska's AGM 2022 will be carried out on Tuesday March 29, 2022, through advance voting (so-called postal voting) pursuant to temporary legislation. No meeting with the possibility to attend physically will take place. Further information is available on the Group's website: group.skanska.com/corporate-governance/shareholders-meeting/agm-2022/.

Among other matters, the meeting resolved to re-elect Hans Biörck, Pär Boman, Jan Gurander, Fredrik Lundberg, Catherine Marcus, Jayne McGivern and Åsa Söderström Winberg as members of the Board. Hans Biörck was re-elected as Chairman of the Board. The employees were represented on the Board by Ola Fält, Richard Hörstedt and Yvonne Stenman as members, with Hans Reinholdsson and Anders Rättgård as deputy members. The AGM also resolved to pay a dividend to the shareholders of SEK 9.50 per share, of which SEK 6.50 per share as ordinary dividend and SEK 3.00 per share as extra dividend; re-elect Ernst & Young AB as external auditor; approve the Board's remuneration report for 2020 and the Board's motion on amendments to the Articles of Association; and to authorize the Board to, during the period up to the AGM 2022, resolve on acquisitions of not more than 1,200,000 own Series B shares in Skanska on Nasdaq Stockholm to secure delivery of shares to participants in the Skanska employee ownership program resolved by the AGM 2019 (Seop 5).

Complete information on the AGM 2021 and the minutes of the meeting are available on the Group's website: group.skanska.com/corporate-governance/shareholders-meeting/.

**The Nomination Committee**
The AGM 2018 gave the Chairman of the Board a mandate to allow each of the four largest shareholders in terms of voting power to appoint a representative to join the Chairman on the Nomination Committee. In determining which are deemed to be the largest shareholders in terms of voting power, the list of shareholders registered with and categorized by Euroclear Sweden AB as of the last business day in August each year is to be used.

The Nomination Committee's mandate includes:
- Evaluating the composition of the Board and its work
- Preparing proposals to submit to the AGM regarding the election of board members and the Chairman of the Board
- Working with the Board's Audit Committee to prepare proposals to submit to the AGM regarding the election of auditors
- Preparing a proposal to submit to the AGM on fees to the Chairman of the Board and to the other AGM-elected board members for board work and for work in the committees of the Board, as well as fees to the auditors
- Preparing a proposal to submit to the AGM regarding a Chairman for the AGM
- When applicable, preparing a proposal on changes to the principles for appointing the next Nomination Committee.

Information on how shareholders can submit proposals to the Nomination Committee is available on the Group's website.

***Nomination Committee for the AGM 2022***
The Nomination Committee for the AGM 2022 has the following composition:
- Helena Stjernholm, AB Industrivärden (24.3 percent of votes[1]), Chairman of the Nomination Committee
- Mats Guldbrand, Lundberg Group (13.2 percent of votes[1])
- Dick Bergqvist, AMF (4.2 percent of votes[1])
- Malin Björkmo, Handelsbanken Funds (2.1 percent of votes[1])
- Hans Biörck, Chairman of the Board, Skanska AB.

This information was announced on the Group's website and published in a press release on September 16, 2021. According to the Code, the majority of the Nomination Committee's members are to be independent in relation to the Company and its senior executives and at least one member is also to be independent in relation to the largest shareholders in the Company in terms of voting rights. All of the appointed members are independent in relation to the Company and its senior executives and three are independent in relation to the largest shareholders in the Company in terms of voting rights.

In preparation for the AGM 2022, the Nomination Committee held seven meetings at which minutes were kept. No fees have been paid out for Nomination Committee duties. To perform its work, the Nomination Committee has taken part of the internal evaluation of the Board's work, the Chairman's account of board duties and the Company's strategy. The Nomination Committee has also interviewed an individual member of the Board. Furthermore, Skanska's President and CEO and CFO have attended a meeting for presentation of the Company's operations and strategies.

For the composition of the Board, the Nomination Committee has applied the rules on the composition of the Board that are found in the Code. The Nomination Committee has applied rule 4.1 of the Code as diversity policy. The objectives of the diversity policy is that the Board is to have a composition appropriate to the Company's operations, phase of development and other relevant circumstances, that the board members elected by the General Meeting are collectively to exhibit diversity and breadth of qualifications, experience, background and need for renewal, and that a gender balance on the Board is to be strived for. The Nomination Committee considers that such a diversity and breadth is represented among the proposed board members. Three out of eight of the proposed board members are women. The gender balance is therefore 38 percent women and 62 percent men, which, in the opinion of the Nomination Committee, is consistent with the gender balance requirement. The Nomination Committee further assess that those fields of competence and experience considered important to Skanska are well represented in the proposed Board and that the composition and size of the proposed Board is appropriate to meet Skanska's needs. The Nomination Committee has also assessed that the proposed board members will be able to devote the necessary time required to fulfil their tasks as board members in Skanska.

The Nomination Committee has assessed that the proposed Board meets the requirements in the Code relating to board members' independence. The Nomination Committee's proposals, work report and information on proposed board members are published on the Group's website, group.skanska.com/corporate-governance/shareholders-meeting/agm-2022/, in connection with the notice convening the AGM 2022.

**Board of Directors**
According to the Articles of Association, the Board, with regard to members elected by shareholders at a General Meeting, shall consist of not fewer than five and not more than ten members. The Board has overall responsibility for Skanska's organizational structure and management, and the Board's main duty is to safeguard the interests of the Company and the shareholders. The Board thus makes decisions regarding the Group's strategy, interim and annual reports, major construction projects, investments and divestments, appointment of the President and CEO, and matters concerning the organizational structure of the Group. The Chairman leads the Board in its work and has regular contact with the President and CEO in order to stay informed about the Group's activities and development.

During the period January 1, 2021 to August 31, 2021, the Board consisted of seven members elected by the AGM and three members and two deputy members appointed by the trade unions. As communicated by Skanska in a press release on August 31, 2021,

1 Based on shareholding as of August 31, 2021.

Jayne McGivern resigned as a member of the Board effective as of that day.

According to the Code, the majority of the Board's AGM-elected members are to be independent in relation to the Company and its senior executives, and at least two members are to also be independent in relation to the largest shareholders in the Company. All of the board members elected by the AGM 2021 are independent in relation to the Company and its senior executives. Of these, five members are also independent in relation to the Company's largest shareholders. The composition of the Board and an assessment of the independence of each member are presented in more detail on pages 48–49.

### *The work of the Board in 2021*

The work of the Board follows an annual agenda established in the Board's Procedural Rules. In preparation for each board meeting, the Board receives reports and documentation compiled according to established procedures. The purpose of this is to ensure that the Board has the relevant information and documentation on which to base decisions. In 2021 the Board held seven meetings, including its statutory meeting. For attendance at board meetings, see the table on page 42. The more important issues dealt with by the Board during the year included monitoring operations, review and approval of the interim reports and year-end report, strategic review of Skanska, as well as internal control, risk management, compliance matters, and sustainability, including climate and health and safety, related issues. The Board further decided on the introduction of a new business stream, Investment Properties, revised financial targets for the Group starting 2022, and Skanska's business plan for 2022–2024. The Board received regular updates on the impact of the Covid-19 pandemic on the Group's business and the markets where Skanska is active.

### *Evaluation of the work of the Board*

The work of the Board is evaluated annually through a structured process aimed at improving work processes, efficiency and collective expertise, and to assess any need for change. The Chairman of the Board is responsible for the evaluation and for presenting the findings to the Board and the Nomination Committee. In 2021 an evaluation was carried out in the form of a questionnaire and individual conversations between the Chairman and each member of the Board, but also through discussion at board meetings. The Chairman was also evaluated through a written questionnaire and discussion with the Board without the Chairman present; the board meeting on this occasion was chaired by another member appointed for the purpose. The outcome of the 2021 evaluation was that the work of the Board was deemed to be functioning well.

### *Board fees*

The AGM 2021 resolved in accordance with the Nomination Committee's proposal on fees to the Chairman of the Board and to the other board members as well as fees for work in the Board's committees. Total fees to the AGM-elected board members not employed by Skanska were thus approved by the AGM 2021 in the amount of SEK 9,171,000.[3] The Chairman of the Board received SEK 2,175,000 and the other board members not employed by Skanska received SEK 725,000 each. In addition, the Chairman of the Audit Committee received SEK 260,000 and the other members of the committee SEK 185,000 each, the Chairman of the Compensation Committee received SEK 112,000 and the other members of the committee SEK 107,000 each, and the Chairman of the Project Review Committee and the other members of the committee received SEK 215,000 each. For more detailed information, see Note 37, Remuneration to senior executives and board members, on pages 168–171.

**The members and the deputy members of the Board**

| Member | Position | Elected, year | Audit Committee | Compensation Committee | Project Review Committee | Independent in relation to the Company and GLT | Independent in relation to major shareholders |
|---|---|---|---|---|---|---|---|
| Hans Biörck | Chairman | 2016 | Member | Chairman | Chairman | Yes | Yes |
| Pär Boman | Member | 2015 | Chairman | Member | Member | Yes | No |
| Jan Gurander[1] | Member | 2019 | Member | Member | Member | Yes | Yes |
| Fredrik Lundberg | Member | 2011 | | | Member | Yes | No |
| Catherine Marcus | Member | 2017 | | | Member | Yes | Yes |
| Jayne McGivern[2] | Member | 2015 | | Member | Member | Yes | Yes |
| Åsa Söderström Winberg | Member | 2020 | Member | | Member | Yes | Yes |
| Ola Fält | Employee Representative | 2018 | | | | – | – |
| Richard Hörstedt | Employee Representative | 2007 | | | | – | – |
| Yvonne Stenman | Employee Representative | 2018 | | | | – | – |
| Hans Reinholdsson | Employee Representative (Deputy) | 2020 | | | | – | – |
| Anders Rättgård | Employee Representative (Deputy) | 2017 | | | Member | – | – |

■ = Chairman ■ = Member

1 Member of the Compensation Committee from September 15, 2021.
2 Until August 31, 2021.
3 In light of that Jayne McGivern resigned as a member of the Board effective as of August 31, 2021, and Jan Gurander was appointed as a new member of the Compensation Committee effective as of September 15, 2021, the total board fees for 2021 have been revised downwards to SEK 8,701,000.

## The Board's committees

The Board is ultimately responsible for the organization of Skanska and the management of Skanska's operations. The overall responsibility of the Board cannot be delegated, but the Board may appoint committees to do preparatory work and explore certain issues in preparation for decisions by the Board. The Board has formed three committees to provide structure, improve efficiency and ensure the quality of its work: (i) Audit Committee, (ii) Compensation Committee and (iii) Project Review Committee. The members of the committees are appointed annually at the statutory meeting of the Board. In light of that Jayne McGivern resigned as a member of the Board, and thus also as a member of the Compensation Committee, effective as of August 31, 2021, Jan Gurander was appointed as a new member of the Compensation Committee at a board meeting on September 15, 2021, effective as of that date. The Board's Procedural Rules specify which duties and decision-making powers have been delegated to the committees. The Chairman of each committee reports orally to the Board at each board meeting and all minutes from the committee meetings are submitted to the Board.

### *Audit Committee*

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

In 2021 the Audit Committee consisted of Pär Boman (Chairman), Hans Biörck, Jan Gurander and Åsa Söderström Winberg. The composition of the committee meets the requirements in the Code relating to audit committee members' independence. At least one member has accounting or auditing skills. The Committee held six meetings in 2021. Important matters addressed during the year included capital allocation, financing, pension reporting, external reporting, impairment testing, write-downs in construction projects, larger disputes, review of the interim reports and year-end report, internal control, risk management and compliance matters.

### *Compensation Committee*

The main tasks of the Compensation Committee include preparing recommendations for decisions by the Board on the appointment or dismissal of the President and CEO, including salary and other remuneration, and of the other Group Leadership Team members, and on incentive programs. The committee also examines the outcomes of variable remuneration components.

In 2021 the Compensation Committee consisted of Hans Biörck (Chairman), Pär Boman, Jan Gurander[1] and Jayne McGivern[2]. The Code requirements regarding independence, according to which the Chairman of the Board is permitted to be the Chairman of the Compensation Committee and other AGM-elected members are to be independent in relation to the Company and its senior executives, have therefore been met. The committee held six meetings in 2021. Important matters addressed during the year were review of Skanska's variable remuneration programs for the senior executives, review and evaluation of the application of the guidelines for salary and other remuneration to senior executives adopted by the AGM 2020 as well as the existing remuneration structures and levels in the Company, and review of senior executives' other assignments. The committee further reviewed and prepared, for resolution by the Board, proposals to the AGM 2022 on a remuneration report for 2021, detailing paid and outstanding remuneration that is covered under the above-mentioned remuneration guidelines, and on a Skanska long-term employee ownership program for the financial years 2023, 2024 and 2025 (Seop 6).

### *Project Review Committee*

The Project Review Committee takes decisions on individual projects within the Construction, Residential Development and Commercial Property Development business streams and on certain project financing

**Attendance at Board and Committee meetings**

| | Board | Audit Committee | Compensation Committee | Project Review Committee |
|---|---|---|---|---|
| **Number of meetings** | 7 | 6 | 6 | 12 |
| **Member** | | | | |
| Hans Biörck | 7 | 6 | 6 | 12 |
| Pär Boman | 7 | 6 | 6 | 12 |
| Jan Gurander[1] | 7 | 6 | 4 | 11 |
| Fredrik Lundberg | 7 | | | 11 |
| Catherine Marcus | 7 | | | 12 |
| Jayne McGivern[2] | 4 | | 2 | 8 |
| Åsa Söderström Winberg | 6 | 5 | | 11 |
| Ola Fält | 7 | | | |
| Richard Hörstedt | 7 | | | |
| Yvonne Stenman | 7 | | | |
| Hans Reinholdsson | 7 | | | |
| Anders Rättgård | 7 | | | 12 |

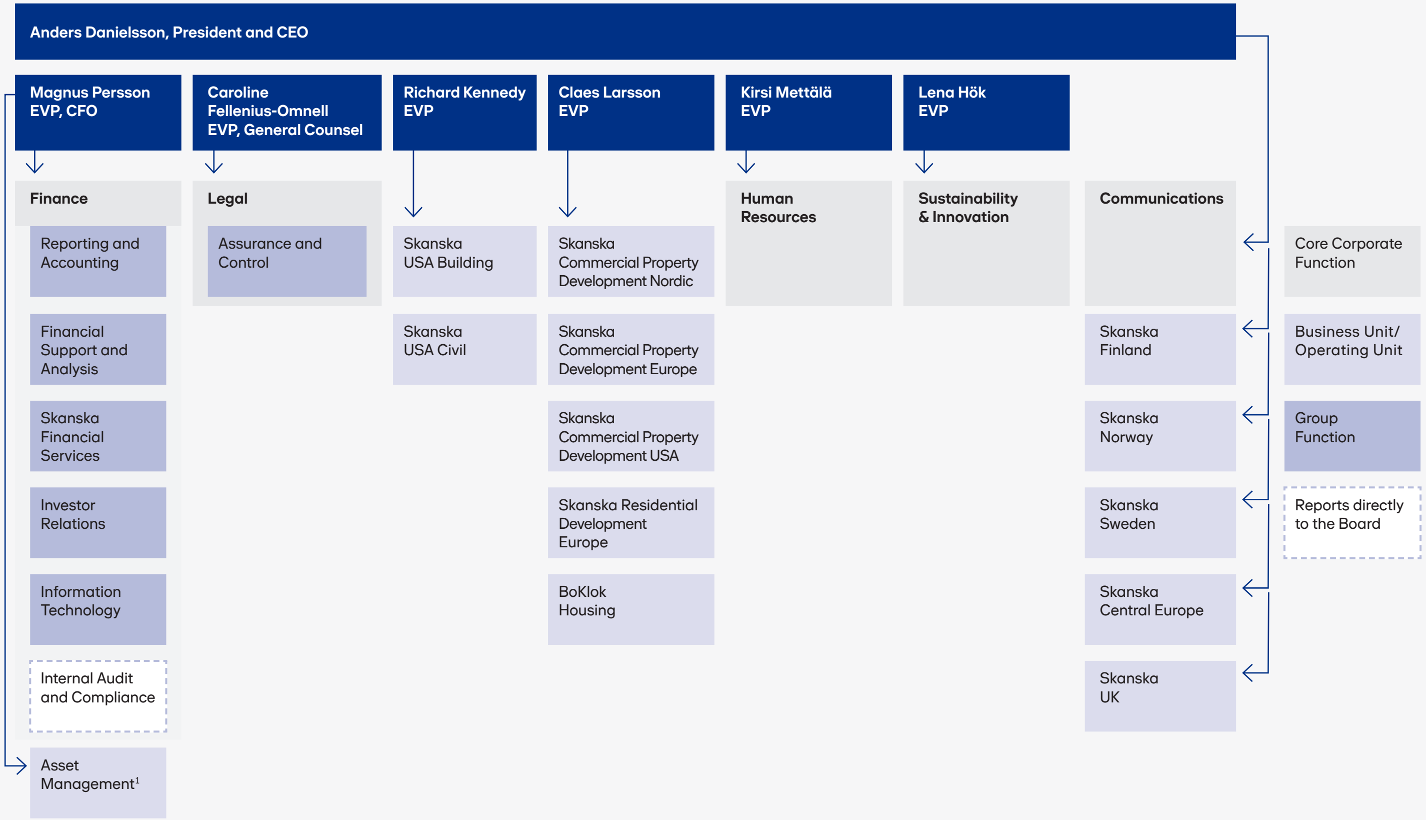
1 Member of the Compensation Committee from September 15, 2021.
2 Until August 31, 2021.

packages. Projects above a certain monetary threshold or that involve especially high or unusual risks or other special circumstances may be referred to the Board for a decision. The committee consists of all AGM-elected board members and employee representative Anders Rättgård, with employee representative Richard Hörstedt as deputy member for Anders Rättgård. The committee held twelve meetings in 2021.

### External auditors

According to the Articles of Association, the Company shall have one or two authorized auditors and no more than two deputy auditors. A registered accounting firm may be appointed as the Company's external auditor. At the AGM 2021, Ernst & Young AB was re-elected as external auditor, until the close of the AGM 2022. Authorized Public Accountant Hamish Mabon is the auditor in charge. The external auditor has attended two board meetings to report on the auditing process of Ernst & Young AB for Skanska and to provide the members of the Board with an opportunity to ask questions without senior executives being present. The external auditor has also attended five meetings of the Board's Audit Committee. The independence of the external auditor is guaranteed by the Audit Committee having determined the principles for allowing non-audit services to be provided by the auditor and pre-approving non-audit services. For information on fees and other remuneration to the external auditor for audit-related and other services, see Note 38, Fees and other remuneration to auditors, on page 172.

**Skanska's management structure**
*Group Leadership Team*




1 Portfolio of PPP assets.

**Operational management and internal governance**

Skanska operates with a decentralized governance model that recognizes the local characteristics of the construction and development markets, empowering the business units to develop their business and deliver according to plan, while retaining the profit and loss responsibility. Skanska's strategy and targets are set at Group level to ensure effective financial capacity and conduct proper follow-up on business unit performance and compliance. In the decentralized governance structure operated, as a rule, what is required is established at Group level, while the business units are responsible for how requirements are met. Each business unit is headed by a President and has its own administrative functions and other resources to conduct its operations effectively. Aside from day-to-day operations managing projects, the business units deal with matters such as their strategic development, business plans, investments, divestments and organization. Information on Skanska's business model and our business streams is available on pages 21–34.

***The President and CEO and the Group Leadership Team***

The President and CEO is appointed by the Board and runs the Company and the Group in accordance with the instructions adopted by the Board. The President and CEO is responsible for the day-to-day management of the operations of the Company and the Group and is supported by the other members of the Group Leadership Team. The work of the President and CEO is evaluated at one board meeting each year at which no senior executives are present. The President and CEO has no business dealings of any significance with the Company or its Group companies. Lena Hök was appointed Executive Vice President Sustainability & Innovation and new member of the Group Leadership Team from November 1, 2021. Information on the President and CEO and the other members of the Group Leadership Team can be found on pages 50–51.

***Core corporate functions and Group functions***

Core corporate functions and Group functions are based at Skanska's headquarters in Stockholm. The Core corporate functions and Group functions assist the President and CEO and the Group Leadership Team on matters relating to corporate functions, coordination and oversight. They also provide support to the business units. The head of each Group function reports directly to a member of the Group Leadership Team. The head of the Internal Audit and Compliance reports directly to the Board by way of the Audit Committee. A presentation of the Core corporate functions and Group functions can be found on page 43.

***Remuneration to senior executives***

The AGM 2020 adopted guidelines for salary and other remuneration to senior executives in accordance with the Board's proposal, which are valid until the AGM 2024. The guidelines and information about salary and other remuneration to senior executives, as well as outstanding share award and share-related incentive programs, are found in Note 37, Remuneration to senior executives and board members, on pages 168–171. Senior executives include the President and CEO and the other members of the Group Leadership Team. Information on remuneration to the President and CEO is also set out in the remuneration report available on pages 53–57.

***Purpose and values***

While creating shareholder value, Skanska's purpose is to build for a better society. This reflects the Group's role in society, a position that enables Skanska to create shareholder value. Fundamental to Skanska's success are four values; Care for life; Act ethically and transparently; Be better together; and Commit to customers. They serve as a moral

**Skanska's reporting structure**

| | Business Streams | | | | | |
|---|---|---|---|---|---|---|
| **Operating units** | Construction | | Residential Development | | Commercial Property Development | |
| **Member** | **Operating unit** | **External reporting** | **Operating unit** | **External reporting** | **Operating unit** | **External reporting** |
| Sweden | ■ | □ | ■ | □ | ■ | □ |
| Norway | ■ | □ | ■ | □ | ■ | □ |
| Finland | ■ | □ | ■ | □ | ■ | □ |
| Commercial Property Development Nordic | | | | | ■ | □ |
| Central Europe | ■ | □ | | | | |
| United Kingdom | ■ | □ | | | | |
| Commercial Property Development Europe | | | | | ■ | □ |
| Residential Development Europe | | | ■ | □ | | |
| USA Civil | ■ | □ | | | | |
| USA Building | ■ | □ | | | | |
| Commercial Property Development USA | | | | | ■ | □ |
| BoKlok[1] | | | ■ | | | |

■ = Operating unit □ = External reporting

1 BoKlok has operations in Sweden, Norway, Finland and the UK. In the external reporting BoKlok is divided and included in the Nordic cluster, of which Sweden, and Europe.

foundation and compass, and Skanska constantly drives the need for every employee to strongly live these values. Further information on Skanska's values is available on page 4.

Skanska provides innovative and sustainable solutions to create a sustainable future for its employees, customers, shareholders and communities. This is demonstrated through continued commitment to the sustainability impact areas Climate, Resilience and Responsibility outlined on page 69. Furthermore, sustainability at Skanska is grounded in the Group's purpose and values. Skanska's sustainability report can be found on pages 67–94.

***Code of Conduct***

Skanska's Code of Conduct is based on the Skanska values and sets the standard for the daily behavior of employees on how Skanska does business. It is reviewed regularly by the Group Leadership Team and updates are approved by the Board. It defines Skanska's commitments in the workplace, in the market and to society. It covers such topics as health and safety; diversity and inclusion; data protection; environment; confidentiality; conflicts of interest; fraud; fair competition; anti-bribery and corruption; and insider information and market abuse. All Skanska employees are required to uphold the principles and requirements contained in the Code of Conduct. All employees are asked to complete Code of Conduct training every two years, and new employees within one month of starting with Skanska. This requirement applies equally to members of the Board.

The Code of Conduct is supplemented by the Supplier Code of Conduct which must be adhered to by all subcontractors, suppliers, consultants, intermediaries and agents. It is included in agreements with these parties and outlines the expectations that Skanska put on those Skanska does business with. The Supplier Code of Conduct covers topics such as fair working conditions; discrimination and harassment; anti-bribery and corruption; and fair competition. The Code of Conduct and the Supplier Code of Conduct can be found on the Group's website: group.skanska.com/about-us/our-code-of-conduct/.

Skanska's Code of Conduct Hotline provides a mechanism for employees, suppliers' employees and other third parties to anonymously report on breaches or suspected breaches of the Skanska's Code of Conduct. The hotline is managed by an independent third-party service provider and is a supplement to the internal reporting channels that all employees have access to.

***Governance framework***

The Group governance framework is set at Group level. The Group Leadership Team and the Core corporate functions and Group functions are responsible for following up on its implementation and effective operation in the business units. The Group governance framework consists of three categories of steering documents: Group policies and Group procedures and standards, which are mandatory, as well as non-mandatory guidelines for the Group.

A clear framework of policies, procedures and standards reduces risks and increases effectiveness, it also makes it easier to live by Skanska's Code of Conduct and the Skanska values. The Group governance framework steering documents define how Skanska's operations are run, controlled and organized, which standards and processes to work according to, how to manage risks, at what levels decisions are made and what is mandatory for the Skanska business units. The governance framework is applicable to the Company, all Skanska business units and all Skanska employees. If not followed, there may be consequences, up to and including dismissal. The business units are required to establish and maintain a robust and well-functioning system of governance within their operations. Business units' governance systems, such as business units' policies and management systems, should complement and add local, practical detail to the steering documents in the Group governance framework. The Business Unit President is responsible for implementation of the Group governance framework in the respective business unit.

The Procedural Rules for the Board and its Committees state which items of business will be decided upon by the Board, by the President and CEO, by the Group Leadership Team, or at the business unit level. In addition to the Board's Procedural Rules, and Skanska's Code of Conduct and Supplier Code of Conduct, Skanska's Group policies include:

- Anti-Corruption Policy
- Claims Management Policy
- Enterprise Risk Management Policy
- Finance Policy
- Human Resources Policy
- Information Policy
- Insider Policy
- IT Policy
- Personal Data Protection Policy
- Sustainability Policy
- Tax policy.

**Group policies**
Core mandatory operating rules of the Group, addressing risks, goals and where corporate governance is required.

**Group procedures and standards**
Mandatory. Procedures are generally detailed step-by-step instructions to achieve a given goal, while standards indicate expected behavior or a minimum level of quality or a minimum standard.

**Group guidelines**
A non-binding document containing guidance for the organization.

**Internal control**
This description includes the most important elements of Skanska's internal control and risk management systems in connection with financial and sustainability reporting. A description of Skanska's sustainability reporting principles is set out on page 94.

***Control environment***
The Board has overall responsibility for ensuring that Skanska has effective and adequate risk management and internal controls. The purpose is to provide a reasonable assurance that the operations are run appropriately and efficiently, that external reporting is reliable, and that laws and regulations and internal rules are complied with. The Board's Procedural Rules ensure a clear division of roles and responsibilities for the purpose of ensuring effective management of business risks. The Board and the Group Leadership Team have also adopted a number of fundamental rules of importance for internal control work, such as the Group's Enterprise Risk Management Policy and the Group Governance Procedure. The Group Leadership Team reports regularly to the Board according to established routines. The Audit Committee also presents reports on its work. The Group Leadership Team is responsible for the system of internal controls required to manage material operational risk. This includes a clear decision-making structure and the Group framework of policies, standards/procedures and guidelines. The Group function Assurance and Control supports the Group Leadership Team in monitoring the system of internal control.

***Risk assessment and control activities***
Skanska has identified the material risks in its operations that may, if not managed correctly, lead to errors in financial reporting and/or have an impact on the Company's performance results. The Group Headquarters has subsequently ensured that the Group has rules in place to guarantee that these risks are managed. The Group Leadership Team and the Core corporate functions and Group functions are responsible for managing general risks relating to strategy, macroeconomics and regulatory frameworks, while the main tasks relating to operational risk and opportunities are carried out at the local level within the business units. A detailed description of the identified enterprise risks and how they are managed is found on pages 59–65.

Skanska uses a Group-wide procedure for identifying and managing risks associated with construction contracts and project development. A specialized Group unit, the Skanska Risk Team, examines and analyzes proposals for tenders in construction and land investments, project starts as well as divestments in project development above a certain size. Based on the identified risks and opportunities, the Skanska Risk Team then issues a recommendation on how to proceed. The final decision is made by the Skanska Tender Board, which consists of the Group Leadership Team, and, in certain cases, the Project Review Committee, which consists of board members.

Risks and opportunities for improvement are both greatest during the actual execution phase of the projects, and thus the work focuses heavily on this phase. Since almost every project is unique, risks and opportunities must be analyzed with respect to project type, location, execution phase and client. During execution, projects over a set threshold must adhere to the Skanska Project Review and Reporting Procedure to ensure consistent project reviews, including a process to make sure that deviations from planned performance are detected and acted upon early. All business units employ common valuation principles and terminology to ensure conservative project valuation and a high level of performance transparency.

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

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

***Internal Audit and Compliance***
The Group function Internal Audit and Compliance is responsible for monitoring and evaluating risk management and internal control processes. The work is planned in consultation with the Audit Committee and reporting takes place directly to the Board through the committee. Matters relating to internal audit are also communicated on an ongoing basis to Skanska's external auditors. In 2021, Internal Audit and Compliance focused on reviewing the risks identified relating to the Group's projects, business-critical processes and key corporate functions. A total of 100 audits were conducted during the year within all business units. There was a particular focus on the business operations of commercial development investments and supply chain resilience for the construction units. The audits were performed in accordance with a uniform audit method.

IN FOCUS

# Building a net-zero future in Europe's biggest infrastructure project


We believe that a collaborative approach is what makes any project successful, particularly within sustainability. Our work for the London tunnels section of the high-speed rail project HS2 Phase One is not limited to the project itself. Together with our joint venture partners and our client, we are addressing challenges facing the entire industry.

Working in the Skanska Costain STRABAG joint venture, we are responsible for the full detailed design and construction of the London tunnels section of HS2 Phase One. As part of the biggest infrastructure project in Europe, we can develop and implement new construction techniques that deliver a step-change and long-lasting benefits for the industry. Collaborating with our partners and supply chain, we are able to test and use new technologies and processes to reduce our carbon emissions. For example, we are trialing a 100 percent diesel-free project, replacing the diesel with hydrotreated vegetable oil (HVO) and avoiding approximately 250 tonnes $CO_2e$.

We are using several new technologies on sites across the country, including the UK's first electric forklift and the world's first solar and hydrogen-powered portable cabins for site staff. We are also trialing innovative solutions across sites, including a low-carbon concrete that significantly reduces carbon emissions. And a new carbon and cost estimating solution, powered by artificial intelligence, allows us to visualize, precisely measure and compare carbon emissions and the environmental impact of construction so we can design a more sustainable solution.

Beyond our actual project work as part of the Skanska Costain STRABAG joint venture – building 21-kilometer-long tunnels at depths of up to 50 meters from the London terminus at Euston station to West Ruislip – we are involved in several initiatives to support local communities in overcoming local challenges. Across the whole HS2 route, training and job initiatives to empower local communities include social mobility programs, creating jobs for 52 previously unemployed people and virtual school outreach to support young people with career advice. We want to do what we can to boost economic growth and improve community cohesion where we work.

This project is a testament to the importance of collaboration. Working closely with HS2, our joint venture and supply chain partners adds highly valued expertise to our operations.

# Board of Directors




| | **Hans Biörck** | **Pär Boman** | **Jan Gurander** | **Fredrik Lundberg** |
|---|---|---|---|---|
| **Position** | Chairman | Board member | Board member | Board member |
| **Born** | Sweden, 1951 | Sweden, 1961 | Sweden, 1961 | Sweden, 1951 |
| **Elected** | 2016 | 2015 | 2019 | 2011 |
| **Shareholding in Skanska, December 31, 2021** | 25,000 B shares through privately owned company | 1,000 B shares | 5,000 B shares | 6,032,000 A shares and 16,050,000 B shares through L E Lundbergföretagen AB, 1,150,000 B shares through privately owned company, 5,376 A shares and 1,100,000 B shares privately |
| **Other board assignments** | – Chairman, Trelleborg AB<br>– Board member, Handelsbanken AB | – Chairman, Handelsbanken AB<br>– Chairman, Essity AB<br>– Chairman, Svenska Cellulosa Aktiebolaget SCA<br>– Vice Chairman, AB Industrivärden | – Board member, The Association of Swedish Engineering Industries | – Chairman, AB Industrivärden<br>– Chairman, Holmen AB<br>– Chairman, Hufvudstaden AB<br>– Vice Chairman, Handelsbanken AB<br>– Board member, L E Lundbergföretagen AB |
| **Education** | – Master of Science in Business and Economics, Stockholm School of Economics | – Engineering and Business/Economics degree, Honorary Ph.D. in Economics | – Master of Science in Business and Economics, Stockholm School of Economics | – M.Sc. Engineering, Royal Institute of Technology, Stockholm<br>– Master of Business Administration (M.B.A), Stockholm School of Economics<br>– Dr. (Econ.) h.c., Stockholm School of Economics<br>– Dr. (Eng.) h.c., Linköping University |
| **Work experience** | – Chief Financial Officer, Skanska AB<br>– Chief Financial Officer, Autoliv AB<br>– Chief Financial Officer, Esselte AB | – President and CEO, Handelsbanken AB | – Deputy CEO, AB Volvo (since 2018)<br>– Deputy CEO and CFO, AB Volvo<br>– CFO and Senior Vice President Finance, Volvo Car Group<br>– CFO, MAN Diesel & Turbo SE<br>– Group Vice President and CFO, Scania AB | – President and CEO, L E Lundbergföretagen AB |
| **Dependency relationship in accordance with the Swedish Corporate Governance Code** | – Independent in relation to the company and its executive management<br>– Independent in relation to major shareholders | – Independent in relation to the company and its executive management<br>– Dependent in relation to major shareholders | – Independent in relation to the company and its executive management<br>– Independent in relation to major shareholders | – Independent in relation to the company and its executive management<br>– Dependent in relation to major shareholders |


| | Catherine Marcus | Åsa Söderström Winberg |
|---|---|---|
| **Position** | Board member | Board member |
| **Born** | USA, 1965 | Sweden, 1957 |
| **Elected** | 2017 | 2020 |
| **Shareholding in Skanska, December 31, 2021** | 0 shares | 2,500 B shares through privately owned company, 800 B shares through related person |
| **Other board assignments** | – Board member, NCREIF PREA Reporting Standards Board (Private) | – Board member, Vattenfall AB<br>– Board member, OEM International AB<br>– Board member, Delete Group Oyj<br>– Board member, Fibo AS |
| **Education** | – M.S., Real Estate Investment and Development, New York University<br>– B.S.E. Real Estate Finance and Entrepreneurial Management, Wharton School, University of Pennsylvania | – B. Sc. Economics, Stockholm University |
| **Work experience** | – Global Chief Operating Officer, PGIM Real Estate<br>– MBL Life Assurance Corporation | – CEO, Sweco Theorells AB<br>– CEO, Ballast Väst AB<br>– Marketing Manager, NCC Industry<br>– Communications Manager, NCC Bygg AB |
| **Dependency relationship in accordance with the Swedish Corporate Governance Code** | – Independent in relation to the company and its executive management<br>– Independent in relation to major shareholders | – Independent in relation to the company and its executive management<br>– Independent in relation to major shareholders |

**Board members and deputies appointed by the trade unions**[1]

**Ola Fält**
Born: Sweden, 1966
Skanska Industrial Solutions; appointed by SEKO in 2018
Board member
Shareholding in Skanska: 1,313 B shares

**Anders Rättgård**
Born: Sweden, 1961
Region Hus Göteborg; appointed by Unionen in 2017
Deputy Board member
Shareholding in Skanska: 4,159 B shares

**Richard Hörstedt**
Born: Sweden, 1963
Region Hus Syd; appointed by Byggnads in 2007
Board member
Shareholding in Skanska: 0 shares

**Yvonne Stenman**
Born: Sweden, 1959
Region Hus Stockholm Nord; appointed by Ledarna in 2018
Board member
Shareholding in Skanska: 0 shares

**Hans Reinholdsson**
Born: Sweden, 1972
Region Hus Göteborg; appointed by Byggnads in 2020
Deputy board member
Shareholding in Skanska: 816 B shares

**Auditors**
Ernst & Young AB
Auditor in charge since 2016:
Hamish Mabon, Stockholm,
born 1965, Authorized public accountant.

1 Shareholding in Skanska as of December 31, 2021.

# Group Leadership Team




| | **Anders Danielsson** | **Caroline Fellenius-Omnell** | **Lena Hök** | **Richard Kennedy** |
|---|---|---|---|---|
| **Position** | President and Chief Executive Officer (since 2018) | Executive Vice President, General Counsel (since 2017) | Executive Vice President (since 2021) | Executive Vice President (since 2018) |
| | Responsible for business units/Core Corporate Function<br>– Skanska Finland<br>– Skanska Norway<br>– Skanska Sweden<br>– Skanska Central Europe<br>– Skanska UK<br>– Communications | Responsible for Core Corporate Function/ Group Function<br>– Legal<br>– Assurance and Control | Responsible for Core Corporate Function<br>– Sustainability & Innovation | Responsible for business units<br>– Skanska USA Building<br>– Skanska USA Civil |
| **Born** | 1966 | 1968 | 1972 | 1966 |
| **Joined Skanska in** | 1991 | 2017 | 2017 | 2004 |
| **Shareholding in Skanska, December 31, 2021** | 143,177 B shares | 14,174 B shares | 3,456 B shares | 32,748 B shares |
| **Awarded but unvested share awards under Skanska's long-term share saving program (Seop), December 31, 2021**[1] | 110,390 B shares | 38,549 B shares | 13,788 B shares | 93,109 B shares |
| **Board assignments** | – | – Board member, The Swedish Association of Listed Companies | – Chair of the Swedish Sustainability Committee, International Chamber of Commerce (ICC) | – Building Trades Employers Association, NY, USA |
| **Education** | – M.Sc. Engineering, Royal Institute of Technology, Stockholm<br>– Advanced Management Program, Harvard, Boston MA | – Master of Laws, Stockholm University<br>– Master of Laws, College of Europe, Bruges | – Bachelor of Social Science, Uppsala University and Maastricht University<br>– GEM Management Program, Stockholm School of Economics Executive Education | – Bachelor of Arts, Rutgers College, Rutgers University<br>– Juris Doctor, Seton Hall University School of Law<br>– Master of Laws, London School of Economics and Political Science |
| **Work experience** | – Executive Vice President, Skanska AB<br>– President, Skanska Sweden<br>– President, Skanska Norway | – Group General Counsel, Tele2 AB<br>– Group General Counsel, Sidel<br>– General Counsel Europe, Tetra Pak AB<br>– Corporate Counsel, AB Electrolux | – Senior Vice President, Sustainability, Skanska AB<br>– Head of Sustainability, Skandia Group<br>– Head of Skandia R&D foundation "Ideas for life", Skandia Group<br>– Head of Communication, Skandiabanken and Skandia<br>– Senior Associate, JKL Group | – President and CEO, Skanska USA Building<br>– Chief Operating Officer, Skanska USA Building<br>– General Counsel, Skanska USA Building |

1 Share awards awarded during 2019–2021. In order for the shares to vest, an additional three years of service from each award date are required. Share awards for 2021 are further preliminary. The Board will determine the outcome for 2021 in the first quarter of 2022 after reviewing operational performance.



| | Claes Larsson | Kirsi Mettälä | Magnus Persson |
|---|---|---|---|
| **Position** | Executive Vice President (since 2006) | Executive Vice President (since 2018) | Executive Vice President, Chief Financial Officer (since 2018) |
| | Responsible for business units<br>– Skanska Commercial Property Development Nordic<br>– Skanska Commercial Property Development Europe<br>– Skanska Commercial Property Development USA<br>– Skanska Residential Development Europe<br>– BoKlok Housing | Responsible for Core Corporate Function<br>– Human Resources | Responsible for Core Corporate Function/ Group Functions/Operating unit<br>– Finance<br>– Reporting and Accounting<br>– Financial Support and Analysis<br>– Skanska Financial Services<br>– Investor Relations<br>– Information Technology<br>– Internal Audit and Compliance<br>– Asset Management |
| **Born** | 1965 | 1963 | 1976 |
| **Joined Skanska in** | 1990 | 1994 | 2006 |
| **Shareholding in Skanska, December 31, 2021** | 205,202 B shares | 29,814 B shares | 24,767 B shares |
| **Awarded but unvested share awards under Skanska's long-term share saving program (Seop), December 31, 2021**[1] | 56,823 B shares | 28,126 B shares | 41,312 B shares |
| **Board assignments** | | – Chairperson, Nomination Committee, FIBS (Finnish Business Society)<br>– Board member, Stockholm School of Economics, Advisory Board | |
| **Education** | – M.Sc. Engineering, Chalmers University of Technology<br>– MBA, Chalmers University of Technology and University of Gothenburg | – Bachelor of Business Administration, Haaga-Helia University of Applied Sciences<br>– eMBA, Aalto Executive Education | – Ph.D. in Business Economics, Uppsala University<br>– Master of Science in Business Economics, Uppsala University |
| **Work experience** | – President, Skanska Commercial Property Development Nordic<br>– President, Skanska Fastigheter Göteborg | – Senior Vice President, HR and Communications, Skanska Finland<br>– Senior Vice President, HR Development, BU Skanska Finland<br>– HRD manager, Skanska Finland<br>– HR specialist, Skanska Finland | – Chief Financial Officer, Skanska Sweden<br>– Senior Vice President, Investor Relations, Skanska AB<br>– Group Manager, Corporate Finance, Skanska AB<br>– Head of Research & Analysis, Skanska Financial Services AB |

1 Share awards awarded during 2019–2021. In order for the shares to vest, an additional three years of service from each award date are required. Share awards for 2021 are further preliminary. The Board will determine the outcome for 2021 in the first quarter of 2022 after reviewing operational performance.

**Business Unit Presidents**

Gunnar Hagman, Skanska Sweden
Ståle Rød, Skanska Norway
Tuomas Särkilahti, Skanska Finland
Michal Jurka, Skanska Central Europe
Greg Craig, Skanska UK
Paul Hewins, Skanska USA Building
Don Fusco, Skanska USA Civil
Jonas Spangenberg, BoKlok Housing
Björn Mattsson, Skanska Residential Development Europe
Jan Odelstam, Skanska Commercial Property Development Nordic
Katarzyna Zawodna-Bijoch, Skanska Commercial Property Development Europe
Robert Ward, Skanska Commercial Property Development USA

**Senior Vice Presidents, Group Functions**

Katarina Bylund, Reporting and Accounting
Karolina Cederhage, Communications
Anders Göransson, Internal Audit and Compliance
Mark Lemon, Assurance and Control
André Löfgren[1], Investor Relations
Antonia Junelind[2], Investor Relations
Therese Tegner, Skanska Financial Services
Anders Candell, Information Technology (IT)
Sanna-Mari Pöyhtäri, Financial Support and Analysis

1 Until February 3, 2022.
2 From February 4, 2022.

IN FOCUS

# Developing healthy, inclusive, climate-resilient places for all


Parkview – an office building in the heart of Prague's Pankrác district – is one of the greenest buildings in Eastern Europe. With WELL Gold and LEED Platinum certifications, Parkview meets strict criteria for environmental protection and the highest interior quality.

Parkview is the latest piece in Richard Meier´s vision for the Pankrác area as the Czech capital's top business location. With 16,000 square meters of prime office space in a sought-after location in Prague, the nine-floor building immediately catches the eye with its beautiful white façade and balconies providing stunning views of the adjacent park, which gave the project its name.

From day one, the project was designed to embody our approach to sustainability. Renewable energy was used throughout the construction phase. Parkview's advanced technologies include LED lighting, motion sensors, an efficient cooling and heating system, installation of chilling beams, elevators with energy recuperation mechanisms and shading elements in the façade. We also slashed freshwater consumption using water-saving fixtures and fittings. Rainwater is collected and used to water the building's plants and gardens.

According to LEED calculations, these technologies reduce Parkview's energy and potable water consumption up to 50 percent. With the highest environmental score in the Czech Republic (97 points), Parkview is LEED Platinum certified.

The building is designed to enhance the health and well-being of its users. Its many features include high quality fresh air, daylight for more than 90 percent of workstations and use of cooling beams rather than fan coils. The quality of Parkview's work environment has been confirmed by third-party WELL Gold certification, which focuses on health and well-being. Parkview also achieved WELL Health-Safety Rating for interiors.

Sustainable commuting options are another of Parkview's features. Located near several public transport stops, there is also a public electric car charging station next to the building and a full-service facility for cyclists – bike racks, lockers, modern changing rooms and showers with free towel service.

In January 2021 we sold the Parkview office complex to investment company Deka Immobilien for EUR 77 M (SEK 770 M).

# Remuneration report

**Introduction**
This remuneration report for 2021 describes how Skanska AB's (the "Company") guidelines for salary and other remuneration to senior executives (the "Remuneration Guidelines"), adopted by the Annual General Meeting ("AGM") on March 26, 2020, have been applied in 2021. The report also provides information on remuneration to the President and CEO and a summary of the Company's outstanding share-related incentive programs. The report has been prepared in accordance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on remuneration to senior executives and board members as required by Chapter 5, Sections 40–44 of the Annual Accounts Act is available in Note 37, Remuneration to senior executives and board members, on pages 168–171 in the annual and sustainability report 2021. Senior executives include the President and CEO and the other members of the Group Leadership Team.

The Board of Directors (the "Board") has established a Compensation Committee. Information on the work of the Compensation Committee in 2021 is set out in the corporate governance report available on pages 37–46 in the annual and sustainability report 2021.

Remuneration of the Board is not covered by this remuneration report. Such remuneration is resolved annually by the AGM and is disclosed in Note 37 on page 170 in the annual and sustainability report 2021.

The AGM on March 30, 2021 resolved to approve the Board's remuneration report for 2020. No opinions were expressed on the remuneration report.

**Key developments 2021**
The President and CEO, Anders Danielsson, summarizes Skanska's overall performance in 2021 in his statement on pages 6–7 in the annual and sustainability report 2021.

**The Remuneration Guidelines: scope, purpose and deviations**
A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability agenda, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The Remuneration Guidelines enable the Company to offer the members of the Group Leadership Team a competitive total remuneration. Under the Remuneration Guidelines, the combined total remuneration for each member of the Group Leadership Team shall be market-related and competitive in the labor market in which the senior executive is placed, and distinguished performance should be reflected in the total remuneration. The remuneration may consist of the following components: fixed cash salary, variable cash remuneration, pension and insurance benefits and other benefits. The variable cash remuneration shall aim at promoting the Company's business strategy and long-term interests, including its sustainability agenda. This is accomplished through the financial and non-financial targets that determines the outcome of the variable cash remuneration and are clearly linked to the business strategy and the Company's sustainability agenda.

The applicable Remuneration Guidelines adopted by the AGM 2020 are found in Note 37 on pages 168–169 in the annual and sustainability report 2021. During 2021, the Company has complied with the Remuneration Guidelines. No deviations from the Remuneration Guidelines have been made and no derogations from the decision-making process that according to the guidelines is to be applied to determine, review and implement the guidelines have been made. The auditor's report regarding the Company's compliance with the Remuneration Guidelines is available on the Group's website: group.skanska.com/corporate-governance/remuneration. No remuneration has been reclaimed.

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

**The Compensation Committee's evaluation of remuneration**
The Compensation Committee considers that the Remuneration Guidelines adopted by the AGM 2020 have worked well in 2021, that remuneration to the Group Leadership Team has been paid in accordance with the guidelines and that the purpose of the guidelines has been achieved. The Compensation Committee have concluded that the Remuneration Guidelines should not be revised. The Remuneration Guidelines adopted by the AGM 2020 are valid until the AGM 2024. No changes are proposed to the Remuneration Guidelines, and therefore no shareholder approval of remuneration guidelines will be required at the AGM 2022.

The Compensation Committee have further concluded that the ongoing and during the year ended programs for variable remuneration to the Group Leadership Team, as well as the current remuneration structures and levels in the Company, are appropriate, on market terms and well balanced. Upon evaluation of the ongoing programs for variable remuneration to the Group Leadership Team, the Compensation Committee concluded that these programs efficiently served their purpose to support achieving the Company's strategic business objectives and sustainable long-term interests, as well as to increase the long-term focus of the members of the Group Leadership Team and align their interests with the long-term expectations and the interests of the shareholders.

The Board has, upon recommendation from the Compensation Committee, resolved to propose to the AGM 2022 for approval a long-term share-related incentive program for the financial years 2023, 2024 and 2025 ("Seop 6"). The Board's complete proposal for resolution by the AGM 2022 on Seop 6 is available on the Group's website: group.skanska.com/corporate-governance/shareholders-meeting/agm-2022/.

**Table 1 – Total remuneration of the President and CEO in 2020 and 2021[1]**

| kSEK | | Fixed remuneration | | Variable remuneration | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and position** | **Financial year** | **Base salary[2]** | **Other remuneration and benefits[3]** | **One-year-variable remuneration[4]** | **Multi-year variable remuneration[5]** | **Extraordinary items** | **Pension expense[6]** | **Total remuneration** | **Proportion of fixed and variable remuneration[7]** |
| Anders Danielsson, President and CEO | **2021** | 13,125 | 160 | 9,844 | 8,050 | - | 4,594 | 35,772 | 50/50 |
| | **2020** | 12,500 | 123 | 9,375 | 8,027 | - | 4,375 | 34,399 | 49/51 |

1 Except for multi-year variable remuneration, the table reports remuneration earned in 2020 and 2021. Disbursement may or may not have been made the same year.

2 Vacation allowance is included in the base salary.

3 Other remuneration and benefits for 2021 include company car, fuel, medical insurance and tax return assistance.

4 One-year variable cash remuneration relating to the 2021 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2022. This calculation is further preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The variable cash remuneration agreement includes a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The one-year variable cash remuneration for the President and CEO may amount to not more than 75 percent of the fixed annual cash salary. The amount included for 2020 in the table refer to actual disbursements for the 2020 financial year.

5 The value stated for 2021 refers to a preliminary award of performance shares for 2021's invested saving shares, at the share price on December 30, 2021 (SEK 234.2). The President and CEO will receive an estimated 34,372 performance shares. The Board will determine the outcome after reviewing the operational performance in the first quarter of 2022. In order to receive performance shares, an additional three years of service are required. For 2021, the President and CEO invested in 5,729 saving shares, equivalent to kSEK 1,342, calculated based on the share price on December 30, 2021 (SEK 234.2).
No matching or performance shares related to saving shares invested under Seop 4 during 2018 have vested as the fulfillment of the 2018 Group outperform target for Seop 4 was 0 percent and no matching shares were awarded to the President and CEO for 2018.

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

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

## Share based remuneration

### *Outstanding share-related incentive programs*

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

Subject to the participant having made an own investment in shares in the Company (saving shares), the participant may be awarded matching and/or performance shares. Matching and performance shares are awarded free of charge and are subject to three-year lock-up periods, during which the saving shares must be held, and employment must continue. Vesting of performance shares is also subject to the satisfaction of a number of result-related performance conditions. The performance conditions used to assess the outcome of Seop 4 and Seop 5 consist of financial targets at Group, business unit and/or business unit cluster level. The financial target applicable at Group level, which apply for the President and CEO and the other members of the Group Leadership Team, is growth in earnings per share ("EPS target"). The 2021 preliminary outcome of the EPS target can be found in Table 3 (b). Information on the starting point and outperform target for the EPS target 2021 and on the financial targets applicable for participants in Seop 5 in the different business streams can be found in Note 37 on page 171 in the annual and sustainability report 2021. No matching shares are awarded to the President and CEO under Seop 5.

Further information on Seop 4 and Seop 5, including the conditions which the outcome depends on, is available on the Group's website: group.skanska.com/corporate-governance/remuneration/incentive-programs. Information on costs of the programs, dilution effects, etc. is available in Note 37 on page 171 in the annual and sustainability report 2021.

**Table 2 – Remuneration of the President and CEO in shares**

| | The main conditions of the share programs | | | | | Information regarding the reported financial year[4] | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | **Opening balance** | **During the year** | | **Closing balance** | | |
| **Name and position** | **Name of program** | **Performance period[1]** | **Award period[2]** | **Vesting period[3]** | **End of retention period** | **Share awards held at the beginning of the year** | **Awarded** | **Vested** | **Subject to performance condition** | **Awarded and unvested at year end** | **Shares subject to retention period[5]** |
| Anders Danielsson, President and CEO | Seop 4 | 2017–2019 | 2017–2019 | 2020–2022 | 2020–2022 | 37,741 | 0 | 0 | - | 37,741 | - |
| | Seop 5 | 2020–2022 | 2020–2022 | 2023–2025 | 2023–2025 | 38,277 | 34,372[6] | 0 | - | 72,649 | - |
| **Total** | | | | | | **76,018** | **34,372** | **0** | **-** | **110,390** | **-** |

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

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

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

4 No matching or performance shares related to saving shares invested under Seop 4 during 2018 have vested as the fulfillment of the 2018 Group outperform target for Seop 4 was 0 percent and no matching shares were awarded to the President and CEO for 2018. Under Seop 5, the President and CEO was preliminary awarded 34,372 future performance shares. Saving shares, in which the President and CEO has invested to become eligible to participate in the programs, are not included in the table.

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

6 Value: kSEK 8,050, calculated based on the share price on December 30, 2021 (SEK 234.2) multiplied by the number of preliminary awards (34,372).

**Application of performance criteria**
The performance criteria for the President and CEO's variable remuneration have been selected to deliver Skanska's strategy and to encourage behavior which is in the long-term interest of the Company and the Group. In the selection of performance criteria, the strategic objectives and short- and long-term business priorities for 2021 have been taken into account. The non-financial performance criteria further contribute to alignment with the sustainability agenda as well as Skanska's purpose and values.

In addition to the financial targets outlined in the Table 3 (a), the President and CEO has non-financial targets that may reduce the outcome of the variable cash remuneration. The outcome in relation to the financial targets determines the total (financial) bonus potential, i.e. the financial targets are the basis of the total bonus potential. This outcome may be reduced depending on the outcomes of the non-financial targets. The non-financial targets are set to support the Company's business strategy and long-term value creation, including its sustainability agenda, and are activity-based targets related to, among other things, work site safety and Skanska's climate target. The outcome is reduced in cases where the non-financial targets are not fully reached. The non-financial targets together represent 50 percent of the total bonus which means that the total bonus outcome may be reduced with up to 50 percent if the non-financial targets are not met. Information on Skanska's climate target is available on pages 70–75 and 90–91 in the annual and sustainability report 2021.

**Table 3 (a) – Performance of the President and CEO in 2021: variable cash remuneration**

| Name and position | Description of the criteria related to the remuneration component | Relative weighting of the performance criteria | a) Measured performance[1] and b) actual award/remuneration outcome |
|---|---|---|---|
| Anders Danielsson, President and CEO | Income after financial items 2021[2] | 100% | a) SEK 9.4 billion<br>b) kSEK 9,844[3] |

1 Starting point and outperform target can be found in Note 37 on page 169 in the annual and sustainability report 2021.
2 The income excludes eliminations at the Group level and the operating unit Asset Management (portfolio of PPP assets).
3 Outcome relating to the 2021 financial year is preliminary and will be finally determined and disbursed after the outcome is established in the first quarter of 2022. This calculation is further preliminary insofar as any deductions as a consequence of non-financial targets have not yet been taken into account. The variable cash remuneration agreement includes a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The one-year variable cash remuneration for the President and CEO may amount to not more than 75 percent of the fixed annual cash salary.

**Table 3 (b) – Performance of the President and CEO in 2021: share-based incentives**

| Name and position | Description of the criteria related to the remuneration component | Relative weighting of the performance criteria | a) Measured performance[1] and b) actual award/remuneration outcome |
|---|---|---|---|
| Anders Danielsson, President and CEO | Earnings per share 2021[2] | 100% | a) SEK 19.8<br>b) kSEK 8,050[3] |

1 Starting point and outperform target can be found in Note 37 on page 171 in the annual and sustainability report 2021.
2 Profit for the period attributable to equity holders, divided by the average number of outstanding shares during the year.
3 The value stated refers to a preliminary award of performance shares for 2021's invested saving shares, at the share price on December 30, 2021 (SEK 234.2). The President and CEO will receive an estimated 34,372 performance shares. The Board will determine the outcome after reviewing the operational performance in the first quarter of 2022. In order to receive performance shares, an additional three years of service are required.

## Comparative information on the change of remuneration and company performance

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

| Annual change[1] | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| **Executive remuneration (kSEK)** | | | | | | |
| President and CEO remuneration (Anders Danielsson)[2] | - | - | 16,868 | 32,347 (+91.8%) | 34,399 (+6.3%) | 35,772[3] (+4.0%) |
| President and CEO remuneration (Johan Karlström)[4] | 39,618 | 21,248 (-46.4%) | - | - | - | - |
| **Skanska Group's performance** | | | | | | |
| Income after financial items (SEK bn)[5] | 8.0 | 5.7 (-29.7%) | 4.9 (-12.9%) | 7.8 (+57.5%) | 11.6 (+48.9%) | 9.7[6] (-16.4%) |
| Earnings per share (SEK)[7] | 15.9 | 12.0 (-24.5%) | 9.5 (-20.8%) | 15.5 (+63.2%) | 22.5 (+45.2%) | 19.8 (-12.0%) |
| Carbon emissions (tonnes)[8,9] | 386,000 | 347,000 | 332,000 | 291,000 | 265,000 | 216,000 |
| **Average remuneration on a full-time equivalent basis of employees[10] of the Company (kSEK)[11]** | | | | | | |
| Employees[10] of the Company | - | - | - | - | 1,455[12] | 1,603[13] (+10.2%) |

1 The table reports actual outcome and annual change in percentage.
2 President and CEO from 1 January 2018.
3 Total remuneration in 2021 as set out in Table 1.
4 President and CEO until 31 December 2017.
5 The income excludes eliminations at the Group level.
6 The table reports the income excluding eliminations at the Group level, but including the operating unit Asset Management (portfolio of PPP assets). In Table 3 (a), the income after financial items is reported excluding both eliminations at the Group level and the operating unit Asset Management. Variable cash remuneration to the President and CEO for 2021 has been related to income after financial items excluding eliminations at the Group level and the operating unit Asset Management, as set forth in Table 3 (a).
7 Profit for the period attributable to equity holders, divided by the average number of outstanding shares during the year.
8 Scope 1 (direct) and Scope 2 (indirect - market based). More information can be found on page 90 in the annual and sustainability report 2021.
9 Carbon emissions are reported in the table without annual change in percentage in accordance with the method used for reporting of sustainability information in the annual and sustainability report available under the heading Sustainability information on pages 89–94 in the annual and sustainability report 2021.
10 Excluding members of the Group Leadership Team.
11 Comparative information on the change of remuneration is not included in the table for 2016–2019. As 2020 is the first financial year for which the reporting obligation exists, the Company does not have readily available the required information for the previous financial years 2016–2019.
12 In the remuneration report for 2020, the reported average remuneration on a full-time equivalent basis of employees of the Company was kSEK 1,439. The average remuneration for 2020 has been updated since the correct average number of full-time equivalent basis employees of the Company in 2020 is one less than the number the calculation for the remuneration report 2020 was based on.
13 Average remuneration for the Company's other employees includes payments of remuneration and benefits made in 2021. For one-year variable cash remuneration the amount included in the table is however preliminary variable cash remuneration related to the 2021 financial year which will be finally determined and disbursed after the outcome is established in the first quarter of 2022. The calculation of the one-year variable cash-remuneration is further preliminary insofar as the outcome of the non-financial targets have yet not been taken into account. When calculating the preliminary one-year variable cash remuneration, full outcome of the non-financial targets has consequently been considered. The value included for multi-year variable remuneration (the share saving program Seop 5) refers to a preliminary award of matching and performance shares for 2021's invested saving shares, at the share price on December 30, 2021 (SEK 234.2). The Board will determine the outcome of the share saving program after reviewing the operational performance in the first quarter of 2022. In order to receive matching and performance shares, an additional three years of service are required. The average remuneration further includes pensions vested during the year in defined-benefit plans and pension expenses for defined-contribution plans. The average number of full-time equivalent employees has decreased from 91 in 2020 to 81 in 2021 which affects the average remuneration on a full-time equivalent basis of employees of the Company. The average base salary increase for the employees of the Company was 2.5% in the 2021 salary review.

## STAKEHOLDER DIALOGUE

Vornado Realty Trust owns, manages and develops office and retail assets in the USA, with a focus on New York City. Owning and managing over 2,500,000 square meters of LEED certified buildings, Vornado is considered a real estate industry leader in sustainability policy. We spoke with Barry Langer, Executive Vice President of Development and Co-Head of Real Estate, about the importance of partnership, sustainability goals and quality for tenants.

# Partnering up to deliver on sustainability goals and quality for customers

Barry Langer, EVP of Development and Co-Head of Real Estate, Vornado Realty Trust

"In New York right now, our biggest project is the Penn District. It's the area around and sitting on top of Penn Station, the largest transportation hub in North America," Mr. Langer explains. When the State of New York designated Vornado as master developer, including overseeing construction of the new Moynihan Train Hall, finding a suitable partner became crucial. Mr. Langer emphasizes, "On this project we knew we needed a contractor that knew how to do public sector work, how to work with the railroad, had public sector experience and someone with high ESG (Environmental, Social and Governance) ambitions. Skanska became the logical choice."

The project involves construction of an additional entrance to Penn Station to ease congestion and improve the passenger experience for 650,000 daily commuters. Speaking about the importance of great partnerships Mr. Langer says, "While Covid-19 threw us a curve ball, the Skanska team – the tradesmen and women who worked on the project – kept working through the entire pandemic. Working together, we delivered that train hall project on time in December 2020." He highlights Skanska's ability to mobilize and self-perform, which he believes allowed the project to stay on schedule: "A skill and a quality that I think is unique to Skanska in New York."

Speaking about future challenges, Mr. Langer highlights ESG goals and delivering value to customers – the tenants. "In terms of achieving our ESG goals, what we look for in a contractor is someone who understands that our mission in greening our buildings is complicated," he says. "Solving the challenge of how to renovate old existing buildings that are occupied by tenants, tenants that want to continue to run their businesses, is the biggest challenge we face in achieving our sustainability goals."

98 percent of Vornado's portfolio is LEED certified, and the Moynihan Train Hall has achieved LEED Silver. Mr. Langer points out, "This is the first transportation project in North America to achieve that."

# Risk and opportunity management

Proactive and structured risk and opportunity management at all levels provides increased resilience to risks and a greater capacity to capture opportunities.

Established by the Board, Skanska's Enterprise Risk Management Policy (ERMP) sets out the framework and responsibilities for risk management across the organization. Its overall purpose is to ensure that risk is managed systematically and as efficiently as possible, and is assigned the correct priorities to assist in achieving our business objectives and goals.

**Enterprise risk management**
Skanska applies a top-down and bottom-up approach, using established risk identification and analysis techniques and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework for guidance. This approach reflects an integrated and robust approach to enterprise risk management (ERM).

The Skanska Group Leadership Team is ultimately responsible for risk management and implementation of the ERMP. Business units are responsible for managing risk in their respective business operations within the framework established by the ERMP. They also report to the Group Leadership Team on relevant risk management matters.

**Enterprise-wide risk management approach**
The ERMP requires each business unit to create an Enterprise Risk Register (ERR). Business units identify, classify and assess their risks and then develop risk management plans. Business units retain ownership of their risks. Business unit ERRs are then collated, sorted, reviewed and consolidated at Group level to create the Group ERR from which top risks are identified, and Group level risk controls are reviewed and modified as necessary. Enterprise risks are classified as strategic, operational, financial and regulatory. Most Group level risk controls are set out in the Group policies, procedures and standards, which in turn are part of the Group Governance Framework. A particular risk may be addressed by more than one policy, procedure or standard. For a list of Group policies according to our Governance Framework, please see page 45.

All risks in the business units' enterprise risk registers are categorized using the Skanska Risk Universe. This allows us to work more consistently on enterprise risk. We can quickly and easily collate, analyze and respond to the current main risks in a more dynamic and proactive way. We can also consider whether it is appropriate to develop a risk appetite and risk tolerance for certain key risks. Other benefits include support for our compliance programs and more efficient design, implementation and assurance of internal controls. This clearly links to our governance processes and ultimately enables a more integrated system of governance, risk and control.

| Strategic risks | Operational risks | Financial risks | Regulatory risks |
|---|---|---|---|
| Relates to our purpose, long-term objectives and goals. | Threatens the achievement of our business plan and other short-term objectives and goals, or the efficient use of resources. | Threatens our financial strength and financial assets. | Relates to compliance with applicable laws, external regulations and internal rules. |

### Skanska's risk universe and identified top risks

An annual review of Skanska's enterprise risk environment is conducted based on all business units' enterprise risk registers. This process includes outlining existing risks, identifying and responding to potential new risks, and reviewing the status of risk management activities. The review, which is presented to the Board, ranks various types of enterprise risk. For each of the main risks, the appropriateness and effectiveness of management and mitigation measures are assessed and corrected as required. The table below presents enterprise risks weighed together with risks identified in stakeholder dialogues and materiality analyses. The risks are examples of significant risks to Skanska divided in distinct but overlapping risk categories – a risk may fit into more than one category.

| Risk area and description | Potential impact | Mitigation measures/activities |
|---|---|---|
| **Strategic risks** | | |
| **Changes in market demand** | | |
| Failure to understand or meet customer demand and/or adapt to market dynamics, including the demand for sustainability. | • Lost business opportunities<br>• Financial and non-financial consequences for projects<br>• Project losses and investment write-downs<br>• Damaged reputation and inability to meet project commitments. | Early Contractor Involvement (ECI) or partnering and taking part in larger societal conversations allow us to work more closely with our customers. This is essential to better understand their evolving needs, as well as market trends and government priorities. Understanding global trends can create new business opportunities for us and enable us to adjust our offering to meet our customers' expectations.<br>> Read more about global trends on pages 8–10. |
| **Climate risks** | | |
| Physical incidents caused by the adverse impact of climate change, such as extreme weather conditions. Failure to adapt to new climate regulations and demands from investors and customers. | • Operational cost increases or project delays due to extreme weather conditions<br>• Project losses and investment write-downs<br>• Increased cost of carbon (e.g., carbon taxes)<br>• Damaged reputation and inability to meet project commitments<br>• Fines, penalties, lawsuits. | Our climate target of achieving net-zero carbon emissions by 2045 guides our work on reducing the climate impact of our operations. We are focused on increasing the demand for climate-smart solutions and seeking out partnerships for sustainability innovation. We provide sustainable solutions for the future and integrate climate resiliency into project development to help cities and communities prepare for and respond to the changing conditions that are an effect of the climate issue.<br>> Read more about our climate adaptation and carbon reduction work on pages 70–77. |
| **Diversity and inclusion risks** | | |
| Employment discrimination based on gender, age, ethnicity, family situation, educational background or work experience. Non-inclusive workplace culture, resulting in exclusionary experiences and cases of discrimination and harassment. | • Difficulties attracting, recruiting and/or retaining employees with the necessary skills and expertise<br>• Lower employee engagement and productivity due to non-inclusive behaviors and experiences<br>• Financial and non-financial consequences for projects<br>• Damaged reputation and inability to meet project commitments<br>• Fines, penalties, lawsuits. | Fostering a diverse and inclusive culture enables us to achieve stronger outcomes together. The embrace of diversity is integrated into employee attraction and recruitment initiatives, employee performance review processes and leadership development programs. Targets including appropriate action plans for embracing diversity have been part of all business units' business plans since 2015, and the annual Group-wide employee survey ensures that we continue to make positive progress.<br>> Read more about our work on embracing diversity on page 86. |
| **Lack/loss of key employees** | | |
| Inability to attract, recruit and retain a skilled, diverse and committed workforce. | • Difficulties attracting, recruiting and/or retaining employees with the necessary skills and expertise<br>• Financial and non-financial consequences for projects<br>• Lower employee engagement and productivity due to non-inclusive behaviors and experiences<br>• Damaged reputation and inability to meet project commitments. | We have a well-implemented and solid process for performance and talent management, including robust and fact-based succession planning, structured resource planning and a transparent performance review process based on diversity and inclusion. Seop, the Skanska employee ownership program, provides employees with the opportunity to invest in Skanska and creates incentives to contribute to Skanska's performance through matching shares and shares based on business unit performance. |

| Risk area and description | Potential impact | Mitigation measures/activities |
|---|---|---|
| **Strategic risks** | | |
| **Leadership or management failure in strategy execution** | | |
| Lack of control of performance and poor implementation of corrective actions, or failure by management to implement or adapt strategies to changing circumstances. | • Operational inefficiency, increasing costs and decreasing profits<br>• Project losses and investment write-downs<br>• Reduced ability to deliver for customers and inability to meet project commitments<br>• Pursuing and winning the wrong projects<br>• Damaged reputation. | The Governance Framework provides clarity on the business units' decision making and accountability. Greater attention is being paid to management of the design process, commercial terms and changes in project scope, while increased employee training creates teams with the expertise needed to make the right decisions in project planning, procurement, design and execution. |
| **Operational risks** | | |
| **Loss-making projects/investment** | | |
| Misjudgment of contract risk, ineffective application or management of contracts, poor administration of claims. Poor project execution including systematic underestimation of cost schedule, scope and risk, or selection of wrong projects or customers, or teams without the right expertise. | • Margin fade, operational inefficiency, increasing costs and decreasing profits<br>• Project losses and investment write-downs<br>• Reduced ability to deliver for customers and inability to meet project commitments<br>• Damaged reputation<br>• Fines, penalties, lawsuits. | Improved project reporting and review procedures with additional risk management activities, including continual risk monitoring throughout the course of a project so that problems can be solved and improvements made earlier, and project costs reduced. Increased employee training and an inclusive working environment to create teams with diversified skills to fully capitalize on expertise, innovation and best practices across the company. Proactive efforts relating to capital at risk, pre-leasing and pre-sales requirements, as well as an increased focus on management of claims and litigation, all contribute to improved project execution. |
| **Supply chain risks** | | |
| Suppliers, or subcontractors, not following Skanska's Supplier Code of Conduct, or performance risk associated with each supplier's financial position and ability to procure and manage materials and labor. Supply chain disruption and shortages resulting in financial and non-financial consequences for projects. | • Margin fade or financial loss due to increased project costs or lower productivity<br>• Environmental or safety incidents, or breaches of human rights throughout the supply chain<br>• Decreased ability to deliver for customers and inability to meet project commitments<br>• Damaged reputation if suppliers and subcontractors act in ways not consistent with Skanska's values<br>• Fines, penalties, lawsuits. | Strategic procurement and early commitment of key subcontractors, as well as prequalification or qualification prior to award of a contract, reduce performance risk within projects. Our Supplier Code of Conduct is contractually included in all agreements with suppliers and contractors. We continually conduct risk-based diligence vetting, monitoring and auditing of all contractual counterparties, including daily sanction screening of all suppliers with the Dow Jones global database.<br>> Read more about Skanska's responsible supply chain work on pages 83–84. |

| Risk area and description | Potential impact | Mitigation measures/activities |
|---|---|---|
| **Operational risks** | | |
| **Health and safety risks** | | |
| Injuries, accidents, fatal accidents and ill-health affecting people at our sites, or people affected by our operations. | • Fatal accidents, life-changing injuries, and injuries and long-term ill-health that reduce life expectancy or quality of life<br>• Fines, penalties, lawsuits<br>• Damaged reputation and loss of trust as a responsible company. | It is mandatory for all business units to be certified to the ISO 45001 standard and incidents are followed up and investigated. Our Sustainability Policy and Group Health and Safety Standard specify expected behavior for all Skanska workplaces and cover aspects that include training, incident management, risk assessment and instructions for proper safety management on site. Employee training in proper health and safety practices has been further developed. Plans have been developed in all business units to assess and improve safety performance according to the hierarchy of control in the safety pyramid model. To be more proactive and achieve continuous improvement, safety performance is reviewed on a regular basis by the Group Leadership Team and the Board of Directors.<br>> Read more about our safety work on pages 81–82. |
| **Environmental risks** | | |
| Major environmental incidents in operations or in the supply chain, or pollution or other negative environmental impacts. | • Harm to people and ecosystems<br>• Negative environmental impact<br>• Margin fade, operational inefficiency, increasing costs and decreasing profits<br>• Inability to meet project schedules<br>• Damaged reputation and loss of license to operate<br>• Fines, penalties, lawsuits. | Mandatory ISO 14001 certification ensures a systematic approach to managing environmental risk and issues, including follow-up and investigation of environmental incidents. Environmental specialists at Group and business unit levels secure compliance with our Sustainability Policy and related standards, which go beyond compliance and include retaining ISO 14001 certification. We engage with suppliers to minimize risks of supply chain environmental breaches and conduct employee training in proper environmental practices.<br>> Read more about our environmental work on page 85. |
| **Resource efficiency** | | |
| Inefficient or wasteful use of energy, materials, waste and water. | • Negative environmental impact<br>• Margin fade, operational inefficiency, increasing costs and decreasing profits<br>• Inability to meet project schedule<br>• Failure to reach climate targets<br>• Damaged reputation and loss of license to operate<br>• Fines, penalties, lawsuits. | Circularity and resource efficiency are linked to operational efficiency and reduced environmental impact. Most of our emissions come from the production of materials such as concrete, steel and asphalt. Close cooperation with suppliers and customers and enhanced digital capabilities are increasingly important in encouraging innovation, increasing productivity, reducing emissions and waste and creating new business opportunities. The Skanska Sustainability Policy and standards, our climate target and climate plans drive development, innovation and improvements on circularity and resource efficiency. Performance and emissions related to waste, energy, fuels and materials are followed up on quarterly basis on business unit and Group level.<br>> Read more about our circularity and resource efficiency work on pages 75 and 85. |
| **IT systems and information** | | |
| Cyber security breach. | • Social engineering<br>• Ransomware/Malware<br>• Unauthorized access<br>• Cyber fraud<br>• Hacking. | Our Information Classification Standard and Security Standard both aim to protect us from cyber risks and achieve a common baseline for security in business-critical processes and/or business-critical information supported by an IT system. In addition to the frequent penetration testing, e-mail filtering and security functions provided by the Microsoft Office 365 platform, we monitor, follow up and investigate all incidents on a regular basis, and provide relevant training and updates on security awareness to all users. We also ensure and verify that suppliers handling Skanska information mitigate cyber risks in line with our minimum requirements. |

| Risk area and description | Potential impact | Mitigation measures/activities |
|---|---|---|
| **Financial risks** | | |
| **Macroeconomic instability** | | |
| Economic slowdown or increasing protectionism with trade protection measures in the political landscape. | • Financial and non-financial consequences for projects, e.g., decrease in productivity due to increased regulation<br>• Decrease and/or postponement of new projects, both public and private customers<br>• Decrease in competition could present new business opportunities for Skanska<br>• Shift in preference to companies with a strong financial position and/or long-term relationship<br>• Increase in landbanking opportunities due to lower competition, stressed sellers. | We are constantly monitoring, studying and evaluating market trends to anticipate changes in the business environment in the form of political decisions and amended regulations in areas that are of importance to our operations. In all of our home markets we take an active part in the public debate and engage with governments at the local and national levels, as well as customers, partners and other stakeholders, to advance solutions that benefit society in multiple ways and to drive a more ambitious stance on, e.g., climate issues.<br>> Read more about macro trends with significance for Skanska's operations on pages 25–34. |
| **Increased competition** | | |
| Increased competition, including low-cost actors new to the market, major market downturn or lack of projects. | • Below-cost pricing, decreased margins<br>• Lost business opportunities. | A focus on the core business with sweet spot analysis in all Construction business units and early engagement with customers provide important opportunities to improve competitiveness. Our strategy to improve performance, reduce costs and risks and strengthen our balance sheet enables us to adjust our operations to meet demands, needs and opportunities. |
| **Increased cost inflation** | | |
| Unpredictable increases in construction market prices (e.g., labor, materials, subcontractors, forex, insurance). | • Financial and non-financial consequences for projects, e.g., decrease in productivity due to increased regulation<br>• Decrease and/or postponement of new projects, both public and private customers<br>• Margin fade, operational inefficiency, increasing costs and decreasing profit<br>• Selective bidding. | Disruptions to the supply chain caused or exacerbated by the Covid pandemic, political instability, and logistics bottlenecks as well as increasing energy prices are putting pressure on construction costs. Skanska is well prepared to manage these inflationary risks by being very selective about the projects we take on – putting profitability before volume, and with our ongoing focus on commercial management through the project lifecycle. Our long-established Project Scrutiny and Approval Procedure and associated steering documents, in combination with the Limits of Authorization, set out the governance of bidding, assessing risk and estimating prices. In response to current risks we have an increased focus on securing contractual protection against price inflation, securing prices from suppliers before bidding, and ensuring sufficient contingency in bid prices; we then continue to monitor the financial stability and performance of suppliers during project execution. |
| **Financial risks** | | |
| In addition to business risk, Skanska is exposed in its operations to various types of financial risk such as credit risk, liquidity risk and market risk. | • Loss of access to the financial market and financing on favorable terms<br>• Breach of financing agreements<br>• Reduction in positive cash flow, reduction in negative capital employed<br>• Downgrading or bankruptcy of banks. | In Skanska's Financial Policy, the Board of Directors has established guidelines, objectives and limits with respect to financial management and financial risk management. Our target of an adjusted net debt not exceeding SEK –9 billion, as well as limits on capital at risk and capital employed in the development streams, ensure that our financial position remains strong. We ensure that the Group is well financed and monitor liquidity, financial assets and financial liabilities through active management of financing.<br>> Read more about Skanska's financial risks in Note 6, Financial instruments and financial risk management, on pages 124–132. |

| Risk area and description | Potential impact | Mitigation measures/activities |
|---|---|---|
| **Regulatory risks** | | |
| **Ethical breach, corruption and bribery** | | |
| Breach of bribery and corruption laws (e.g., UK Bribery Act, US Foreign Corrupt Practices Act, money laundering, proceeds of crime), breaches of EU competition law, US antitrust law or other public procurement law. | • Damaged reputation and loss of trust as a responsible company<br>• Delisting from public procurement<br>• Fines, penalties, civil lawsuits and criminal charges<br>• Decreased ability to deliver for customers and inability to meet project commitments. | Skanska's Code of Conduct, Anti-Corruption Policy, Supplier Code of Conduct and Skanska's Values provide clear direction to employees for appropriate and ethical conduct. All employees are required to undergo Code of Conduct training on a continual basis. Identifying ethical and transactional risk is part of the project approval process, and due diligence is performed for potential key parties. The Code of Conduct Hotline reporting system, managed by a third party, provides a mechanism to anonymously report breaches or suspected breaches of our Code of Conduct. Higher risk cases are reported to the Group Leadership Team and the Board of Directors. Confirmed breaches may result in disciplinary action.<br>> Read more about our focus on ethics, including anti-corruption, bribery and human rights, on pages 83–84. |
| **Human rights violations** | | |
| Human rights violations, such as unfair working conditions, modern slavery and child labor, or environmental violations at workplaces/sites and by subcontractors or suppliers in our supply chain. | • Harm to people and environment<br>• Damaged reputation and loss of trust as a responsible company<br>• Fines, penalties, civil lawsuits and criminal charges. | We support recognized global human rights and fair working conditions for people working on or within the Group's projects, workplaces and supply chain. We have zero tolerance for any form of human trafficking, forced or child labor, and we are vigilant to ensure that no one working on our sites is subjected to this. Human rights are integrated into Skanska's Code of Conduct and Supplier Code of Conduct. Reported deviations may have consequences such as termination of agreements.<br>> Read more about our responsible supply chain work on pages 83–84. |
| **Political risk** | | |
| Any act, decision or ruling by a government, regional or local decision maker, public authority or similar. | • Negative impact on projects or business unit. | To ensure compliance with legal and regulatory requirements and the high standards that we set for ourselves, we have adopted internal governance rules for the Group, as well as processes for monitoring compliance with external and internal rules by all business units and departments within the organization. Ethical and sustainability endeavors are an integral part of the business and are regularly included in the Board's discussions.<br>> Read more about Skanska's governance in the corporate governance report on pages 38–46. |

**Covid-19 pandemic and related risks**
In 2020, the large-scale disruption caused by the pandemic was a strategic risk due to significant uncertainties about the degree and duration of its effect on our business, employees, stakeholders and society in general. The picture is much clearer one year later and, although uncertainties remain, we can focus on the risks we have identified as direct consequences of the pandemic.

- Macro-economic downturn
- Unexpected, rapid, or reactionary macro-political events (including changes in legislations and regulations)
- Supply chain disruptions or shortages
- Unpredictable increase of construction price
- Large-scale employee disruption
- Inability to attract and retain people, market-level shortages
- Cyber-security breach.

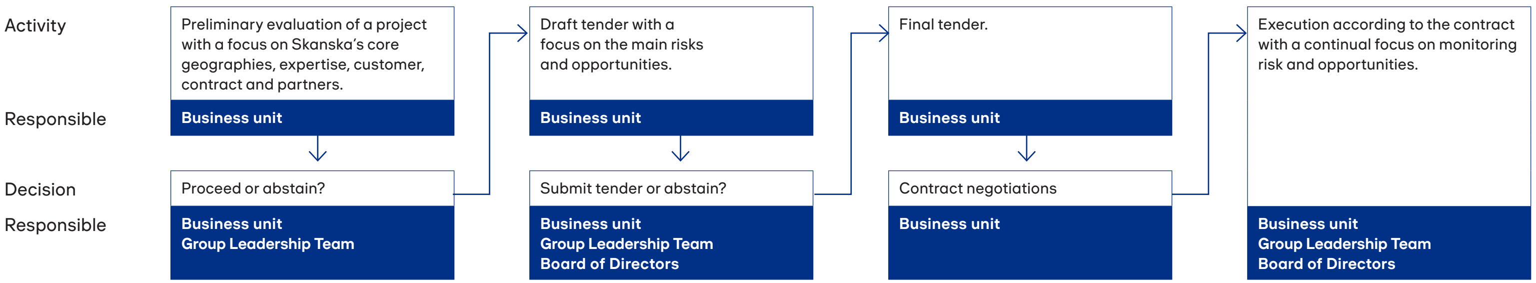
## Operational risk management

Construction and Project Development operations depend on properly managing risks and opportunities, which are often specific to each project. During the Skanska Group Project Scrutiny and Approval Procedure, (Group-wide procedures for identifying and managing risks and opportunities), the Skanska Tender Approval Procedure and the Skanska Investment Approval Procedure were implemented throughout the Group. According to these procedures, as well as the Limits of Authorization appended to the Procedural Rules, proposed construction and development projects exceeding heat map thresholds pass through the Business Unit Project Board, Skanska Tender Board at the Group level and the Board's Project Review Committee for scrutiny and approval.

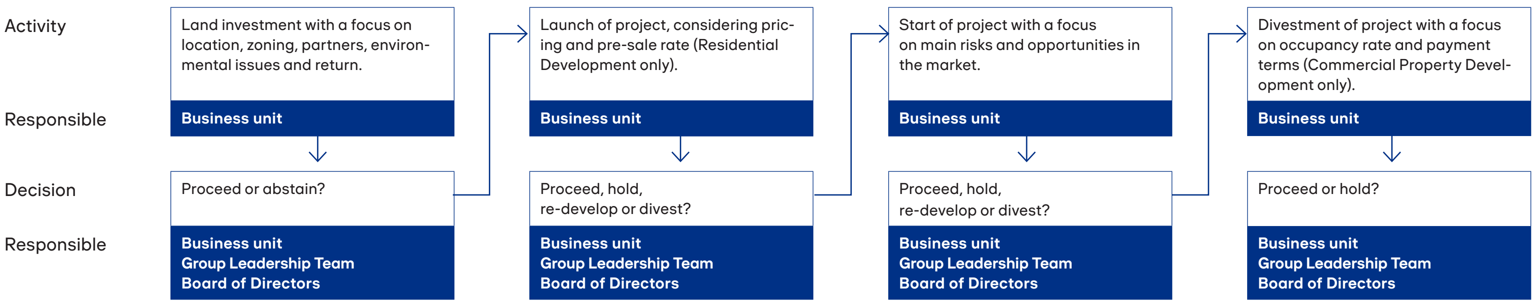
## Ongoing projects

Responsibility for managing project risks sits clearly with the business units' line management. The Group framework for oversight of ongoing projects consists of the Skanska Group Project Reporting and Review Procedure and the quarterly reporting/review process. Management of commercial risk in projects is regulated in part by the Claims Management Policy.

**Skanska Tender Approval Procedure: Construction**




**Skanska Investment Approval Procedure: Commercial Property Development and Residential Development**



**IN FOCUS**

# The plus-energy Powerhouse – an urban power plant


Sailing up the Porsgrunn River in Norway, you can't miss the Powerhouse Telemark – a new 11-storey landmark visible from both land and water. We are proud to have been part of the project, constructing one of the world's most energy-efficient and sustainable buildings.

What makes the Powerhouse Telemark special? Could it be the combination of extreme energy efficiency, renewable energy produced by integrated solar panels, and the use of low-carbon building materials? Our specialists at Skanska Norway were integral in the development and utilization of technical solutions to make all this possible. With our previous experience developing Powerhouse projects, we drew on the accumulated skills and expertise of our internal experts.

The Powerhouse collaboration develops climate buildings, with the objective of being the most climate-ambitious player in the construction sector. A Powerhouse building must be a net supplier of electricity, producing more renewable, locally produced energy than it uses. It also needs to produce enough renewable energy to cover the energy consumed during production and in the transport of building material used over the building's lifetime. Powerhouse Telemark is the fourth Powerhouse project Skanska has completed.

Powerhouse Telemark uses solar cells to optimize energy efficient electricity production. Large areas of the building's façade and roof are covered with these cells, which will produce as much as 248,000 kWh annually – making Powerhouse Telemark a small power plant in its own right, delivering surplus energy back to the grid. The building is also equipped with an innovative LowEx heating and cooling system, which uses water loops in the border zones of each floor to store energy for winter heating and summer cooling.

Not only will the building generate more energy than it consumes during its lifetime, it also sets a new standard for comfort and functionality. Powerhouse Telemark's net energy consumption is up to 66 percent lower than that for ordinary new buildings.

We are proud that Powerhouse Telemark has been awarded BREEAM-NOR "Excellent" certification.

# Sustainability report

# Sustainability highlights

Code of Conduct training

## 98%

Completion rate, Code of Conduct training during first month of employment.

CDP Climate score

## A-

Score for CDP Climate rating.

MSCI Rating

## AA

Score for MSCI rating.

Science-based target

SCIENCE BASED TARGETS

Our climate target is approved as a Science-based target.

> Read more on page 71.

Reduction of carbon emissions

## -46%

Reduction of carbon emissions from our own operations (scope 1 and 2) since 2015.

Women in senior positions

## 24%

Including the four most senior levels below the CEO.

Sustainability award

HÅLLBARA BOLAG 2021

Dagens Industri, Aktuell Hållbarhet and Lunds universitet award.

Executive Safety Site Visits

## 7,377

Site safety visits performed by senior managers.

**United Nations Sustainable Development Goals**

We actively support the United Nations Sustainable Development Goals (SDGs) and their subtargets. We have identified seven relevant SDGs, and our performance within these areas is referenced in the GRI Content and SASB Index on pages 200–203.

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

# Our sustainable impact areas

## Responsibility

A responsible business for people and planet

- Health & safety
- Fair & ethical
- Environment
- Diversity

## Climate

Transformative solutions for a climate-smart built environment

- Insights
- Innovate
- Transform

## Resilience

Healthy, resilient places for all

- Urban spaces
- Community
- Partnering

We see a future with healthier, more resilient places for all. Where sustainability is simply built into living. A future that we all shape together.

Realizing our vision will take determination and bold thinking. Within the challenges lie great opportunities, and we will continue to work with customers and partners to capture them. Together, we can create new possibilities – designing low-carbon solutions that open fresh avenues of prosperity and drive business success.

At the heart of our vision a strong goal unites us: To achieve net-zero carbon emissions by 2045. Our foundation as a responsible business gives us the strength we need to accomplish this and our license to operate as a trusted partner.

But it will also require innovation, foresight and knowledge. It will take true collaboration – all of our strategic industry alliances, our customers and our committed people – to co-create the healthy, prosperous places we envision. When we work together our business has the people, know-how and relationships to shape sustainable places to support healthy living well beyond our lifetime.

Our main sustainability priorities were identified in the materiality assessment we conducted in 2020. Read more about the materiality assessment on page 89.
"Sustainability performance" pertains to Environmental, Social and Governance performance, often referred to as ESG.

# Climate

## Transformative solutions for a climate-smart built environment

Creating transformative solutions drives our business forward and enables our customers to succeed in fulfilling their sustainability goals. These solutions need to be low in carbon, circular, smart and sustainable. And identifying these solutions involves education, insight and learning. We partner to share knowledge and to develop and innovate net-zero solutions for the built environment. Our goal is to transition to low-carbon construction across all our projects and ultimately achieve net-zero carbon emissions by 2045. As we move forward, scaling these solutions will be critical for a full industry transformation that will lead to net-zero living.

Climate target (own)

**-70%**

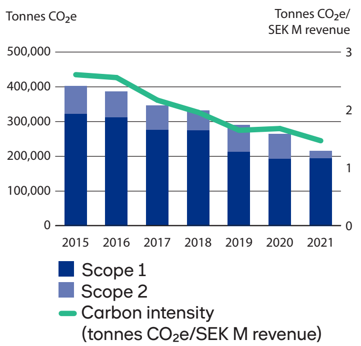
2030 reduction of own carbon emissions since 2015.

Climate target (project development value chain)

**-50%**

2030 reduction of carbon emissions from our project developments value chain since 2020.

Carbon emissions in Skanska's own operations




Through our carbon reduction initiatives, we have reduced carbon emissions in our own operations by 46 percent compared with base year 2015.

# Develop and use insights for climate action

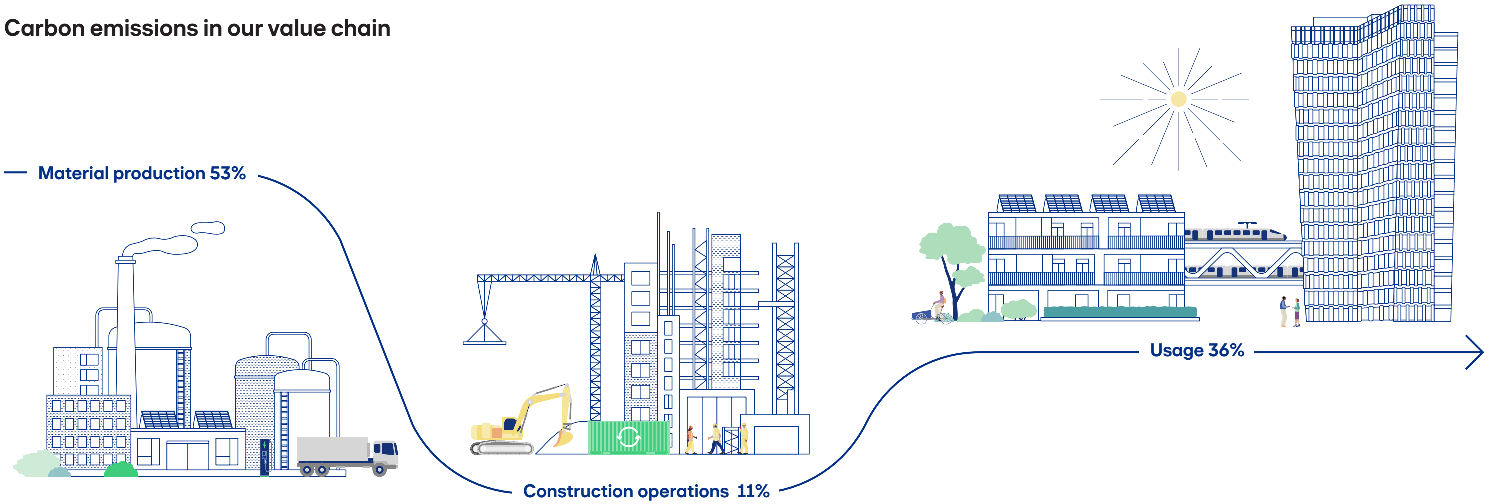
We develop, leverage and share insights through cross-industry collaborations for net-zero solutions within the built environment. Encouraging sustainable public procurement, financial models, transparency on climate emissions, and digital tools will drive actions to reduce carbon footprints.

**We want to be part of the solution**
The built environment accounts for about 40 percent of global energy-related carbon emissions (IEA, 2019). The message from the Intergovernmental Panel on Climate Change (IPCC report 2021) was clear: Society must make further efforts to significantly reduce carbon emissions. Skanska is increasing the pace by tightening our own interim carbon target – from a 50 percent to 70 percent emissions decrease in our own operations by 2030. As for our project development value chain emissions, we have an interim target to halve emissions by 2030. Our long-term target is still to achieve net-zero carbon emissions in our own operations and value chain by 2045. This is in line with the Paris Agreement, and the climate target is approved as a Science Based Target.

We want to be at the forefront of the industry by offering low-carbon and digital solutions, to help our customers meet their climate targets. One example of this is the EC3 tool we developed for the US market together with Microsoft and other partners. EC3 uses EPDs (Environmental Product Declarations) to compare materials and measure carbon footprint within projects, giving our employees knowledge and insight about embodied carbon to support early low-carbon decisions. From 2021 all our new development projects in the USA use the EC3 tool.

**Carbon emissions in our value chain**
Carbon emissions in our value chain originate from the supply chain, construction operations and the operational phase of our buildings and infrastructure. Large portions of these carbon emissions originate from materials and energy used to operate the buildings. We discuss low-carbon solutions with our suppliers and encourage them to deliver carbon information, such as EPDs or fuel data, on their products and services.

**Carbon emissions in our value chain**



**How do we work to reach our climate target?**
Climate is at the top of the global agenda. Major stakeholders in business, finance, politics and science agree that it is time to turn words into action.

For us in the construction and development industry, reducing our climate impact is a responsibility as well as a business opportunity. We developed our Climate Plan to guide our actions as a change-maker for a sustainable society and steer our way to net-zero by 2045. All business units implemented the Climate Plan during 2021.

**ACT on Climate**

Our Climate Plan, ACT, has three building blocks with subareas that encompass all vital elements of our business, designed to connect actions and performance on all business levels.

The building blocks are:
- Awareness – of sustainable construction and development
- Customer success – with low-carbon solutions
- Transformation – to climate-smarter operations.

This plan was developed to deliver on our ambitious climate target and is based on market research, benchmarks and data analysis.

**EU Taxonomy**

Under the 2021 mandatory EU Taxonomy reporting requirements, we will report the proportion of our business activities that are eligible Taxonomy activities. Next year we will be reporting the proportion aligned with Taxonomy activity criteria.

> Read more on page 91.

**Green bonds**

All external funding for own project development meets the sustainability requirements of our lenders or of our own Green Bond Framework. In this way we leverage our sustainability expertise and performance. Our high set ambitions within sustainability in our own project development operations enable us to utilize green financing in addition to internally generated capital.

**Insight through international collaboration**
In line with the recommendations from the Task-force on Climate-related Financial Disclosures (TCFD), we have begun to apply climate-based scenario analysis to gain insight into how a changing climate may affect us as a business. Since 2019 we have co-operated with World Business Council for Sustainable Development (WBCSD) and other leading companies to implement TCFD and business-centric climate scenario analysis. During 2021 this work included the development of a catalogue of publicly available, high-quality climate scenarios, including over 400 variables. Through workshops with business units and Group functions, we explore and analyze the implications of climate change and assess our strategic resilience. This work is ongoing and continues during 2022.

Together with the WBCSD and other partners we also contributed to a report on the business case for circular buildings, presented during COP26– this year's UN Climate Change Conference in Glasgow. Understanding the obstacles our industry needs to overcome, as well as the business case for circular buildings, is crucial for the transition to a circular construction process.

During 2021 Skanska joined the Leadership Group for Industry Transition (LeadIT), in partnership with leading corporations and the governments of Sweden, the USA, the UK, Finland, Germany and India. This is an arena for public-private collaboration on the innovation and new technologies that are necessary for a successful industry transition.

We have continued our partnership with the Exponential Roadmap Initiative, which gathers a wide range of corporations taking action in line with 1.5 Celsius. Skanska has also joined the UN-led Race to Zero campaign.

With our expertise and innovative solutions, we played an active role at COP26 in Glasgow. Conference highlights include our collaboration with World Green Building Council (WGBC) for networking and dialogue with stakeholders from our industry's entire value chain.

**Skanska represented in sustainability indexes**
Skanska is listed in the OMX Stockholm 30 ESG Responsible Index and FTSE4Good sustainability indexes.

# Partner to innovate net-zero solutions

We bring all our knowledge to the table in collaborations to create net-zero solutions to take us, our customers and partners into a net-zero future. Doing this transfers expertise and scales impact. We take a holistic approach to designing and building, keeping the project's entire life cycle in mind. By innovating with partners, we continue to exceed standards set by leading environmental authorities and regulatory bodies, pushing the industry forward and creating best-in-class examples in the process.

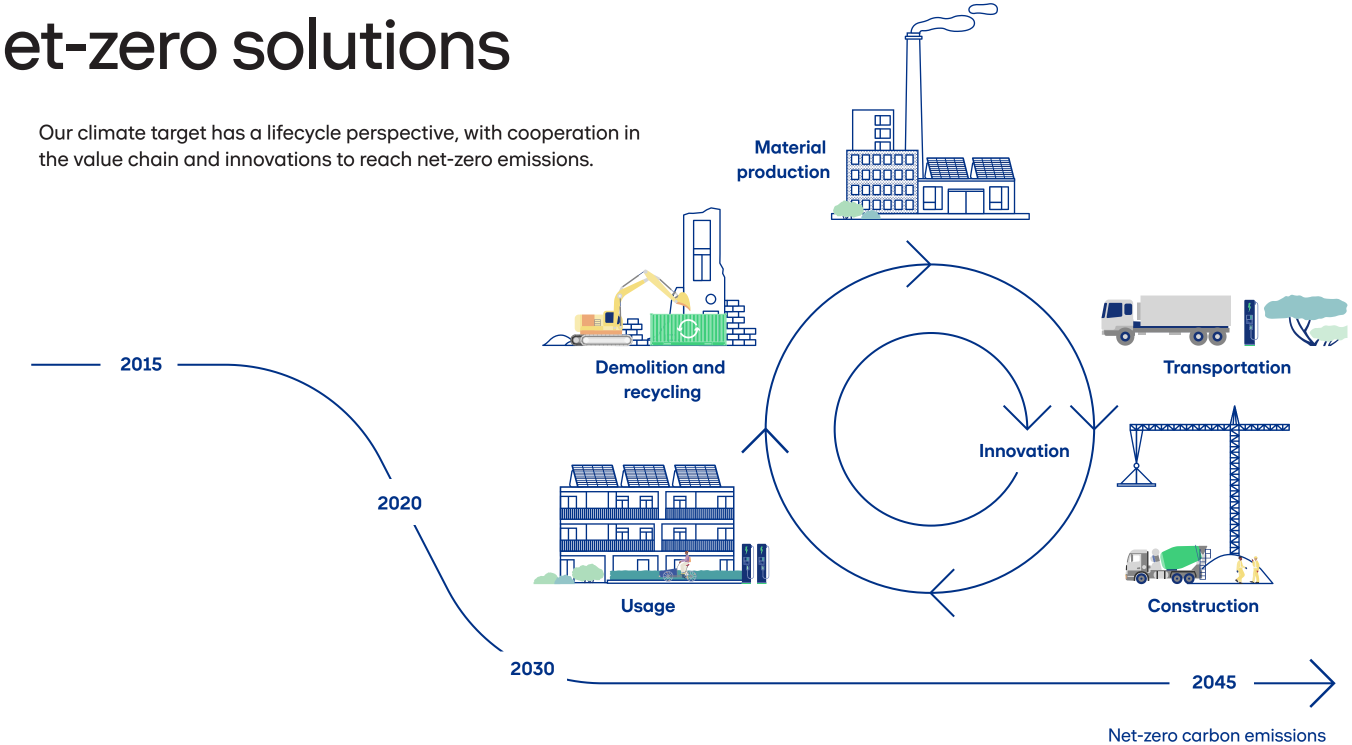
Key components in our customer offerings for sustainable solutions include low-carbon products, energy efficiency solutions, smart design and digital tools, and certifications. We know from experience the value created when we partner up and develop new sustainable solutions for the future, as we have done with our energy positive Powerhouses in Norway, our Noll$CO_2$-certified Hyllie Terrass project in Sweden, and the Living Building Challenge-certified Kendeda Building project in the USA.

**Scaling up innovations**

As a large construction and project development group spanning several markets, we have the capacity to scale our sustainability solutions and innovations. To achieve scale throughout the Group, we need to share knowledge and apply a structured approach. In the Nordic business units, Skanska Sweden and Commercial Property Development Nordic, we have a concept and structure in place for scaling up sustainable solutions and innovations: Sustainovation.

> Read more about Sustainovation on page 11.

Our climate target has a lifecycle perspective, with cooperation in the value chain and innovations to reach net-zero emissions.




**Certification makes sustainability performance comparable**

Investors and customers expect comparable disclosures on sustainability performance and we continue to offer our customers excellent certified projects using well-established certifications schemes such as Living Building Challenge, LEED, WELL, BREEAM and CEEQUAL, as well as national certifications such as Noll$CO_2$, Miljöbyggnad, Nordic Swan Ecolabel and RTS.

Certified commercial buildings, share of total divestments

**84%**

Share of total value, corresponding to SEK 6.1 billion, of divested offices in the Commercial Property Development business stream certified by WELL, LEED (Platinum or Gold) or BREEAM (Excellent).

**Partnerships within sustainability**

ICC SWEDEN INTERNATIONAL CHAMBER OF COMMERCE · LeadIT · WORLD GREEN BUILDING COUNCIL · wbcsd · TRANSPARENCY INTERNATIONAL SVERIGE · UN GLOBAL COMPACT

# Transform to low-carbon construction

To succeed, we need to rethink the way we build. Significantly cutting carbon in the construction industry can be accomplished by reexamining energy, processes and materials. We take a holistic approach to designing and building low-carbon projects, incorporating resource efficiency, recycling, renewable energy, electrification and digitalization. A key factor will be innovation in production and use of materials to reduce embodied carbon.

Our low-carbon concrete reduces carbon emissions up to 52 percent compared with standard concrete, and we are focused on transforming our operations to incorporate more circular processes. In the Czech Republic we produce concrete that entirely replaces natural aggregates with recycled concrete. With this circular approach, new buildings are constructed using material recycled from other buildings at the end of their life cycle. In Sweden we produce BioZero, a near-zero carbon asphalt. This is achieved by using a bio binder, a high percentage of re-used asphalt and renewable energy, making the final product nearly climate neutral.

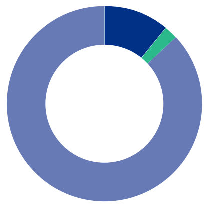
Scope 1 emissions account for approximately 90 percent of our own emissions, and scope 2 emissions for 10 percent. Diesel, which currently accounts for approximately half of our scope 1 emissions, is used primarily for on-site machinery and also for electric generators. We have great potential to reduce our scope 1 emissions using more efficient transport, replacing ordinary diesel with biofuels and, in time, electrifying our fleet.

## IN FOCUS

### Emission-free excavators in Norway

Starting out with the goal of rebuilding a diesel-powered crawler excavator for emission-free operation, we now have eight electric machines in operation at our Norwegian construction sites. Three of these come from the Zero Emission Digger (ZED) innovation project, developed with financial and research support from the Research Council, Innovation Norway and ENOVA. The project was made possible through a collaboration between Oslo municipality, NASTA, Skanska and organizations specializing in environment, digitalization, research and machinery supply. When powered with renewable electricity, these ZED excavators reduce emissions up to 98 percent versus a conventional diesel-powered excavator. This is a prime example of how we can transform towards low-carbon construction by electrifying machinery on-site.

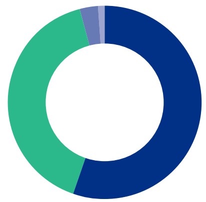
Scope allocation



**Carbon emission scopes**
- Scope 1, 10%
- Scope 2, 1%
- Scope 3, 89%

>Read more on page 90.

Allocation between scope 3 categories



**Scope 3 categories**
- Purchased goods and services, 56%
- Use of sold products, 41%
- Fuel- and energy-related activities, 3%
- Waste generated in operations, 1%
- Business travel, 0.3%

>Read more on page 90.

**What gets measured gets done**

Measuring and following up on climate performance is essential for developing solutions to reduce emissions. We have been measuring and reporting carbon emissions since 2008, and currently measure and report scope 1, 2 and 3 emissions. 2015 is our base year for scope 1 and 2. In recent years we have expanded and improved the quality of our scope 3 data, with 2020 serving as the base year for scope 3 emissions. Carbon performance follow-up is carried out by the Group Leadership Team and the Board of Directors on a quarterly basis.

The allocation between scopes is shown in the above diagram, with scope 3 accounting for most of our carbon emissions. Scope 1 relates to fuels and scope 2 to electricity usage. Skanska's predominant scope 3 categories are also presented above. Our largest categories are "Purchased goods and services", which includes our four most prevalent materials (concrete, cement, bitumen and steel) and "Use of sold products", which includes projects' energy use over expected life cycle. These two large categories account for approximately 96 percent of our scope 3 emissions, which represent 86 percent of our total carbon emissions.

**Actions to reduce carbon emissions**
The actions we take to reduce carbon emissions differ based on project and the impact of decisions taken throughout the project phase, ranging from design and planning to construction or demolition. Our early decisions have a major impact. Reducing the use of carbon-intensive materials and creating low-energy solutions greatly reduces the project's total carbon emissions. Emissions are also reduced by using innovative design, digital tools, efficient transport systems, renewable energy, and electric vehicles and machinery.

**Improving efficiency and circularity**
We continuously improve the way we design and construct buildings and infrastructure projects, focusing on material choices, resource efficiency and opportunities to increase circularity to minimize environmental impact. Key factors in reducing our own emissions are transitioning to renewable fuels, increasing our use of electricity from renewable sources, applying efficient transport solutions, and making greater use of electrification and automation. We have reduced our own energy usage 29 percent since 2015, and increased our use of renewable electricity from 36 to 78 percent since 2019.

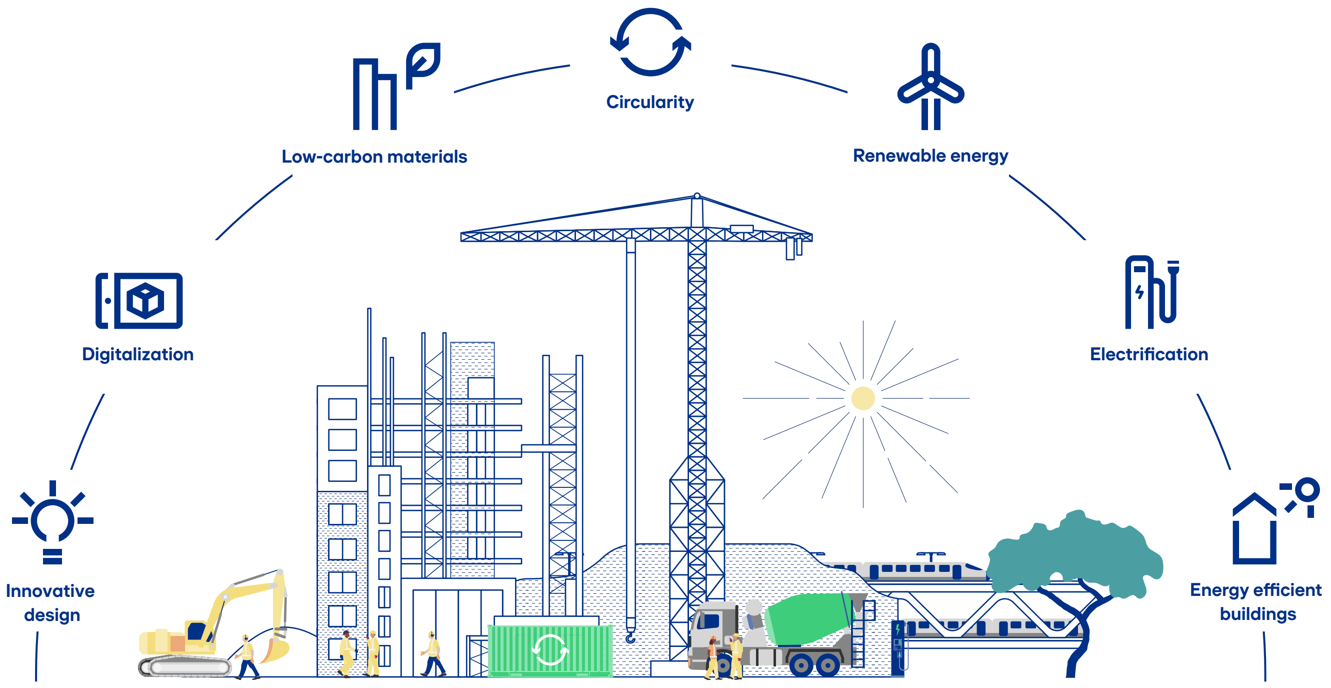
Energy reduction in new office buildings

**-30%**

Annual expected energy reduction in divested office buildings developed by Commercial Development Nordics, Europe and USA, in relation to the LEED certification system's established baseline.

>Read more on page 94.

**Actions to reduce carbon emissions**




**IN FOCUS**

## Hydrotreated vegetable oil across UK sites

In the UK market, we are in the process of switching from high emission fuels to hydrotreated vegetable oil (HVO) across all our UK projects. HVO will power all site plant and equipment, an important step to reduce emissions in our own operations. Together with our supply chain partners, we ensure the availability of Green D+ biofuel, which is certified under the International Sustainability and Carbon Certification scheme. This fuel is generated exclusively from waste or secondary renewable source material. In total, this fuel switch will correspond to a 90 percent reduction in $CO_2e$ and is a prime example of how low-carbon initiatives can be scaled across the business.

# Resilience

## Healthy resilient places for all

Many of today's buildings and spaces are not designed for the challenges faced by modern society – challenges such as extreme weather, air pollution, energy shortages and water scarcity. They also may not be designed for changes in social patterns, such as rising urban population density and changing living habits. Our vision of offering healthy, inclusive and resilient places involves forming partnerships with local communities to cultivate social value, designed to meet long-term needs. We combine social sustainability and environmental perspectives to leverage the sustainability impact we deliver through our business. Through collaboration, we harness the benefits of our scale, insight and foresight and create real rewards for our business, industry, the climate and society. We envision a world where sustainability is simply built into living – and a future filled with healthier, more sustainable, more resilient urban spaces. Places shaped together. For all.

# Create healthy, inclusive and climate-resilient urban spaces

We create spaces with the end user in focus, where the environment inspires healthy living. Working with our customers, we apply our expertise to develop insights and help mitigate the risks associated with climate change. Meeting society's challenges, we design and build spaces and infrastructure to provide value beyond our lifetime.

**Design for social resilience**
We envision a future where sustainability is simply built into living, in healthier, more resilient societies. We can impact this by offering healthy, inclusive and resilient developments. To deliver buildings that enhance tenants' health and well-being, we certify commercial development projects with third-party WELL certification. We apply this certification for developments in several of our markets. In Central Europe, all of our developments are WELL certified.

**Resilient solutions to mitigate climate risk**
The effects of climate change put pressure on society, with an increased frequency of storms, flooding, drought, heat waves, forest fires and water scarcity.

We assess climate risks as a part of our risk evaluation process for larger projects, allowing us to mitigate potential risks at an early stage.

**IN FOCUS**

## Developing scalable solutions for flood resilience along the Elizabeth River, USA

Along the Elizabeth River in Virginia, USA, our Skanska Integrated Solutions team has been chosen to oversee the design and construction of a resilience lab project. Using multiple solutions, resilience is built into every aspect of the project to prepare the buildings to stand the test of time. These solutions not only make the facilities ready for the future, they can be shared with and scaled for local homeowners and small companies in an area particularly vulnerable to future flooding.

**Scalable solutions include:**
- Enabling water to flow through buildings' lower levels – currently used as storage but will be underwater in the future.
- Floating foundations for storage buildings – certain sections able to float if flooded.
- A living shoreline – plants on the sloping shoreline strengthen the soil, making it more resistant.
- Site paving absorbs water from rain and floods, strengthening drainage.
- Storage tanks under the building to manage storm water, which can be used later for toilet flushing and irrigation.

# Design for long-term community needs

We work in communities with individuals and organizations whose lives and livelihoods may be affected by the places we shape, with foresight and consideration for long-term needs. This involves designing sustainable, affordable homes and areas that are inclusive and encourage activity.

**We want to have positive social impact**
Using our core business as a tool while listening to community needs, we create solutions that have a positive social impact.

Sweden and the USA both apply a social impact approach to some of their land allocation, local procurement, and building permit processes for new development and refurbishment areas.

With this in mind, we can build for a better society while also improving our business opportunities, by offering products and services that provide sustainable solutions, improve health and well-being, or contribute to social equity in local communities.

**Sustainable homes at affordable prices**
Industry partnerships are essential for creating social value. Low-cost sustainable homes are in high demand in many of our markets. We have partnered with IKEA to operate BoKlok, which provides quality sustainable homes at affordable prices, enabling more people to enjoy a comfortable home. All of BoKlok's homes are made of wood, and all apartment projects in Sweden are now being equipped with solar panels. Surrounding spaces are designed to be inclusive, healthy and encourage recreational activity. BoKlok completed and delivered nearly 800 homes in 2021. With its launch in the UK, Boklok has 135 affordable homes in production.

# Partner for social value

With our partners, we explore ways that the places we shape can bring positive change for the local area, its residents and our customers to prosper. As a major actor, we work in communities and with customers who share similar challenges. We use our know-how and experience to create opportunities for people and communities to develop and grow.

**Women- and minority-owned businesses**
Several cities and public customers in the USA require that a portion of construction contracts be awarded to women- or minority-owned businesses. In 2006, we established the Construction Management Building Blocks Training Program (CMBB) to promote this field of small companies. The program introduces potential partners and provides training, knowledge sharing forums and assistance to small companies to spur their development.

After many years of engaging with small and diverse US businesses, more than 800 companies have graduated from the program and contracts representing over USD 250 M have been awarded to program graduates. Due to the pandemic, parts of the program went virtual and focused on addressing the specific pandemic-related challenges that participants are experiencing as leaders.

Through this successful collaboration, we make the most of our scale, innovation, insight and foresight, and create real rewards for our business, industry and society.

**Measurable social impact**
There is a lack of sector consensus on definitions for and tools to measure, quantify and compare social impact. Even so, international certification schemes for buildings and infrastructure are increasingly adding social topics to their social impact disclosures.

WELL has a strong focus on tenant health and well-being, and LEED has introduced social equity pilot credits designed to reduce disparities by recognizing projects that extend the benefits of green building to communities. CEEQUAL and Envision are certification tools for infrastructure projects, recognizing projects that engage in activities and programs to expand the project's positive social impact on the community. At Skanska we are exploring the use of social equity pilot credits, including LEED in US commercial buildings, WELL in Central Europe and CEEQUAL in Norway.

## STAKEHOLDER DIALOGUE

We always aim to meet our customers' high expectations for homes that allow them to live more sustainably. We spoke with apartment owners Ami Ekman and Magnus Olsson, who both purchased apartments in Brf Klövern, part of the new Täby Park district in Sweden, about what they look for in a home.

# Homes for sustainable, healthier living

"Sustainability is important because it's about our future," says Ms. Ekman. Both Ms. Ekman and Mr. Olsson say they feel better knowing that they live in a building where sustainability has gone into every detail.

In Mr. Olsson's opinion, sustainable homes are constructed with sustainable materials, ensuring that the building will stand the test of time. Materials should be recyclable or reusable and the interior should be built without using toxic materials to ensure a healthy indoor environment. "It's very important to me that my home is free from toxic materials," explains Mr. Olsson.

Speaking about her home, Ms. Ekman highlights the importance of enabling residents to use resources such as water and electricity efficiently, as well as the importance of social sustainability. "I think it's great that for Brf Klövern, Skanska chose to use contractors based in the neighborhood, like the welding company from Täby. This not only benefits the local community, it also minimizes transports," she says.

Mr. Olsson is also very positive about his new home in Brf Klövern and highlights the way it improves his everyday life. "I think a lot about my $CO_2$ footprint and try to do what I can to lower it. I'm glad that the design of my new home makes this easier for me – I can use Klövern's carpool, for example, so I don't need to own a car," he says.

Ms. Ekman also mentions that it's important to her that her home has achieved the Nordic Swan Ecolabel (Svanen). "I have allergies, so I'm used to buying Svanen products. I'm happy that I could also buy a home that I know I'll be able to live in without suffering from allergies," she says.

> Read more about Täby Park on page 31.

Brf Klövern Täby Park  Stockholm  Sweden

# Responsibility

## A responsible business for people and planet

Being a responsible business, inside and out, means having a strong and committed health and safety approach that protects lives and people' well-being. It means using our full potential by embracing diversity and creating inclusive environments. It means acting fairly and ethically, exercising integrity in all decisions, and being a trusted business partner with respect to the supply chain. It means operating with care for local environments and communities. As a responsible business, we are guided by the UN Sustainable Development Goals and Global Compact principles. We continuously follow up and drive improvements. We are transparent about our sustainability direction and disclose our performance.

# Ensure health and safety for all

The safety of our people and subcontractors is our highest priority. We set safety standards designed to protect all and minimize workplace incidents. We partner up to develop innovative technical solutions, and design construction processes and work methods to reduce health and safety risks on construction sites and in operations.

Noise, working in traffic, vibration and hazardous materials are everyday factors in our work and can be dangerous, causing lasting health problems if not managed properly. Our work environment is complex and ever-changing. At Skanska, we address our health and safety objectives with industry-leading standards and safety solutions, coupled with an inclusive culture and leadership focused on systematic performance monitoring and targeted actions.

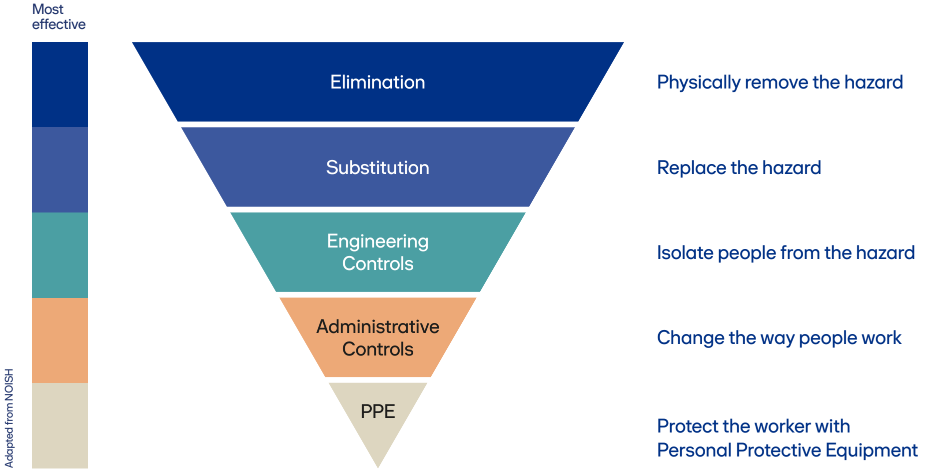
We are strongly committed to providing a work environment where everyone feels encouraged to speak up, to ensure that we work safely or not at all.

**Focus and strategic actions**

The safety pyramid with hierarchy of controls illustrates the transition from a reactive to a proactive approach when addressing safety risks. Our safety management systems include all stages of the safety pyramid. The greatest impact on safety is achieved in the early phases, such as design and planning, where risks can be effectively eliminated. For the past two years we have focused on developing and implementing safety solutions higher up in the safety hierarchy.

After analyzing years of our safety performance data, we know that that the greatest and most frequent safety risks are associated with activities that include lifting, loading and lowering. Our focus on improving practices in these specific areas has resulted in a 33 percent decrease in potential lifting, loading and lowering accidents. In 2021 we continued working on our initiative, launched in 2020, to develop safety action plans within all business units. These plans include actions on all levels of the safety pyramid to minimize the risk of accidents. During 2021 we focused on improving control of and limiting lifting, loading and lowering activities and we are planning the next step, in which logistics and innovative technological solutions will play a key role in ensuring safer construction sites.

Safety pyramid




**IN FOCUS**

## Our flying factories create safer work environments

Portable factories – also known as "flying factories" – make work environments safer, removing most high-risk lifting operations by increasing prefabrication. Our flying factory concept delivered by the Skanska UK business unit enables off-site lean manufacturing and industrialization, using temporary and versatile factories. Not only does this make the work environment much safer, it significantly improves efficiency.

Flying factories entail early planning and elimination of site risk, increasing our focus on the upper levels of the safety pyramid. By transferring work that was traditionally completed in its final location to a more secure work environment, we can deliver higher quality workmanship and provide more sustainable solutions, altogether lowering costs, speeding up delivery and reducing emissions.

**Driving higher standards, together**

We continuously strive to achieve higher industry standards in all our markets by involving our partners. In most markets, our Group Health and Safety Standards are significantly more stringent than local regulations.

Our Group Health and Safety Standards are mandatory and include sixteen principles. They cover aspects such as on-site risk assessment, training, incident management and personal protective equipment (PPE), as well as instructions for the most high-risk construction site work processes. All business units are certified by the ISO 45001 health and safety management system. Each business unit undertakes a mandatory annual review of health and safety performance. This review includes identifying risks, describing control measures and establishing a plan of targeted activities for the coming year. Each business unit also manages occupational health programs for its own employees. Business units have either an internal occupational health service or use a contracted service.

**Reducing risk through leadership awareness**

We are convinced that a highly engaged workforce reduces risk and improves health and safety. Skills training, leadership awareness and a proactive safety culture all help to ensure greater engagement and safer worksites. Strong safety leadership is part of our leadership programs, and includes values as well as procedures. We provide various safety training programs, focusing on specific areas of risk or safety culture, to employees and subcontractors alike.

We monitor our employees' opinions about Skanska as a company, our safety efforts and management's commitment in the annual employee survey. The 2021 employee survey shows that 86 percent of employees think we do a good job of monitoring and improving safety in the workplace, which is 5 percentage points above the industry norm.

**Monitoring health and safety performance**

At Skanska we monitor safety performance using the indicators; lost time accident rate (LTAR), near misses that could have resulted in potentially fatal accidents, executive safety site visits (ESSV), total case accidents (TCA), severity rate of accidents, and business units' delivery on improvement plans. Our business units also have local indicators that include training and auditing. Executive safety site visits (ESSV) promote clear and visible leadership. Monthly safety performance follow-up is carried out by the Group Leadership Team and by the Board.

Executive Safety Site Visits (ESSV)

**7,377**

Site safety visits performed by senior managers.

Lost time accident rate (LTAR)

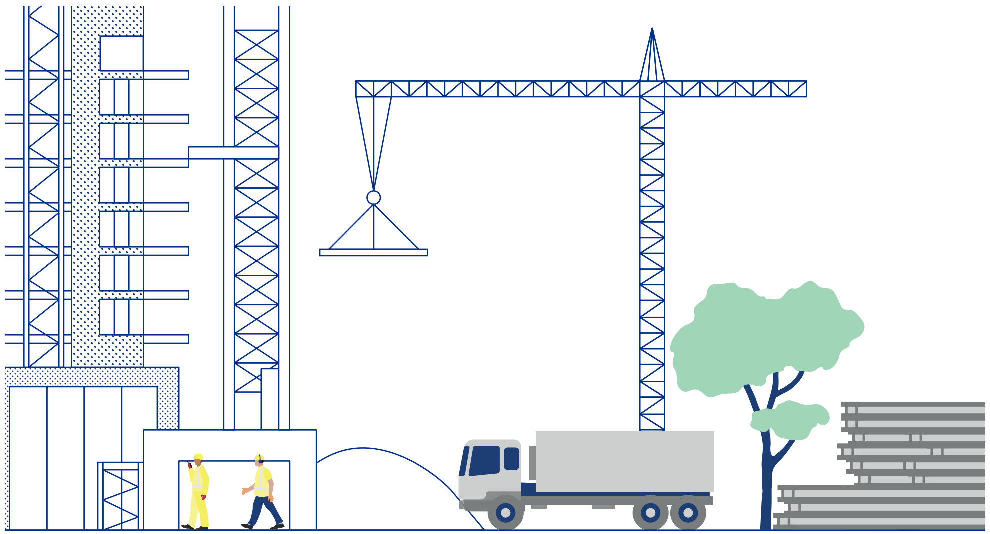
**3.2**

Employee and subcontractor lost time accident rate.

**IN FOCUS**

## Innovative automation increases capacity and reduces risk at BoKlok's modern prefabrication factory

At the BoKlok factory in Gullringen, Sweden, we made a significant investment in groundbreaking automation to increase efficiency in production as well as reduce risk in the construction process and work higher up in the safety pyramid model. Automation is uncommon in the construction industry, and we are creating one of Europe's most modern module factories for construction prefabrication. The facilities have been updated with new factory buildings, robots and machines to enable this new level of automation and digitalization, which sets a new standard for the construction industry and improves safety, capacity and productivity. Lean Production principles are guiding construction of the new assembly hall and installation of a new production line, which will increase production capacity nearly 50 percent.



# A fair and ethical business, inside and out

We act fairly and transparently in our business and decision making, aiming for a culture where everyone working with us can speak up for fair and ethical behavior. We strive for environmentally and socially sustainable supply chains that ensure safe and fair conditions for all. We have zero tolerance for corruption, bribery and any other kind of unethical behavior.

**Our Code of Conduct**

A comprehensive Code of Conduct specifies how all employees should work and interact with each other, with customers and with partners. It covers topics ranging from anti-corruption, fair competition and financial crime to discrimination, fair working conditions, environmental and safety responsibility, and human rights.

The Code of Conduct strengthens our company by connecting the entire Skanska Group with our values. The Code of Conduct is reviewed annually by our Board to ensure it remains up-to-date and relevant. Code of Conduct training is required for all new employees during their first month of employment. In 2021, 98 percent of new employees completed this training within the specified deadline. Mandatory refresher training is undertaken by all employees on a two-year rolling basis. The completion rate in 2021 was 99 percent.

Formal Code of Conduct training is supplemented by ethical stand-ups, local dilemma discussions and value moments in all business units. These promote awareness of the principles expressed in the Code of Conduct and enable more effective decision making when difficult situations arise.

**Supplier Code of Conduct in our contracts**

Our Code of Conduct is supplemented by the Supplier Code of Conduct, which all our subcontractors, suppliers, consultants, intermediaries and agents must adhere to. The Supplier Code of Conduct is included in our agreements with these parties and outlines the expectations we have for the partners we do business with. It also requires that the same principles flow down the suppliers' own supply chains. This enables us to continuously monitor and carry out audits where applicable. We also include the option of terminating the agreement in the event of a major breach of our Supplier Code of Conduct.

**Ensuring trustworthy partners**

For certain categories of suppliers or where deemed necessary, we conduct a risk-based assessment followed by due diligence. Mandatory ethical due diligence is carried out for intermediaries, joint venture partners and sellers or buyers of land or real estate assets. We gather information on third parties' ethical standards and culture, as well as information on any past legal violations, possible transaction-related conflicts and other indicators of risk. We ensure that we also know the ultimate beneficial owners of the parties we do business with. We use a global database for sanctions screening, which automatically checks all active suppliers every 24 hours.

**Supply chain responsibility**

Skanska cooperates with many regional and local suppliers, which creates long and complex supply chains. Our supply chain comprises suppliers of goods, materials and services as well as professional consultants and subcontractors performing work on our project sites.

We prioritize working with all partners across the supply chain to implement a shared commitment to sustainability issues such as human rights, labor rights, environment, ethics and safety, and sustainable procurement. We always aim to ensure fair working conditions where we operate. We have zero tolerance for any form of human trafficking or forced or child labor. Human rights and social sustainability go hand in hand with environmental sustainability, safety and labor rights, as acknowledged in the European Union's definition of human rights.

During 2021 we reviewed how we work with supply chain responsibility across all business units. Our focus was on defining best practice, sharing knowledge, and continuously improving structures and processes for risk assessments, action plans, transparency and follow-up of supply chain risks.

Code of Conduct training

**98%**

Completion rate, Code of Conduct training during first month of employment.

Code of Conduct refresher training

**99%**

Completion rate, Code of Conduct refresher training on a two-year rolling basis.

**Identifying and mitigating ethical risks**

The complexity associated with large projects, long value chains and a mix of public and private customers increases the risk of bribery and corruption. Our Anti-Corruption Policy sets out our zero-tolerance position for all forms of bribery and specifies the actions we must take in high-risk situations. Anti-corruption training is available for all employees, with extra focus on employees in more "at risk" roles. Ethics Risk Assessments are conducted every second year, most recently in 2021. All business units held workshops with participants drawn from a variety of roles and levels of seniority. More than 265 employees took part in the workshops. The results show an increased focus on risks related to supply chain responsibility and modern slavery. Practical measures have been implemented to address the identified ethics risks, and are monitored and followed up on a regular basis.

**We want all to feel able to speak up**

Fostering a speak-up culture, in which employees feel empowered to talk about any issue, is essential for us. The 2021 employee survey showed that 86 percent felt free to express concerns without fear of negative consequences, compared with the industry benchmark of 64 percent. Our no retaliation policy encourages the reporting of possible ethical breaches and offers protection for individual employees.

**Enabling whistleblowing through our Code of Conduct Hotline**

Individuals who wish to report a concern or incident can report directly to a business unit's local reporting line or ethics committee. Individuals wishing to remain anonymous can use our whistleblowing channel, Skanska's Code of Conduct Hotline, which is operated by a third party and is open to employees and external stakeholders. Cases that are identified as higher risk are reported to the Group Leadership Team and the Board. Confirmed breaches of the Code of Conduct may result in disciplinary action, including termination of employment for serious breaches. A substantiated breach by a supplier may result in termination of their contract.

In 2021 a total of 118 reports were received via the Code of Conduct Hotline. We categorize cases in line with our Code of Conduct topics. In 2021 the largest number of reports, 46, concerned workplace behavior including discrimination, bullying and harassment. Reports in the anti-corruption, fraud and money laundering categories are much less common. In 2021, Skanska dealt with six cases which were specifically classified as anti-corruption and two cases that were classified as fraud. A breach was identified in two related anti-corruption cases that were considered relatively low risk, and disciplinary action was taken against two employees.

Felt free to express concerns

**86%**

Felt free to express concerns without fear of negative consequences.

**IN FOCUS**

## Due diligence through third-party cooperation

With long, complex and varying supply chains, managing and monitoring supply chain risks in construction projects is an industry challenge. We make continuous improvements in this area to develop our capacity to secure the work environment in our projects. In Norway and the UK we work with third-party partner Achilles for pre-qualification, audits, due diligence, verifications and monitoring software.

In the UK each of our supply chain partners undergoes Achilles's rigorous pre-qualification assessment before being cleared to work with Skanska. We conduct annual audits of our top 250 partners and pre-qualify potential partners using the industry's newly formed Common Assessment Standard. The audit assesses our partners' sustainability policies and internal procedures, determining how effectively the policies flow down through their supply chains.

In Norway all suppliers performing work at our sites are pre-qualified through the digital StartBANK tool provided by Achilles. With StartBANK, we monitor payment of taxes, VAT and whether employees have the required insurance coverage.

In Sweden we have developed our own tool, KULA, to monitor digital pre-registration of our suppliers at construction sites.

**Our global commitments**

Skanska has been a signatory of the United Nations Global Compact since 2001 and continues to support its ten principles, relating to human rights, labor, environment and anti-corruption. This Sustainability Report constitutes our Communication on Progress (COP) for 2021.

We support the rights of all people as described in the Universal Declaration of Human Rights adopted by the United Nations and in the conventions of the International Labor Organization. Skanska also follows the guiding policies of Transparency International and applies the Precautionary Principle.

# Safeguard the environment

Our industry impacts the local environments where we operate. Construction of buildings and infrastructure consumes large amounts of resources, including materials, water and energy. We are committed to protecting the environments wherever we build, reducing our environmental footprint and ensuring the mindful use of materials.

We monitor and ensure the overall sound environmental management of all our sites. Cautious use of resources and safe handling of chemicals and substances on our projects is central to our way of working. This includes avoiding use of chemicals listed in our restricted substance standard. We have been monitoring major environmental incidents for several years, and these are all reported to the Group. Our business units are certified according to the ISO 14001 environmental management system.

**Waste management, circularity and resource efficiency**

We focus on increasing circularity and resource efficiency by reusing and recycling materials and products. We reduce waste and improve efficiency with smarter design, planning, procurement and logistics. This often goes hand in hand with reduced cost.

We have been tracking self-generated waste to landfill since 2008, and during the past year we initiated a more granular measurement in preparation for monitoring the EU Taxonomy "do no significant harm" criteria for waste. To date we have successfully reduced waste generation to 4.3 percent going to landfill, which is below our target of less than 5 percent.

**Sustainable water management**

For Skanska, improving water efficiency is a key factor in minimizing our impact on the surrounding environment. As a construction company we have a major impact on water usage during construction and when the building is in use. We have promoted more sustainable water usage by integrating innovative water-efficiency solutions into projects, such as substituting potable water with alternative quality grades. In the Czech Republic the Čertův Vršek Residential Development project is using a cutting-edge water solution for grey water management, reducing potable water consumption over 25 percent by using collected rainwater and treated water from washbasins, bathtubs and showers to flush toilets.

**IN FOCUS**

## Concrete structure reuse in Norway

In Norway our Oslo Storbylegevakt project showcases the huge potential presented by circular construction and working with partners to identify synergies. Reusing carbon-intensive products delivers impressive climate benefits. We are seeing growing demand for product reuse, particularly for concrete structures.

Working with partners, Skanska has successfully reused 39 concrete hollow decks from one project to another, reducing carbon emissions 93 percent per hollow deck and eliminating 98 tons of waste. The main challenge in doing this lies in ensuring the quality of the hollow decks, as there are currently no standards in place for reused building structures. Together with partners Contiga and Omsorgsbygg, we developed a new process and control system to document the properties of these materials.

The construction site is also entirely fossil free, and the building is designed to be passive and certified according to BREEAM Excellent.

# Embrace diversity

Women in senior positions

24%

Four most senior levels below the CEO.

Women on Skanska's Board of Directors

43%

Women elected to Skanska's Board of Directors.


As the construction and development industries evolve and require greater innovation capabilities, we need to leverage the full potential of diverse teams with different backgrounds and competencies. As part of this, we are committed to attracting, recruiting and advancing more women, to enlarge our talent pool in a traditionally male-dominated industry. We do not tolerate discrimination, regardless of gender, age, ethnicity or sexual orientation and we strive for a workplace free from harassment and bullying.

Diverse and inclusive teams outperform homogenous and non-inclusive ones. They also foster an environment of creativity and innovation and us help achieve our business objectives.

Skanska is committed to being an equal opportunity employer, attracting and developing a diverse workforce and providing inclusive workplaces where all people feel a sense of belonging. All business units are required to set their own diversity targets and develop and track action plans.

**We monitor and measure progress**
According to our annual employee survey, the overall trend for inclusion is positive. Survey results show that 88 percent of respondents agree that people care for each other and treat each other fairly in their workplace, 12 percentage points above the industry benchmark. Ensuring an inclusive workplace is important to us, and 91 percent of respondents agree that their "workplace is free from bullying and harassment".

**We want more women in construction**
We know that the construction industry has traditionally been dominated by men, and we aim to change this. Increasing the number of women in leadership positions and throughout our company is a long-term priority. We see a slow but steady increase in the number of female employees. Currently 19 percent of our employees are female. The percentage of women in senior positions (levels 3–6, the four most senior levels below the CEO) is 24 percent. Three out of seven of our elected board members were women. Gender ratios also vary between professional groups, business streams and business units. Craft worker employees account for the most skewed gender ratio, with 96 percent men and 4 percent women. As a first step, our business unit in Sweden launched a female-only apprenticeship initiative that has been running since 2019. All 37 participants were hired through this program, and 59 percent are still employed at Skanska.

In the Commercial Property Development and Residential Development business units, male/female ratios are about even. Other aspects of diversity, such as ethnicity, disability or age, are tracked by business units rather than at the Group level, as definitions, legal requirements and restrictions differ from country to country.

**IN FOCUS**

# BoKlok's full-scale test lab in sustainable housing


If you have ever wondered what future sustainable homes will be like, take a look at the BoKlok Grönhult pilot project in Sweden. The apartment building is designed with sustainable buffer solutions regarding electricity, heating and water, allowing residents to minimize their climate footprint.

Located in Sege Park in Malmö, Sweden, BoKlok's first energy-plus building will test a range of new sustainable solutions and evaluate them in practice. BoKlok's design includes all aspects – material usage, construction process and living – making it a unique, full-scale test lab in sustainable housing.

Like all BoKlok buildings, the new building will be made of wood – which has significantly lower climate impact of the average newly built home.

The 20-unit building's solar cells, hybrid panels and wind turbines will meet a substantial part of residents' electricity needs. The hybrid panels will produce both electricity and heating, with surplus heat returned to geothermal boreholes for improved efficiency.

With an electricity storage battery, the self-produced electricity can be used when it is most needed. The apartments will have extra energy-efficient windows and two-layer walls with extra insulation. Total energy use is estimated to be around 90 percent lower than national regulations.

The goal is to reduce water consumption by at least 60 percent, without affecting residents' lifestyle, by installing water-efficient faucets and showerheads and low-flush toilets and by recycling rainwater.

Residents will be able to monitor energy and water consumption to reduce their impact. The building's climate and environmental impact will also be monitored to maximize the benefit of lessons learned when developing future homes.

Experiences and solutions from the BoKlok Grönhult project have the potential to become standard in all new BoKlok homes, allowing us to address two important societal challenges: access to housing for people with ordinary incomes, and the transition to more sustainable living.

## STAKEHOLDER DIALOGUE

Skanska is proud to be part of the High Speed Two (HS2) project, which will improve the UK rail system with a new high-speed railway linking London, the Midlands, the North and Scotland. We discussed this significant development with Mark Thurston, CEO of HS2 Limited, the government company responsible for developing and promoting the UK's new high speed rail network.

# The benefits go beyond just improving the transport network

Mark Thurston,
CEO of HS2 Limited

Referring to HS2 as the new spine and backbone of the UK rail system, Mr. Thurston emphasizes the major benefits it will bring – what he calls "the three Cs". "First, it's capacity. HS2 is adding much needed capacity to our rail system. Second, it's connectivity. Better connected cities create better growth and better prosperity for the whole country," he explains. "The third C is carbon. We know that in a world where we are trying to decarbonize our economies, getting people on trains and out of planes and cars is the way to decarbonize our transport system, which will remove carbon from our economy."

HS2 will serve over 25 stations, including eight of the UK's ten largest cities, connecting around 30 million people. By adding capacity to the rail system, HS2 allows more freight to be shipped via existing lines and removes cars and trucks from the roads.

"This has much wider societal benefits than just improving the transport network," Mr. Thurston says. Because of the project's longevity – already underway for ten years and expected to continue for another 20 – there is opportunity to invest in skills, training, technology and innovation. Mr. Thurston explains HS2's aim to create a diverse workforce and the importance of Skanska and other partners in this endeavor.

"The reality is that Skanska will be hiring a lot more people on this project than I will, so I'm looking to my partners to embrace those principles and create that rich diverse workforce that will not only deliver this project, but will leave a skills legacy behind for the future," he explains.

"We've done a lot of sharing and learning within the HS2 family and we work together in a very seamless way. Skanska is a strong partner for us today and I think the longer this project goes on, the more ingrained the relationships with our partners become," he continues. This is key in maintaining the project's momentum, putting more and more people to work, ensuring everyone is kept safe, and ultimately delivering the UK's next generation rail system.

As part of the Skanska Costain STRABAG joint venture, we are delivering the full detailed design and construction of the London tunnels section of HS2 Phase One.

> Read more about HS2 on page 47.

# Sustainability information

### Sustainability governance

The management of sustainability follows the Group Governance Framework and internal audit procedures, see page 45. The Group Governance Framework is determined by the Board. The business units are responsible for complying with Group policies, procedures and standards. The framework for sustainability is established by the Code of Conduct, Supplier Code of Conduct, Anti-Corruption Policy, Sustainability Policy, Health and Safety Standard, Health and Safety Reporting Procedure, Green Reporting Procedure, Restricted Substance Standard, Health and Safety Road Map Standard, Procedure of the Code of Conduct Program, Community Investment and Sponsorship Standard and Diversity and Inclusion Procedure.

To strengthen Skanska's sustainability ambitions in relevance to business, the Skanska Sustainability Business Forum has operated since 2018 as a body for anchoring strategic decisions. As of November 2021, the EVP Sustainability & Innovation has been an integral part of the Group Leadership Team. The governance structure for green bonds is established in the Skanska Green Bond Framework prepared by the Green Bond Committee, which is headed by the EVP Sustainability & Innovation. Other committee members include the EVPs of the Development business units and the VP of Skanska Treasury.

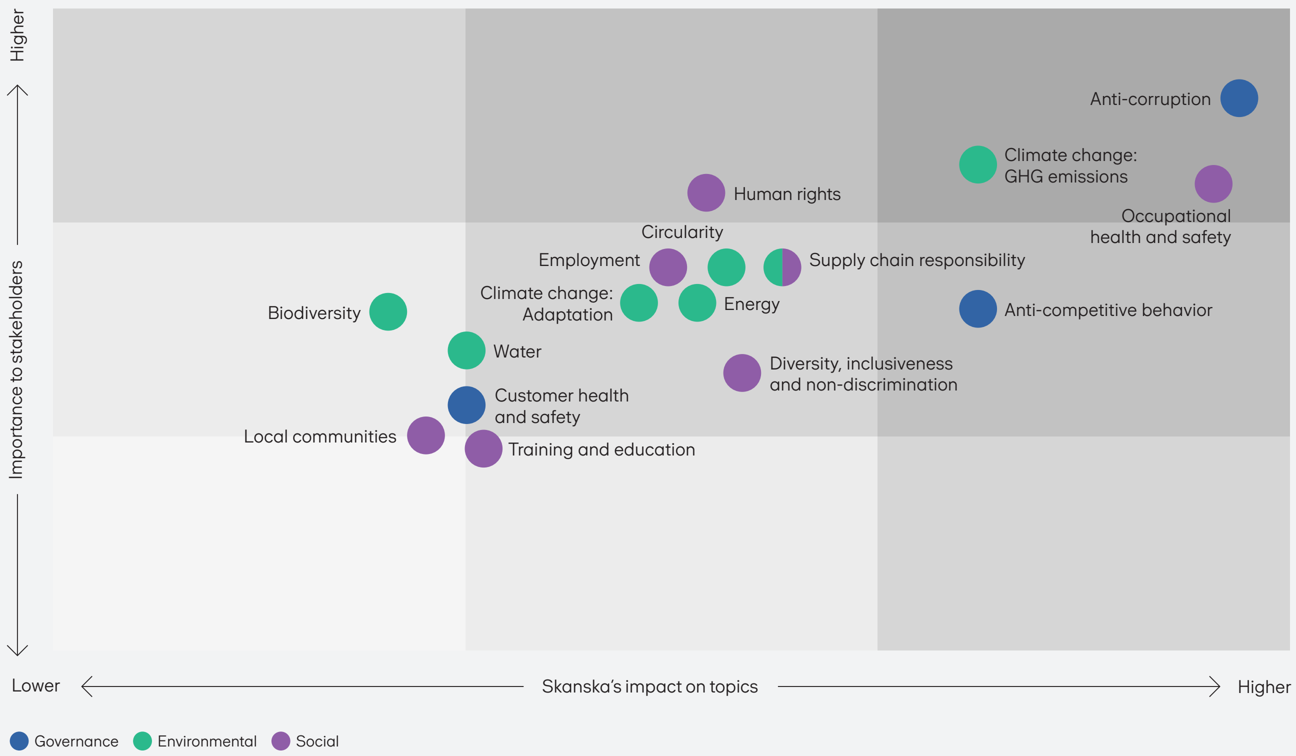
Sustainability performance is assessed via key performance indicators and the annual Group-wide employee survey. Employees are evaluated annually on their performance and capacity to drive sustainability. Sustainability, through climate and health and safety parameters, is included in incentive programs for the CEO and the business unit management teams.

### Materiality assessment

Listening to and acting on the views and expectations of Skanska´s stakeholders is crucial to our day-to-day operations and long-term planning. As part of regular operations, we continuously solicit feedback from stakeholders in a variety of ways – from project meetings with customers to consultations with local communities. We also conduct a materiality assessment every two years, most recently during fall 2020. This process includes receiving valuable input from stakeholders on what they consider to be Skanska's most important focus issues. In 2020 we received input from over 400 stakeholders through a survey and structured interviews. We selected respondents and interviewees to represent the views of the wide range of stakeholders that make up our value chain. The survey was also open to the public on Skanska's website.

Selected respondents include:
- Investors and shareholders
- Customers
- Employees
- Suppliers and subcontractors
- Society and local communities
- Academia and NGOs.

**Materiality graph**




The input received from stakeholders was compiled and Skanska's relative impact on the various topics was analyzed. Climate change in general has become more important since the 2018 materiality assessment, which mirrors the public and industry discussion and focus. Anti-corruption, health and safety and climate change are clearly identified as the most material sustainability areas for Skanska. Human rights/Supply chain responsibility are considered increasingly significant by important stakeholder groups such as customers and investors/shareholders. It is also worth noting that the customer group ranked both biodiversity and circularity as being of considerably higher than average importance.

The materiality assessment results, presented in the graph above, show significant alignment between Skanska and our stakeholders. This analysis provides valuable input regarding our stakeholders' views and expectations – and guides us in shaping our sustainability agenda and our reporting. The next materiality assessment will be conducted in 2022.

# Climate

### The Skanska Group climate target

Skanska aims to achieve net-zero carbon emissions in its own operations and its value chain (scope 1, 2 and 3) by 2045.

### 2030 interim targets

For Skanska Development streams, the interim target is a 70 percent decrease of own (scope 1 and 2) carbon emissions by 2030 and a 50 percent decrease of value chain (scope 3) carbon emissions.

For Skanska's Construction stream, projects with external clients, the interim target is a 70 percent reduction of own (scope 1 and 2) carbon emissions by 2030.

The base year is 2015 for scope 1 and 2 and 2020 for scope 3.

To achieve the interim targets, scope 1 and 2 emissions must see an average annual decrease of 4.7 percentage points.

The scopes are defined according to the Greenhouse Gas Protocol:

- Scope 1 emissions include direct emissions from sources owned or controlled by Skanska, such as boilers, furnaces and vehicles
- Scope 2 includes indirect emissions from the generation of electricity, heating and cooling purchased and consumed by Skanska
- Scope 3 includes indirect greenhouse gas emissions from sources not owned or directly controlled by the organization.

See Reporting Principles, page 94.

**Carbon emissions ($CO_2e$)[1,2]**

Scope 1, 2 and 3 emissions ($CO_2e$) and biogenic emissions (Outside of scope) generated in Skanska's operations.

| Tons $CO_2e$ | | 2021 | 2020 | 2019 | 2018 | 2015 |
|---|---|---|---|---|---|---|
| Scope 1 | | 194,000 | 193,000 | 213,000 | 275,000 | 322,000 |
| Scope 2[3] | Location-based method | 35,000 | 38,000 | 43,000 | 37,000 | 43,000 |
| | Market-based method | 22,000 | 72,000 | 78,000 | 57,000 | 80,000 |
| Change since base year (scope 1 and 2), % | | -46 | -34 | -28 | -17 | – |
| Greenhouse gas emission intensity[4] | | 1.46 | 1.67 | 1.64 | 1.95 | 2.60 |
| Scope 3 | | 1,706,000 | 1,945,000[6] | | | |
| Change since base year (scope 3), % | | -12 | | | | |
| Outside of scope[5] | | 22,000 | 17,000 | 20,000 | 7,000 | |

1 The base year is 2015 for scope 1 and 2 and 2020 for scope 3.
2 Due to rounding, some totals may not correspond with the sum of the separate figures.
3 The market-based method is used when using scope 2 in calculations.
4 Scope 1 and 2 (market-based)/SEK M revenue, according to segment reporting.
5 The direct carbon dioxide ($CO_2$) impact of burning biomass and biofuels is reported Outside of scope and is included in our Science-based target.
6 Value has been updated with improved data quality.

**Skanska's scope 3 reported categories**

| | $CO_2e$ emissions (tonnes) | |
|---|---|---|
| **Category according to Greenhouse Gas Protocol** | **2021** | **2020** |
| Purchased goods and services (limited to cement, concrete, steel and bitumen) | 950,000 | 987,000 |
| Capital goods | | |
| Fuel- and energy-related activities (not included in scope 1 or 2) | 45,000 | 45,000 |
| Upstream transportation and distribution | | |
| Waste generated in operations | 12,000 | 20,000 |
| Business travel (limited to air travel) | 5,000 | 4,000 |
| Employee commuting | | |
| Upstream leased assets | | |
| Downstream transportation and distribution | | |
| Processing of sold products | | |
| Use of sold products | 695,000 | 890,000[1] |
| End-of-life treatment of sold products | | |
| Downstream leased assets | | |
| Franchises | | |
| Investments | | |

1 Value has been updated with improved data quality.

# Climate, cont.

**Total energy usage**
Total energy usage generated in Skanska's operations.

| MWh | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Fuel usage | 834,000 | 821,000 | 898,000 | 1,091,000 | 1,091,000 |
| Non-renewable | 696,000 | 699,000 | 716,000 | 1,022,000 | 1,023,000 |
| Renewable | 138,000 | 123,000 | 182,000 | 70,000 | 68,000 |
| Renewable, % | 17 | 15 | 20 | 6 | 6 |
| Electricity usage | 226,000 | 300,000 | 331,000 | 241,000 | 273,000 |
| Non-renewable | 49,000 | 180,000 | 212,000 | 115,000 | 154,000 |
| Renewable | 177,000 | 121,000 | 120,000 | 127,000 | 119,000 |
| Renewable, % | 78 | 40 | 36 | 53 | 43 |
| District heating usage | 25,000 | 24,000 | 12,000 | 10,000 | 12,000 |
| District cooling usage | 1,600 | 2,000 | 37,000 | 600 | 1,000 |
| Total energy usage | 1,087,000 | 1,148,000 | 1,278,000 | 1,344,000 | 1,378,000 |
| Non-renewable | 771,000 | 904,000 | 976,000 | 1,147,000 | 1,191,000 |
| Renewable | 316,000 | 243,000 | 302,000 | 197,000 | 187,000 |
| Renewable energy (excl. heating and cooling), % | 29 | 21 | 24 | 15 | 14 |
| Energy intensity[1] | 7.36 | 7.24 | 7.23 | 7.88 | 8.57 |

1 Total energy MWh/SEK M revenue, according to segment reporting.

**Certified commercial buildings, share of total divestments**
Share of total value, corresponding to SEK 6.1 billion, of divested offices in the Commercial Property Development business stream, certified with WELL, LEED (Platinum or Gold) or BREEAM (Excellent).

| % | 2021 | 2020 | 2019 |
|---|---|---|---|
| Certified commercial buildings, share of total divestments | 84 | 98 | 90 |

## EU Taxonomy reporting

Skanska is identifying share of EU Taxonomy eligible activities based on materiality, according to a structured process. For Commercial Property and Residential Development streams 100 percent of the revenue is considered eligible to the Taxonomy, activities 7.1 and 7.2. Construction of new buildings as absolute majority and a smaller part of renovation.

For Construction stream, Taxonomy eligibility assessment is based on materiality from a revenue perspective, following existing processes, and is carried out for Skanska's large construction projects, covering the majority of the construction revenue. The activities of significance are 4.1, 4.2, 4.3, 4.5, 5.1, 5.3, 6.14, 6.16, 7.1, 7.2 and 7.6, where the majority of revenue comes from activities concerning new construction and infrastructure for rail transport. This adds up to a total Taxonomy eligible share of revenue of 56 percent.

For CapEx, 100 percent of investment in Commercial Property and Residential Development streams is eligible as it is related to activity 7.1 and 7.2. CapEx in Construction stream is negligible. OpEx is negligible for all business streams.

Taxonomy eligible activities in Skanska are defined as construction and development projects related to economical activities fulfilling technical screening criteria for substantially contribution to the delegated acts adopted pursuant to Article 10(3), Article 11(3), of Regulation (EU) 2020/852.

No disaggregation of economical activities is done. A project is considered eligible if the larger part of the revenue is an activity eligible to the EU Taxonomy. This is in line with Skanska's materiality-based process. Contextual information: 2021 is the base year of Taxonomy eligibility reporting, no changes can be reported. Key drivers to increase EU Taxonomy eligible and aligned revenue is specified in the climate plan ACT and actions pages 70–75. Also see the GRI index on pages 200–203.

Reporting is done in accordance with IFRS.

| | Total | Share of activities eligible to EU Taxonomy (%) | Share of activities not eligible to EU Taxonomy (%) |
|---|---|---|---|
| Revenue | 144,000 | 56 | 44 |
| OpEx | N/A | N/A | N/A |
| CapEx | 21,000 | 90 | 10 |

# Responsibility

**Number of lost time accidents**
Total number of lost time accidents.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Lost time accidents | 452 | 504 | 566 | 712 | 730 |
| Skanska employees | 175 | 231 | 252 | | |
| Subcontractors | 277 | 273 | 314 | | |

**Lost time accident rate (LTAR)**
Number of employee and subcontractor lost time accidents multiplied by 1,000,000 hours and divided by total labor hours.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| LTAR | 3.2 | 3.1 | 3.1 | 3.5 | 3.4 |
| Skanska employees | 2.8 | 3.4 | 3.5 | | |
| Subcontractors | 3.5 | 3.0 | 3.0 | | |

**Total case accidents**
Total number of accidents that happen during or in connection with work.

| | 2021 |
|---|---|
| Total case accidents | 1,235 |
| Skanska employees | 560 |
| Subcontractors | 675 |

**Fatal accidents**
Number of fatal accidents on Skanska worksites.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Fatal accidents | 3 | 2 | 4 | 5 | 3 |
| Skanska employees | 1 | 1 | 2 | | |
| Subcontractors | 2 | 1 | 2 | | |

**Executive Site Safety Visits (ESSV)**
Site safety visits performed by senior managers.

| | 2021 | 2020 | 2019 | Target 2021 |
|---|---|---|---|---|
| Executive Site Safety Visits | 7,377 | 2,522 | 4,034 | 6,800 |

**Improving safety in workplaces**
Percentage of favorable scores ("Strongly Agree" and "Agree" ratings on the 5-point SA-SD Likert scale). Percentages indicate the proportion of respondents agreeing with the statement.

| % | Industry norm | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| My business unit does a good job of monitoring and improving the safety of my workplace | 81 | 86 | 89 | 88 | 88 | 87 |

**ISO 45001 certification**
Number of major non-conformities identified by accredited third-party auditors.

| | 2021 | 2020 |
|---|---|---|
| Major non-conformities | 3 | 0 |

**Code of Conduct training**
Share of employees who have undergone training in Skanska's Code of Conduct.

| % | 2021 | 2020 | 2019 | Target |
|---|---|---|---|---|
| First month of employment | 98 | 97 | 94 | 100 |
| Updated training every second year | 99 | 99 | 98 | 100 |

**Speak-up culture**
Percentage of favorable scores ("Strongly Agree" and "Agree" ratings on the 5-point SA-SD Likert scale). Percentages indicate the proportion of respondents agreeing with the statement.

| % | Industry norm | 2021 | 2020 | 2019[1] | 2018 | 2017 |
|---|---|---|---|---|---|---|
| I can freely express my concerns without fear of negative consequences (e.g., safety, discrimination, ethical matters, etc.) | 64 | 86 | 84 | 83 | 82 | 79 |

**Code of Conduct Hotline**
Number of reports reported to the Code of Conduct Hotline.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of reports | 118 | 152 | 190 |

**Significant environmental incidents**
Significant environmental incidents with potential level of impact according to the Skanska Green Reporting Procedure.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Significant environmental incidents | 1 | 1 | 3 | 2 | 1 |

# Responsibility, cont.

**ISO 14001 certification**
Number of major non-conformities identified by accredited third-party auditors.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Major non-conformities | 2 | 3 | 0 | 0 | 1 |

**Self-generated waste**
Self-generated waste from projects sent to landfill.

| % | 2021[1] | Target |
|---|---|---|
| Self-generated waste to landfill | 4.3 | 5 |

1 The definition of this indicator is subject to change as it is currently under review to improve alignment with relevant frameworks and standards. Accordingly, only data for 2021 is provided here.

## Embrace diversity

**Employees by gender, year end**
Employees by gender and management level.

| % | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Skanska AB Board of Directors[1] | 57 | 43 | 57 | 43 | 57 | 43 | 43 | 57 | 50 | 50 |
| Senior executives (Group Leadership Team, level 7) | 57 | 43 | 67 | 33 | 67 | 33 | 67 | 33 | 67 | 33 |
| Business Unit Presidents (level 6) | 92 | 8 | 92 | 8 | 92 | 8 | 92 | 8 | 93 | 7 |
| Group Senior Vice Presidents (level 6) | 50 | 50 | 44 | 56 | 33 | 67 | 44 | 56 | 62 | 38 |
| Senior positions (level 3–6)[2] | 76 | 24 | 75 | 25 | 75 | 25 | 78 | 22 | 78 | 22 |
| All employees | 81 | 19 | 82 | 18 | 82 | 18 | 83 | 17 | 83 | 17 |

1 Elected by the Annual General Meeting.
2 Level 6 employees are Business Unit Presidents and Group Senior Vice Presidents, level 5 are business unit management teams, level 4 reports directly to level 5, level 3 reports directly to level 4.

**Employees by business unit, 2021**[1]

| | Average headcount | | | | |
|---|---|---|---|---|---|
| Business unit | Total number of employees (headcount) | Of which, women | % of total number of employees (headcount) | Of which, men | % of total number of employees (headcount) |
| Sweden | 7,966 | 1,660 | 21% | 6,305 | 79% |
| Norway | 3,682 | 373 | 10% | 3,309 | 90% |
| Finland | 2,219 | 410 | 18% | 1,809 | 82% |
| Central Europe | 4,103 | 815 | 20% | 3,288 | 80% |
| United Kingdom | 3,740 | 960 | 26% | 2,780 | 74% |
| USA Civil, USA Building and Skanska Inc. | 8,796 | 1,195 | 14% | 7,600 | 86% |
| Commercial Development Europe | 185 | 110 | 59% | 75 | 41% |
| Commercial Development Nordic | 111 | 55 | 50% | 57 | 51% |
| Commercial Development USA | 75 | 37 | 49% | 39 | 52% |
| BoKlok | 408 | 137 | 34% | 271 | 66% |
| Residential Development Europe | 134 | 71 | 53% | 63 | 47% |
| Headquarters | 112 | 67 | 60% | 45 | 40% |
| **Total** | **31,531** | **5,890** | **19%** | **25,641** | **81%** |

1 The definition is described under Reporting Principles, page 94, and differs from Note 36.

**Diversity and inclusion indicators from annual employee survey**
Percentage of favorable scores ("Strongly Agree" and "Agree" ratings on the 5-point SA-SD Likert scale). Percentages indicate the proportion of respondents agreeing with the statement.

| | Industry norm | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| My manager makes the most of the diversity in our team to achieve stronger performance together | 78 | 77 | 76 | 74 | 73 | 70 |
| My workplace is free from bullying and harassment | – | 91 | 88 | 86 | 86 | 85 |
| In my workplace, people care for each other and treat each other fairly | 76 | 88 | 86 | 84 | 83 | 82 |

# Reporting principles

Skanska is reporting in accordance with the GRI Standards Core sustainability reporting guidelines. Skanska aims to ensure that all information and data is relevant, transparent, consistent, accurate and complete and that it provides an objective picture of the Group's operations. The reporting period is January 1, 2021 to December 31, 2021.

Sustainability disclosures are reported from the business units quarterly or monthly using the ul360 sustainability reporting database, unless otherwise indicated. Five years of data are normally reported, unless such data is unavailable or unless otherwise indicated.

## TCFD alignment

The process of aligning Skanska's sustainability reporting is ongoing.

Governance: Definitions and procedures to follow up on carbon emissions are defined in the Governance Framework. Carbon emission performance is followed up by the Group Leadership Team and the Board of Directors on a quarterly basis, as well as by business unit presidents.

Strategy: To meet the carbon reduction target, mitigate risks and address business opportunities, climate plans have been developed in all business units. Climate is part of the incentive program for the CEO and President, and was extended to business unit presidents in 2021. See more on page 56 and Note 37.

Risk management: Sustainability risks are part of ERM processes and project-specific risk assessments, and further integration is ongoing.

Targets and metrics: Skanska has a long track record of measuring and reporting on carbon emissions, including limited assurance. The Group climate target was established in 2019.

## Greenhouse gases and energy

Skanska calculates and reports greenhouse gas emissions in accordance with the GHG Protocol Corporate Standard. Scope 2 emissions are calculated in accordance with GHG Protocol Scope 2 Guidance applying the market-based and location-based methods. Scope 3 emissions are calculated in accordance with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard. Activity data is based on invoiced data, real-time meters, models, assumptions and estimates or data as reported by suppliers. Energy conversions use publicly available conversion factors and emission factors are sourced from databases such as the IEA (2020), BEIS (2021), ICE 3.0 and the AIB's European Residual Mixes 2020. Greenhouse gases included in the reported carbon inventory are carbon dioxide ($CO_2$), methane ($CH_4$) and nitrous oxide ($N_2O$). Biogenic emissions of $CO_2$ from the combustion of biofuel and biomass are reported separately from the gross direct (scope 1) GHG emissions as Outside of scope. The GWPs used in the calculation of $CO_2e$ are based on the IPCC Fourth Assessment Report (AR4) over a 100-year period, with the exception of scope 2 calculations applying emission factors from the IEA, which are based on AR5. Skanska applies the financial control approach. Emissions data is subject to inherent uncertainties due to incomplete scientific knowledge used to determine emission factors and uncertainties in measurement methods, and the resulting effects on measurements and estimations.

Base years for Skanska Group's climate target have been selected on the basis of data quality. Skanska has measured and reported carbon emissions since 2008. The first year for limited assurance of the Skanska's GHG emission data was 2014. The base year is 2015 for scope 1 and 2 emissions and 2020 for scope 3 emissions.

## Certified projects and commercial buildings

Certified projects are reported manually to Skanska headquarters.

## Energy reduction in new office buildings developed by Commercial Property Development business units

This figure is calculated as all office properties divested in 2021 developed by business units Commercial Development Europe, Commercial Development Nordic and Commercial Development USA, all of which are either WELL-, LEED- (Platinum or Gold) or BREEAM-certified (Excellent). This calculation is made according to international standards, such as ASHRAE. The expected annual consumption of energy is determined through two models, proposed and baseline, to determine the energy efficiency of current projects.

## Compliance with ISO 14001 and ISO 45001 management systems

If a third-party auditor identifies a major non-conformity in their review, it is to be reported through the ul360 reporting database.

## Health and safety

The lost time accident rate (LTAR) represents the number of accidents resulting in an injury that restricts the individual from being able to perform their normally assigned duties for a period of one or more working days, multiplied by 1,000,000 hours and divided by total labor hours. Total case accidents include all accidents requiring medical treatment; lost time accidents are a subset of reportable accidents and are therefore included in this number. The number of fatal accidents refers to the year when the accident occurred. The reported data includes Skanska employees and subcontractor employees working on Skanska jobsites. The data is based on reports from the projects. The LTAR is influenced by national regulations, norms and regional definitions, and is hence subject to inherent uncertainty.

## Annual employee survey (YVOS)

The annual employee web survey was conducted during fall 2021. All employees are included with the exception of craft employees at Skanska USA Civil and Skanska USA Building, due to union restrictions. The percentage of favorable scores refers to "Strongly Agree" and "Agree" ratings on the 5-point SA-SD Likert scale. These percentages indicate the proportion of respondents agreeing with the statement presented.

## Code of Conduct training

Code of Conduct training statistics are collated by the business units' HR functions and entered into the Skanska common reporting system. The business units report as non-compliance any new employees who have not participated in Code of Conduct training within one month of starting work. Temporary staff and consultants who will be working with Skanska for a medium to long period of time are also required to take the training, normally within three months of starting work, although this time requirement differs between business units. Refresher training for all employees is required every two years. Due to differences in reporting, the percentage of employees taking the refresher training within two years may in some cases cover a period of up to 27 months.

## Waste to landfill

The indicator for waste is defined as the amount of self-generated waste to landfill. Self-generated by Skanska means materials brought into the project which were not used in the production of the project but are rather being treated as waste. Excavated materials are not included in the definition. The waste disposal method is based on the organizational defaults of the waste disposal contractor. The waste indicator is measured as the weight of waste sent to landfill divided by the total weight of self-generated waste. Data is based on invoiced data, qualified estimates or data as reported by supplier, and is subject to inherent uncertainties.

## Human resources

The HR statistics are reported manually by the business units' HR functions through the Skanska Common Analytics data entry portal. Data is broken down by gender and is reported on a quarterly basis.

The headcount reflects the actual number of people directly employed by Skanska at the end of the quarter. All employees count as one, regardless of worktime percentage. The average headcount is calculated as the average over the last four quarters.

## Changes in the Sustainability report between 2020 and 2021

- Limited assurance of energy and waste performance
- SASB disclosed in GRI Index
- EU Taxonomy reporting disclosed
- Updated climate target
- Data relating to energy and greenhouse gas emissions have been rounded off.

New data disclosed

- Total case accidents
- Scope 3 also including waste
- Scope 3, Use of sold products, reported by total Commercial and Residential Development business streams
- Scope 3 data for 2020 has been updated.

# Financial information

# Financial analysis

Both revenue and operating income decreased in SEK and in local currency according to both segment reporting and IFRS compared to the previous year. The lower revenue in Construction is mainly related to Covid-19 disruptions, especially in Europe and the USA, and decisions by customers to postpone ramp-up of new projects. It is also a remaining impact of the strategic actions to focus the operations and be more selective in bidding in order to improve profitability. The operating margin during the year was 3.8 percent, with all construction units contributing through their strong profitability. During the year market activity gradually increased, which meant that order bookings were up on the previous year and amounted to SEK 153.6 billion. The order backlog in Construction at the end of the year amounted to SEK 207.0 billion, which is equivalent to 18 months of production. The Residential Development business stream showed improved profitability in all of Skanska's markets and there was a high level of activity, with increasing numbers of homes sold and started during the year. Demand remains good and the sales rate is high in ongoing production. Skanska is continuing to develop a strong landbank to bring even more profitable, sustainable and energy-efficient projects to the market. For example, Skanska is currently developing and building Sweden's first climate neutral townhouses. Commercial Property Development delivered yet another profitable year with respect to divestments in all three markets. In 2021, the Nordics, Central Europe and USA divested properties for SEK 10.3 billion with divestment gains of SEK 3.9 billion reported according to segment reporting. Investor interest in Skanska's high-quality commercial developments that have ambitious environmental standards remains strong. At the end of the year, Commercial Property Development had 36 ongoing projects. Skanska leased 196,000 square meters during the year, with leasing activities picking up towards the end of the year as restrictions were eased. The reinstatement of restrictions due to an increase in virus infection rates has slowed the recovery somewhat, however. During the year Skanska further developed its strategy and at year-end launched a strategic direction whereby Skanska will continue to expand within Commercial Property Development, will be a leading residential developer and will further improve profitability with responsible growth within Construction. Skanska will also introduce a new business stream, Investment Properties, with a portfolio of Swedish office properties.

**Market outlook**

*Construction*

The negative impact of the pandemic is still present in our markets but activity is picking up as the uncertainty decreases. Price increases for certain materials and bottlenecks in the supply chain can be seen across all our markets. Non-residential construction has been impacted the most by the pandemic but is slowly improving, while the outlook for residential construction is stable. Public sector investment in social infrastructure and other infrastructure remains at a relatively good level, even though certain decisions have been postponed. Financing could become a challenge, since many public budgets are decreasing due to lower tax revenue and being consumed to fight the pandemic and to stimulate the economies. At the same time, ambitious investment plans are being developed in many of our markets – but lead times are expected to be long.

*Residential Development*

Low interest rate policies to support economic recovery are increasing affordability, which strenghtens the consumer confidence. The housing market is experiencing a shortage of homes as new developments have been lagging behind demand, even though activity among developers is increasing. The risk of higher unemployment and/or interest rate levels could potentially have a negative impact on demand. A structural shortage of homes in many of our markets could mitigate this situation to some extent.

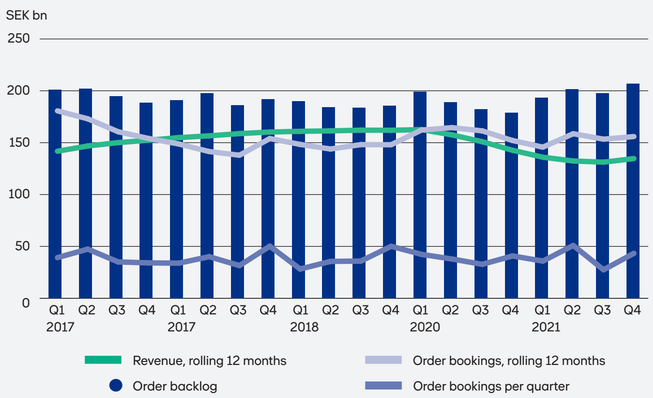
In 2021, 4,084 (3,991) homes were sold and construction on 4,363 (3,807) homes was started, of which BoKlok has sold 974 (1,037) homes and started 1,018 (826) homes. At the end of the year there were 8,673 (6,948) homes under construction and 73 percent (72) of these were sold.

*Commercial Property Development*

The uncertainty following the pandemic has impacted market activity, pushing some development starts forward and turning investor interest to lower risk investments. Investors' interest in high-quality development projects is expected to stabilize at around the current level in terms of yield requirements, supported by a stable credit market and good availability of capital. The leasing market is relatively hesitant, but activity picked up as pandemic restrictions were lifted. The reinstatement of restrictions due to the recent increase in virus infection rates has, however, slowed the recovery somewhat for the time being.

At the end of the year, Commercial Property Development had 36 ongoing projects, representing leasable space of 755,000 square meters.

### Order bookings, order backlog and revenue in Construction




### Order bookings

Order bookings amounted to SEK 153.6 billion (149.8) (an increase of 6 percent in local currency). The increase was mainly driven by higher order bookings in the USA, but order bookings also increased somewhat in Sweden. Order bookings in the previous year included SEK 13.9 billion for a high-speed rail project in the UK. Order bookings in SEK were 16 percent higher than revenue during the year, compared to 7 percent higher order bookings than revenue the previous year.

### Order bookings and order backlog

| | Order bookings | | Order backlog | |
|---|---|---|---|---|
| **SEK M** | **2021** | **2020** | **2021** | **2020** |
| Nordics | 60,439 | 59,254 | 69,711 | 63,514 |
| of which Sweden | 31,966 | 30,502 | 33,756 | 34,558 |
| Europe | 27,290 | 40,147 | 39,630 | 37,680 |
| USA | 65,860 | 50,401 | 97,690 | 77,729 |
| **Total** | **153,590** | **149,802** | **207,031** | **178,924** |

### Order backlog

The order backlog increased by 16 percent when compared to the previous year and amounted to SEK 207.0 billion (178.9). The order backlog is equivalent to 18 (16) months of production.

The US, Nordic and European operations accounted for 47, 34 and 19 percent respectively of the order backlog.

### Segment reporting and IFRS

The Group reports its Residential Development and Commercial Property Development business streams according to a method described in Note 1. The differences between the two methods of reporting revenue and operating income are summarized in the tables below.

### Revenue

| SEK M | 2021 | 2020 |
|---|---|---|
| **Revenue by business stream according to segment reporting** | | |
| Construction | 132,587 | 140,483 |
| Residential Development | 14,377 | 13,070 |
| Commercial Property Development | 11,102 | 14,983 |
| Central and Eliminations | -10,490 | -9,931 |
| **Total revenue according to segment reporting** | **147,576** | **158,606** |
| Difference in accounting principles | -3,712 | 1,738 |
| **Total revenue in accordance with IFRS** | **143,865** | **160,344** |

Revenue in accordance with IFRS decreased by 10 percent (decreased 7 percent in local currency) to SEK 143.9 billion (160.3).

Revenue according to segment reporting decreased by 7 percent (decreased 4 percent in local currency) to SEK 147.6 billion (158.6). In the Construction business stream, revenue decreased in SEK by 6 percent. This is mainly related to Covid-19 disruptions, especially in Europe and the USA, and decisions by customers to postpone ramp-up of new projects. SEK 10.1 billion (9.8) of revenue in Construction, equivalent to 8 percent (7), was generated by the Group's Project Development operations. Of the SEK 14,377 M (13,070) in Residential Development revenue, SEK 247 M (594) is from joint ventures and this has been included line by line according to the proportional method in segment reporting.

### Operating income

| SEK M | 2021 | 2020 |
|---|---|---|
| **Operating income by business stream according to segment reporting** | | |
| Construction | 5,013 | 3,528 |
| Residential Development | 1,980 | 1,543 |
| Commercial Property Development | 3,264 | 3,897 |
| Central | -415 | 2,830 |
| Eliminations | -9 | 62 |
| **Operating income according to segment reporting** | **9,832** | **11,860** |
| Difference in accounting principles | -1,539 | 773 |
| **Operating income in accordance with IFRS** | **8,293** | **12,633** |

Operating income according to IFRS decreased by 34 percent (decreased 33 percent in local currency) to SEK 8,293 M (12,633).

Operating income according to segment reporting amounted to SEK 9,832 M (11,860). Impairment losses on current and non-current assets were charged to operating income in the amount of SEK -298 M (-393), mainly attributable to impairment losses on current-asset properties and goodwill.

### Construction

In the Construction business stream, operating income increased and amounted to SEK 5,013 M (3,528). The operating margin was higher than in the previous year and amounted to 3.8 percent (2.5), with all of the business units either improving or maintaining their strong profitability. Operating income in Europe includes a gain of SEK 370 M related to the divestment of the infrastructure services business in the UK. Operating income in the Swedish construction operations includes a payout of surplus funds from the collectively bargained AGS group sickness policy of SEK 160 M.

**Residential Development according to segment reporting**
Operating income in Residential Development amounted to SEK 1,980 M (1,543). The operating margin for the business stream was 13.8 percent (11.8), with stable profitability in all of the business units. Impairment losses on current assets in Residential Development were charged to earnings in the amount of SEK -37 M (-45).

**Commercial Property Development according to segment reporting**
Operating income in the Commercial Property Development business stream amounted to SEK 3,264 M (3,897). Properties were sold during the year for a value of SEK 10,289 M (13,827), generating divestment gains of SEK 3,928 M (4,750) and income from joint ventures of SEK 93 M (-8). Impairment losses on current-asset properties in Commercial Property Development were charged to earnings in the amount of SEK -170 M (-279).

**Central**
Central amounted to SEK -415 M (2,830), of which SEK 230 M (3,734) is attributable to the PPP (public-private partnerships) portfolio, where divestment of the 50 percent ownership stake in Elizabeth River Crossings in Virginia, USA, had a positive effect in the previous year. During the year there were impairment losses of SEK 0 M (-61).

**Elimination of intra-Group profits**
Elimination of profits on internal projects amounted to SEK -9 M (62). At the Group level, this included elimination of profits relating to property projects in the Construction business stream. Eliminations are reversed when the projects are divested.

**Return on equity and capital employed according to segment reporting**
Return on equity according to segment reporting amounted to 20.0 percent (26.0) and return on capital employed in Project Development operations amounted to 11.8 percent (12.2) according to segment reporting.

**Income in accordance with IFRS**

| SEK M | 2021 | 2020 |
|---|---|---|
| **Operating income** | **8,293** | **12,633** |
| Financial income | 105 | 120 |
| Financial expense | -273 | -349 |
| **Financial items** | **-168** | **-229** |
| **Income after financial items** | **8,125** | **12,404** |
| Taxes | -1,238 | -2,507 |
| **Profit for the period** | **6,887** | **9,897** |

Financial items amounted to SEK -168 M (-229) net, including interest expense from lease liabilities of SEK -209 M (-244). Tax expense for the year amounted to SEK -1,238 M (-2,507), representing a tax rate of 15 percent (20).

**Investments/divestments**

| SEK M | 2021 | 2020 |
|---|---|---|
| **Operations – investments** | | |
| Intangible assets | -103 | -133 |
| Property, plant and equipment | -1,834 | -1,487 |
| Shares | -731 | -18 |
| Current-asset properties | -18,277 | -20,047 |
| of which Residential Development | -11,013 | -10,299 |
| of which Commercial Property Development | -7,264 | -9,748 |
| **Operations – investments** | **-20,945** | **-21,685** |
| **Total investments** | **-20,945** | **-21,685** |
| **Operations – divestments** | | |
| Intangible assets | 5 | 8 |
| Property, plant and equipment | 307 | 289 |
| Shares | 20 | 5,470 |
| Current-asset properties | 20,268 | 28,426 |
| of which Residential Development | 10,766 | 11,548 |
| of which Commercial Property Development | 9,502 | 16,878 |
| **Operations – divestments** | **20,600** | **34,193** |
| **Strategic divestments** | | |
| Sale of operations | 732 | |
| **Strategic divestments** | **732** | |
| **Total divestments** | **21,331** | **34,193** |
| **Total net divestments(+)/ investments(-)** | **386** | **12,508** |
| Depreciation/amortization, non-current assets | -2,669 | -2,945 |

The Group's investments amounted to a total of SEK -20,945 M (-21,685). Divestments amounted to SEK 21,331 M (34,193), and the Group's net divestments amounted to SEK 386 M (12,508).

Net divestments in current-asset properties amounted to SEK 1,991 M (8,379). In Residential Development investments in current-asset properties amounted to SEK -11,013 M (-10,299), of which SEK -2,715 M (-2,499) was for land, equivalent to 4,368 (4,328) building rights. Homes were handed over for a volume of SEK 10,766 M (11,548). Net investments in current-asset properties in Residential Development amounted to SEK -247 M (1,249).

In Commercial Property Development investments in current-asset properties amounted to SEK -7,264 M (-9,748), of which SEK -617 M (-2,752) was for land. Divestments of current-asset properties amounted to SEK 9,502 M (16,878). Net divestment of current-asset properties in Commercial Property Development amounted to SEK 2,238 M (7,130).

### Consolidated operating cash flow

| SEK M | 2021 | 2020 |
|---|---|---|
| Cash flow from business operations | 5,314 | 4,104 |
| Change in working capital | 3,986 | 607 |
| Net investments(-)/divestments(+) | -345 | 12,508 |
| Accrual adjustments | -23 | -355 |
| **Cash flow from business operations before taxes paid** | **8,931** | **16,865** |
| Taxes paid in business operations | -3,861 | -1,481 |
| **Cash flow from business operations including taxes paid** | **5,070** | **15,384** |
| Net interest and other financial items | -1,150 | -1,334 |
| Taxes paid in financing activities | 264 | 400 |
| **Cash flow from financing activities** | **-885** | **-934** |
| **Cash flow from operations** | **4,185** | **14,450** |
| Strategic net divestments(+)/investments(-) | 732 | |

### Consolidated operating cash flow, cont.

| SEK M | 2021 | 2020 |
|---|---|---|
| Dividend etc.[1] | -4,172 | -1,443 |
| **Cash flow before change in interest-bearing receivables and liabilities** | **745** | **13,007** |
| Change in interest-bearing receivables and liabilities | -9,729 | -1,335 |
| **Cash flow for the year** | **-8,984** | **11,672** |
| Cash and cash equivalents, January 1 | 19,508 | 8,745 |
| Exchange rate differences in cash and cash equivalents | 423 | -909 |
| **Cash and cash equivalents, December 31** | **10,947** | **19,508** |
| 1 Of which repurchases of shares | -242 | -88 |

Cash flow for the year amounted to SEK -8,984 M (11,672).

Cash flow from operations amounted to SEK 4,185 M (14,450), the main reasons for the change in cash flow being lower net divestments in Project Development and taxes paid. Taxes paid in business operations amounted to SEK -3,861 M (-1,481). The increase is mainly related to taxes paid on divestment gains realized in the USA in late 2020.

Cash flow for the year of SEK -8,984 M (11,672) combined with translation differences of SEK 423 M (-909) decreased cash and cash equivalents, which amounted to SEK 10,947 M (19,508).

Commercial Property Development assets sold but not yet transferred as of December 31, 2021 will have a positive effect on cash flow of SEK 6.2 billion in 2022 and 2023.

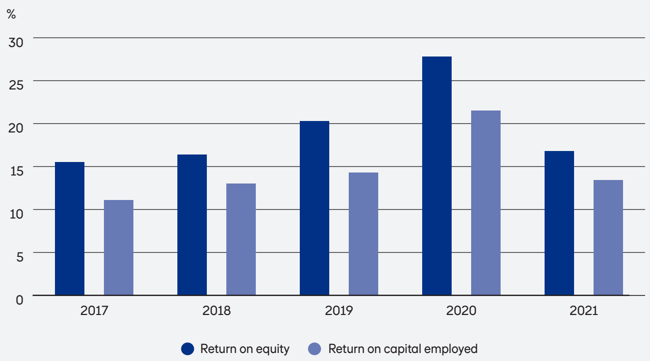
### Financing and liquidity

At the end of 2021 the Group had interest-bearing net debt amounting to SEK 12.6 billion (-7.3), including SEK 7.0 billion (7.2) in lease liabilities in accordance with IFRS 16.

At the end of the year, cash and cash equivalents and unutilized confirmed credit facilities amounted to SEK 17.5 billion, of which SEK 14.7 billion is available within one week. The Group's total assets increased by SEK 13.4 billion and amounted to SEK 139.0 billion (125.6).

For financial position, see also Note 6 and Note 14.

### Return on equity and capital employed




At the end of the year, equity attributable to equity holders amounted to SEK 45,682 M (38,620). Apart from comprehensive income for the year of SEK 10,834 M, the change in equity is mainly explained by dividends of SEK -3,917 M and share-based payments in connection with long-term employee ownership programs (Seop) totaling SEK 388 M.

Return on equity decreased to 16.8 percent (27.8).

Capital employed at year-end amounted to SEK 66,729 M (61,129). Return on capital employed amounted to 13.4 percent (21.5).

### Equity/assets ratio and debt/equity ratio

The net debt/equity ratio amounted to -0.3 (-0.2) and the equity/assets ratio amounted to 32.9 percent (30.8).

For additional financial information see Note 6 and Note 14.

**Parent Company**
The Parent Company carries out administrative tasks and includes the Group Leadership Team and Group Functions.

Profit for the year amounted to SEK 10,400 M (2,976) and mainly consisted of dividends from subsidiaries. The average number of employees was 87 (96).

**Senior executive remuneration**
For information about the most recently approved guidelines for determining salaries and other remuneration for the CEO and other senior executives, see Note 37.

*Skanska employee ownership program (Seop)*
The purpose of the Seop is to strengthen the Group's ability to retain and recruit qualified employees and to align them more closely to the company and its shareholders.

The program provides employees with the opportunity to invest in Skanska shares while receiving incentives in the form of possible allotment of additional shares. This allotment is predominantly performance-based.

Shares are only allotted after a three-year vesting period. To earn matching shares and performance shares, a person must be employed during the entire lock-up period and have retained the shares purchased within the framework of the program.

In 2021, costs related to the Seop program amounted to SEK 388 M. See also Note 26 and Note 37.

The accounting principles applied for the employee ownership programs can be found in Note 1, IFRS 2 Share-based Payment.

**Research and development (R&D)**
Through R&D activities Skanska identifies, develops and applies new and improved products, services and processes in order to offer its customers innovative and climate-smart solutions. R&D thus not only enables us to improve operational efficiency, but also supports our ability to add value for our shareholders over the long term.

Skanska's business units head up our R&D initiatives and activities. This allows us to flexibly and easily make the best possible use of our R&D to meet the needs of our business. Our various internal networks and communication platforms facilitate knowledge sharing throughout the Group to drive our efforts forward.

**Digitalization and sustainability**
Digitalization, innovation and sustainability are clear focus areas in our research activities. Based on this, and combined with structured R&D work, we can create the conditions to reach our climate goals and contribute to the financial targets.

It is possible to reduce carbon emissions by half using existing technology, methods and business models, but achieving climate neutrality depends entirely on finding new paths forward. Innovation and R&D are therefore crucial to solve sustainability challenges.

New technology, innovations and improved products are playing an increasingly important role, with greater demand for digitalized solutions and for quality, functionality and design.

To read more about Skanska's innovative sustainability solutions, see the Sustainability report.

**Importance of R&D partnerships**
Alongside our own efforts it is equally important for us to increase our R&D collaboration with external partners. Partnerships with representatives from throughout the value chain – from decision-makers, business partners and suppliers to private individuals – are key for success in sustainable development. Together we are driving progress on important initiatives in the construction and infrastructure sector, including those focusing on reasonably priced housing, climate smart production, sustainable growth and urban planning.

R&D partnerships are also important for reaching the target of zero carbon emissions by 2045; a target that guides Skanska's efforts to reduce climate impact within its operations.

We have come a long way on our development and innovation journey – a journey we are on with employees, subcontractors, customers, consultants and other partners. Digitalization of our tools as well as smart work methods and processes is in the end about how we are going to live up to Skanska's high ambitions in the areas of security, inclusion and sustainability.

**Information on shares**
To ensure allotment of shares to the participants in Skanska's employee ownership programs, the 2021 Annual General Meeting authorized the Board to repurchase treasury shares. According to this decision the company may buy a maximum of 1,200,000 Series B shares to ensure allotment of shares to participants in Seop 5.

During the year, Skanska repurchased a total of 1,048,500 shares at an average price of SEK 230.59. The average price of all repurchased shares is SEK 141.85. The quota value of the repurchased shares is SEK 3.00 per share, totaling SEK 3.1 M, and the shares represent 0.2 percent of the total share capital. The cost of acquiring the shares amounted to SEK 242 M. During the year 1,009,686 shares were allotted to the employees participating in the employee ownership program. The quota value of these shares is SEK 3.00 per share, totaling SEK 3.0 M, and the shares represent 0.2 percent of the total share capital. The number of treasury shares held as of December 31, 2021 amounted to 7,655,488. The quota value of these shares is SEK 3.00 per share, totaling SEK 23.0 M, and the shares represent 1.8 percent of the total share capital. The cost of acquiring the shares amounted to SEK 1.1 billion.

**Proposed dividend**
The Board proposes that the Annual General Meeting on March 29, 2022 resolves on a dividend for 2021 of SEK 10.00 per share (9.50), of which SEK 7.00 per share (6.50) as ordinary dividend and SEK 3.00 per share (3.00) as extra dividend. The Board proposes Thursday March 31, 2022, as the record date for receiving dividend. If the meeting resolves in accordance with the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Tuesday April 5, 2022. The proposed dividend amounts to a total of SEK 4,122 M (3,917). No dividend is paid for the Parent Company's holding of Series B treasury shares. The total dividend amount may change by the record date, depending on repurchases of Series B treasury shares and the transfer of Series B shares to participants in Skanska employee ownership programs.

**The Board's justification for its proposed dividend**
The Board hereby issues the following reasoned statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act due to the dividend proposal.

The Parent Company's and the Group's operations, risks in these operations, and governance, processes and mechanisms for managing these risks, the Parent Company's and the Group's financial situation as of December 31, 2021, and which accounting principles are applied to valuing assets and liabilities are stated in this Annual and Sustainability Report. The proposed dividend reduces the Parent Company's equity/assets ratio from 97.2 percent to 96.4 percent and the Group's equity/assets ratio from 32.9 percent to 30.8 percent, calculated on December 31, 2021.

In the Board's assessment, after the dividend has been paid, the financial strength of the Parent Company and the Group will continue to be good in relation to the industry in which the Parent Company and the Group operate and, even taking into account Covid-19, will remain fully sufficient to enable the Parent Company and the Group to fulfil their obligations in the short and long term. In the Board's assessment, the Parent Company and the Group are well prepared to handle any changes in liquidity as well as unexpected events. The Board is of the opinion that the Parent Company and the Group have the ability to take future business risks and also withstand potential losses. The Parent Company's and the Group's ability to make commercially motivated investments in accordance with the strategy of the Board will not be adversely affected by the dividend.

The proposed dividend is deemed by the Board to be justifiable in view of what is required in terms of the size of the Parent Company's and the Group's equity, as well as the Parent Company's and the Group's consolidation requirements, liquidity and position in general, based on the nature, scale and risks of the operations. In making this assessment, the Board has considered, among other things, the Parent Company's and the Group's historical development and expected development, as well as the economic situation.

With reference to the above and based on what has otherwise come to the Board's attention, and after an assessment of the financial position of the Parent Company and the Group, the Board concludes that the proposed dividend is justifiable taking into account the requirements set forth in Chapter 17, Section 3 of the Swedish Companies Act.

# Consolidated income statement

| SEK M | Note | 2021 | 2020 |
|---|---|---|---|
| Revenue | 8, 9 | 143,865 | 160,344 |
| Cost of sales | 10 | -128,156 | -143,457 |
| **Gross income** | | **15,709** | **16,887** |
| | | | |
| Selling and administrative expenses | 11 | -7,865 | -8,269 |
| Income from joint ventures and associated companies | 20 | 449 | 4,015 |
| **Operating income** | 10, 12, 13, 22, 36, 38, 40 | **8,293** | **12,633** |
| Financial income | | 105 | 120 |
| Financial expense | | -273 | -349 |
| **Financial items** | 14, 15 | **-168** | **-229** |
| | | | |
| **Income after financial items** | | **8,125** | **12,404** |
| | | | |
| Income taxes | 16 | -1,238 | -2,507 |
| **Profit for the year** | | **6,887** | **9,897** |
| | | | |
| Profit for the year attributable to | | | |
| Parent Company equity holders | | 6,864 | 9,875 |
| Non-controlling interests | | 23 | 22 |
| | | | |
| Earnings per share, SEK | 26, 43 | 16.64 | 23.97 |
| Earnings per share after dilution, SEK | 26, 43 | 16.52 | 23.84 |
| | | | |
| Proposed regular dividend per share, SEK | | 7.00 | 6.50 |
| Proposed extra dividend per share, SEK | | 3.00 | 3.00 |

# Consolidated statement of comprehensive income

| SEK M | 2021 | 2020 |
|---|---|---|
| **Profit for the year** | **6,887** | **9,897** |
| | | |
| **Other comprehensive income** | | |
| | | |
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurement of defined-benefit pension plans[1] | 2,585 | -1,003 |
| Tax on items that will not be reclassified to profit or loss for the period | -575 | 211 |
| | **2,010** | **-792** |
| | | |
| **Items that have been or will be reclassified to profit or loss for the period** | | |
| Translation differences attributable to equity holders | 1,808 | -2,120 |
| Translation differences attributable to non-controlling interests | 7 | -7 |
| Hedging of exchange rate risk in foreign operations | 40 | -19 |
| Effect of cash flow hedges | 2 | 35 |
| Share of other comprehensive income of joint ventures and associated companies | 113 | -176 |
| Tax on items that have been or will be reclassified to profit for the period | -3 | 21 |
| | **1,966** | **-2,266** |
| | | |
| **Other comprehensive income after tax** | **3,977** | **-3,058** |
| **Comprehensive income for the year** | **10,863** | **6,839** |
| | | |
| Comprehensive income for the year attributable to | | |
| Parent Company equity holders | 10,834 | 6,824 |
| Non-controlling interests | 30 | 15 |
| 1 Effects of social insurance contributions including special employer's contribution are included | 311 | -143 |

See also Note 26.

# Consolidated statement of financial position

| SEK M | Note | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | 7,279 | 6,816 |
| Property, plant and equipment, right-of-use assets | 40 | 3,314 | 3,930 |
| Goodwill | 18 | 3,934 | 3,713 |
| Other intangible assets | 19 | 676 | 771 |
| Investments in joint ventures and associated companies | 20 | 2,185 | 1,689 |
| Non-current financial assets | 21 | 3,875 | 1,931 |
| Deferred tax assets | 16 | 1,984 | 1,803 |
| **Total non-current assets** | | **23,247** | **20,653** |
| | | | |
| **Current assets** | | | |
| Current-asset properties | 22 | 49,745 | 44,948 |
| Current-asset properties, right-of-use assets | 40 | 3,289 | 2,980 |
| Inventories | 23 | 1,090 | 1,100 |
| Current financial assets | 21 | 18,810 | 8,492 |
| Tax assets | 16 | 1,247 | 950 |
| Contract assets | 9 | 5,451 | 4,599 |
| Other operating receivables | 24 | 25,212 | 22,401 |
| Cash and bank balances | 25 | 10,947 | 19,508 |
| **Total current assets** | | **115,791** | **104,979** |
| **ASSETS** | 32 | **139,039** | **125,631** |
| | | | |
| of which interest-bearing non-current financial assets | 31 | 3,838 | 1,884 |
| of which interest-bearing current assets | 31 | 29,694 | 27,808 |
| | | 33,531 | 29,692 |

| SEK M | Note | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **EQUITY** | 26 | | |
| Share capital | | 1,260 | 1,260 |
| Paid-in capital | | 3,715 | 3,327 |
| Reserves | | 2,866 | 906 |
| Retained earnings | | 37,842 | 33,127 |
| **Equity attributable to equity holders** | | **45,682** | **38,620** |
| Non-controlling interests | | 114 | 97 |
| **TOTAL EQUITY** | | **45,797** | **38,717** |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Non-current financial liabilities | 27 | 3,389 | 3,247 |
| Lease liabilities | 40 | 6,040 | 6,217 |
| Pensions | 28 | 5,936 | 7,360 |
| Deferred tax liabilities | 16 | 1,215 | 928 |
| **Total non-current liabilities** | | **16,580** | **17,752** |
| | | | |
| **Current liabilities** | | | |
| Current financial liabilities | 27 | 4,780 | 4,663 |
| Lease liabilities | 40 | 920 | 1,016 |
| Tax liabilities | 16 | 417 | 1,884 |
| Current provisions | 29 | 11,239 | 10,326 |
| Contract liabilities | 9 | 22,664 | 19,462 |
| Other operating liabilities | 30 | 36,642 | 31,812 |
| **Total current liabilities** | | **76,662** | **69,162** |
| **TOTAL LIABILITIES** | | **93,242** | **86,914** |
| **EQUITY AND LIABILITIES** | 32 | **139,039** | **125,631** |
| | | | |
| of which interest-bearing financial liabilities | 31 | 14,997 | 15,052 |
| of which interest-bearing pensions and provisions | 31 | 5,936 | 7,360 |
| | | 20,933 | 22,412 |

Information on the Group's pledged assets and contingent liabilities can be found in Note 33.

# Consolidated statement of changes in equity

| | Equity attributable to equity holders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SEK M | Share capital | Paid-in capital | Translation reserve | Cash flow hedge reserve | Retained earnings | Total | Non-controlling interests | Total equity capital |
| **Equity, December 31, 2019/Equity, January 1, 2020** | **1,260** | **3,027** | **3,551** | **-386** | **25,472** | **32,924** | **97** | **33,021** |
| Profit for the year | | | | | 9,875 | 9,875 | 22 | 9,897 |
| Other comprehensive income for the year | | | -2,139 | -120 | -792 | -3,051 | -7 | -3,058 |
| Dividend | | | | | -1,340 | -1,340 | -15 | -1,355 |
| Repurchase of 460,000 Series B shares | | | | | -88 | -88 | | -88 |
| Change in share-based payments | | 300 | | | | 300 | | 300 |
| **Equity, December 31, 2020/Equity, January 1, 2021** | **1,260** | **3,327** | **1,412** | **-506** | **33,127** | **38,620** | **97** | **38,717** |
| Profit for the year | | | | | 6,864 | 6,864 | 23 | 6,887 |
| Other comprehensive income for the year | | | 1,847 | 112 | 2,010 | 3,970 | 7 | 3,977 |
| Dividend | | | | | -3,917 | -3,917 | -13 | -3,930 |
| Repurchase of 1,048,500 Series B shares | | | | | -242 | -242 | | -242 |
| Change in share-based payments | | 388 | | | | 388 | | 388 |
| **Equity, December 31, 2021** | **1,260** | **3,715** | **3,259** | **-394** | **37,842** | **45,682** | **114** | **45,797** |

See also Note 26.

# Consolidated cash flow statement

| SEK M | 2021 | 2020 |
|---|---|---|
| **Operating activities** | | |
| Operating income | 8,293 | 12,633 |
| Adjustments for items not included in cash flow | -2,979 | -8,529 |
| Income tax paid | -3,830 | -1,452 |
| **Cash flow from operating activities before change in working capital** | **1,483** | **2,652** |
| | | |
| **Cash flow from change in working capital** | | |
| Investments in current-asset properties | -18,420 | -20,424 |
| Divestments of current-asset properties | 20,388 | 28,448 |
| Change in inventories and operating receivables | -2,259 | 2,417 |
| Change in operating liabilities | 6,245 | -1,809 |
| **Cash flow from change in working capital** | **5,953** | **8,632** |
| | | |
| **Cash flow from operating activities** | **7,436** | **11,284** |
| | | |
| **Investing activities** | | |
| Acquisition of business | | |
| Investments in intangible assets | -103 | -132 |
| Investments in property, plant and equipment | -1,825 | -1,487 |
| Investments in shares | -731 | -19 |
| Increase in interest-bearing receivables | -9,977 | -3,666 |
| Sale of operations | 732 | |
| Divestments of intangible assets | 5 | 8 |
| Divestments of property, plant and equipment | 298 | 289 |
| Divestments of shares | 20 | 5,470 |
| Decrease in interest-bearing receivables | 244 | 1,137 |
| Income tax paid | -30 | -29 |
| **Cash flow from investing activities** | **-11,368** | **1,571** |

| SEK M | 2021 | 2020 |
|---|---|---|
| **Financing activities** | | |
| Net interest | 117 | 113 |
| Other financial income and expense | -220 | -139 |
| Borrowings | 3,565 | 8,821 |
| Repayment of debt excluding lease liabilities | -3,546 | -7,612 |
| Total cash outflow for leases | -1,062 | -1,324 |
| Dividend | -3,917 | -1,340 |
| Repurchase of treasury shares | -242 | -88 |
| Dividend to non-controlling interests | -13 | -15 |
| Income tax paid | 264 | 400 |
| **Cash flow from financing activities** | **-5,053** | **-1,183** |
| **Cash flow for the year** | **-8,984** | **11,672** |
| Cash and cash equivalents, January 1 | 19,508 | 8,745 |
| Translation differences in cash and cash equivalents | 423 | -909 |
| **Cash and cash equivalents, December 31** | **10,947** | **19,508** |

**Change in interest-bearing net receivables/net liabilities**

| SEK M | 2021 | 2020 |
|---|---|---|
| **Interest-bearing net receivables/net liabilities, January 1** | **7,280** | **-4,917** |
| Cash flow from operating activities | 7,436 | 11,284 |
| Cash flow from investing activities excluding change in interest-bearing receivables | -1,634 | 4,100 |
| Cash flow from financing activities excluding change in interest-bearing liabilities | -5,072 | -2,393 |
| Remeasurement of pension liabilities | 2,274 | -860 |
| Net receivable/net liability acquired/divested | 286 | |
| Translation differences | 1,340 | -1,067 |
| Other | 688 | 1,133 |
| **Interest-bearing net receivables/net liabilities, December 31 (+/-)** | **12,598** | **7,280** |

See also Note 35.

# Consolidated cash flow statement, specification

**Consolidated operating cash flow statement and change in interest-bearing net receivables/net liabilities**

| SEK M | 2021 | 2020 |
|---|---|---|
| **Construction** | | |
| Cash flow from business operations | 6,783 | 6,258 |
| Change in working capital | 1,787 | 1,382 |
| Net divestments(+)/investments(-) | -1,548 | -1,188 |
| **Total Construction** | **7,022** | **6,451** |
| | | |
| **Residential Development** | | |
| Cash flow from business operations | -599 | -434 |
| Change in working capital | 2,039 | -693 |
| Net divestments(+)/investments(-) | -722 | 1,291 |
| Accrual adjustments[1] | | |
| **Total Residential Development** | **718** | **164** |
| | | |
| **Commercial Property Development** | | |
| Cash flow from business operations | -462 | -1,088 |
| Change in working capital | 37 | -487 |
| Net divestments(+)/investments(-) | 2,617 | 7,211 |
| Accrual adjustments[1] | -23 | -355 |
| **Total Commercial Property Development** | **2,168** | **5,281** |
| | | |
| **Central and Eliminations** | | |
| Cash flow from business operations | -407 | -631 |
| Change in working capital | 122 | 406 |
| Net divestments(+)/investments(-) | -693 | 5,194 |
| **Total Central and Eliminations** | **-978** | **4,969** |

| SEK M | 2021 | 2020 |
|---|---|---|
| Total cash flow from operating activities | 5,314 | 4,104 |
| Total change in working capital | 3,986 | 607 |
| Total net divestments(+)/investments(-) | -345 | 12,508 |
| Total accrual adjustments[1] | -23 | -355 |
| **Total cash flow from business operations before taxes paid** | **8,931** | **16,865** |
| | | |
| Taxes paid in business operations | -3,861 | -1,481 |
| **Cash flow from business operations including taxes paid** | **5,070** | **15,384** |
| | | |
| Net interest, other financial items and repayment of lease liabilities | -1,150 | -1,334 |
| Taxes paid in financing activities | 264 | 400 |
| **Cash flow from financing activities** | **-885** | **-934** |
| **Cash flow from operations** | **4,185** | **14,450** |
| | | |
| Strategic net divestments(+)/investments(-) | 732 | |
| Dividend etc.[2] | -4,172 | -1,443 |
| **Cash flow before change in interest-bearing receivables and liabilities** | **745** | **13,007** |
| Change in interest-bearing receivables and liabilities excluding lease liabilities | -9,729 | -1,335 |
| **Cash flow for the period** | **-8,984** | **11,672** |
| Cash and cash equivalents, January 1 | 19,508 | 8,745 |
| Translation differences in cash and cash equivalents | 423 | -909 |
| **Cash and cash equivalents, December 31** | **10,947** | **19,508** |
| 1 Refers to payments made during the reporting year related to divestments/investments in prior years, and unpaid divestments/investments related to the reporting year. | | |
| 2 Of which shares repurchased | -242 | -88 |

See also Note 35.

# Parent Company income statement

| SEK M | Note | 2021 | 2020 |
|---|---|---|---|
| Revenue | 45 | 636 | 675 |
| **Gross income** | | **636** | **675** |
| | | | |
| Selling and administrative expenses | | -543 | -523 |
| **Operating income** | 48, 49, 61 | **93** | **152** |
| | | | |
| Income from holdings in Group companies | 46 | 10,330 | 2,857 |
| Interest expense and similar items | 46 | -22 | -28 |
| **Income after financial items** | | **10,401** | **2,981** |
| | | | |
| Tax on profit for the year | 47 | -1 | -5 |
| **Profit for the year**[1] | | **10,400** | **2,976** |

1 Coincides with comprehensive income for the year.

# Parent Company balance sheet

| SEK M | Note | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Intangible non-current assets** | 48 | **3** | 8 |
| | | | |
| **Property, plant and equipment** | 49 | | |
| Plant and equipment | | 0 | 0 |
| **Total property, plant and equipment** | | **0** | **0** |
| | | | |
| **Non-current financial assets** | 50 | | |
| Holdings in Group companies | 51 | 11,783 | 11,477 |
| Holdings in joint arrangements | 52 | 3 | 3 |
| Receivables in Group companies | 62 | 5,669 | 384 |
| Deferred tax assets | 47 | 65 | 60 |
| Other non-current receivables | 50 | 107 | 107 |
| **Total non-current financial assets** | | **17,627** | **12,031** |
| | | | |
| **Total non-current assets** | | **17,630** | **12,039** |
| | | | |
| **Current receivables** | | | |
| Current receivables in Group companies | 62 | 42 | 34 |
| Tax assets | | 10 | 13 |
| Other current receivables | | 116 | 102 |
| Prepaid expenses and accrued income | 53 | 18 | 15 |
| **Total current receivables** | | **186** | **164** |
| | | | |
| **Total current assets** | | **186** | **164** |
| | | | |
| **ASSETS** | 58 | **17,816** | **12,203** |

| SEK M | Note | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Equity** | 54 | | |
| Share capital | | 1,260 | 1,260 |
| Statutory reserve | | 598 | 598 |
| **Restricted equity** | | **1,858** | **1,858** |
| | | | |
| Retained earnings | | 5,068 | 5,818 |
| Profit for the year | | 10,400 | 2,976 |
| **Unrestricted equity** | | **15,468** | **8,794** |
| | | | |
| **Total equity** | | **17,326** | **10,652** |
| | | | |
| **Provisions** | 55 | | |
| Provisions for pensions and similar obligations | 56 | 167 | 164 |
| Other provisions | | 84 | 76 |
| **Total provisions** | | **251** | **240** |
| | | | |
| **Non-current interest-bearing liabilities** | 57 | | |
| Liabilities to Group companies | 62 | 134 | 1,211 |
| **Total non-current interest-bearing liabilities** | | **134** | **1,211** |
| | | | |
| **Current liabilities** | 57 | | |
| Trade accounts payable | | 23 | 13 |
| Liabilities to Group companies | 62 | 3 | 5 |
| Other liabilities | | 2 | 3 |
| Accrued expenses and prepaid income | | 77 | 79 |
| **Total current liabilities** | | **105** | **100** |
| | | | |
| **EQUITY AND LIABILITIES** | 58 | **17,816** | **12,203** |

# Parent Company statement of changes in equity

| SEK M | Share capital | Statutory reserve | Unrestricted equity | Total equity |
|---|---|---|---|---|
| **Equity, January 1, 2020** | **1,260** | **598** | **6,930** | **8,788** |
| Repurchase of 460,000 Series B shares | | | -88 | -88 |
| Compensation from subsidiaries for shares issued under employee ownership programs | | | 16 | 16 |
| Dividend | | | -1,340 | -1,340 |
| Share-based payments | | | 300 | 300 |
| Profit for the year[1] | | | 2,976 | 2,976 |
| **Equity, December 31, 2020/ Equity, January 1, 2021** | **1,260** | **598** | **8,794** | **10,652** |
| Repurchase of 1,048,500 Series B shares | | | -242 | -242 |
| Compensation from subsidiaries for shares issued under employee ownership programs | | | 45 | 45 |
| Dividend | | | -3,917 | -3,917 |
| Share-based payments | | | 388 | 388 |
| Profit for the year[1] | | | 10,400 | 10,400 |
| **Equity, December 31, 2021** | **1,260** | **598** | **15,468** | **17,326** |

1 Coincides with comprehensive income for the year.

See also Note 54.

# Parent Company cash flow statement

| SEK M | 2021 | 2020 |
|---|---|---|
| **Operating activities** | | |
| Operating income | 93 | 152 |
| Adjustments for items not included in cash flow | 20 | 17 |
| Income tax paid | -7 | -13 |
| **Cash flow from operating activities before change in working capital** | **106** | **156** |
| | | |
| **Cash flow from change in working capital** | | |
| Change in operating receivables | -26 | -1 |
| Change in operating liabilities | 17 | -34 |
| **Cash flow from change in working capital** | **-9** | **35** |
| | | |
| **Cash flow from operating activities** | **97** | **121** |
| | | |
| **Investing activities** | | |
| Increase in interest-bearing receivables | -5,285 | -66 |
| Sale of intangible assets | 2 | |
| **Cash flow from investing activities** | **-5,283** | **-66** |
| | | |
| **Financing activities** | | |
| Net interest | -22 | -28 |
| Dividends received | 10,330 | 2,857 |
| Repayment of debt | -1,077 | -1,605 |
| Dividend | -3,917 | -1,340 |
| Repurchase of shares | -242 | -88 |
| Income tax paid | 5 | 6 |
| Payments from subsidiaries for employee ownership programs | 109 | 143 |
| **Cash flow from financing activities** | **5,186** | **-55** |
| | | |
| **Cash flow for the year** | **0** | **0** |
| Cash and cash equivalents, January 1 | 0 | 0 |
| **Cash and cash equivalents, December 31** | **0** | **0** |

See also Note 60.

# Notes, including accounting and valuation principles

Amounts in millions of Swedish kronor (SEK M) unless otherwise specified.

Income is reported in positive figures and expense in negative figures.

Both assets and liabilities are reported in positive figures.

Interest-bearing net receivables/net liabilities are reported in positive figures if they are receivables and negative figures if they are liabilities.

Accumulated depreciation/amortization and accumulated impairment losses are reported in negative figures.

**Table of contents, notes**

## **Note 1.** Consolidated accounting and valuation principles

**Conformity with laws and standards**
In compliance with the ordinance approved by the European Union (EU) on the application of international accounting standards, the consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations by the IFRS Interpretations Committee and its predecessor, the Standing Interpretations Committee (SIC), to the extent these standards and interpretations have been approved by the EU. In addition, the Swedish Financial Reporting Board's Recommendation RFR 1 "Supplementary Accounting Rules for Groups" has been applied, as have the Statements of the Swedish Financial Reporting Board.

Amounts in tables and statements do not always accord with the calculated total of related items due to rounding differences. The aim is that each line agrees with the source, and therefore there may be rounding differences that affect the total when the presented lines are added together.

The Parent Company applies the same accounting principles as the Group, except in the cases indicated below in the section "Parent Company accounting and valuation principles."

The Parent Company's annual accounts and the consolidated annual accounts were approved for issuance by the Board of Directors on February 2, 2022. The Parent Company income statement and balance sheet and the consolidated income statement and statement of financial position will be subject to adoption by the Annual General Meeting on March 29, 2022.

**Conditions when preparing the Group's financial reports**
The functional currency of the Parent Company is Swedish crowns or kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. The financial reports are therefore presented in Swedish kronor. All amounts are rounded off to the nearest million, unless otherwise stated.

Preparing the financial reports in accordance with IFRS requires management to make judgments and estimates, and to make assumptions that affect the application of the accounting principles and the recognized amounts of assets, liabilities, revenue and expenses. Actual outcomes may deviate from these estimates and judgments.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the period in question and future periods.

Judgments made by management when applying IFRS with a substantial impact on the financial reports and estimates that may lead to significant adjustments in the financial reports of subsequent years are described in more detail in Note 2.

The accounting principles for the Group described in the following have been applied consistently for all periods that are presented in the Group's financial reports, unless otherwise indicated. The accounting principles for the Group have been applied consistently in reporting and consolidation of the Parent Company, subsidiaries, associated companies and joint arrangements.

**New standards and interpretations**
The Group applies the amendments in IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases attributable to the Interest Rate Benchmark Reform – Phase 2. The amendments relate to financial reporting issues that arise when financial instruments are altered and these changes are attributable to the Interest Rate Benchmark Reform. The amendments provide practical relief from certain requirements in the standards. Their introduction has had no significant impact on the Group's financial reporting. See Note 6 for a more detailed description.

Skanska has decided to expand the operating segment by introducing a new business stream, Investment Properties, starting from the 2022 financial year. The new business stream will own and manage properties with the aim of generating rental income and increases in value. For accounting principles that will be applied see IAS 40 Investment Property and IFRS 16 Leases later in this note.

**Early adoption of new or revised IFRS and interpretations**
There has been no early adoption of new or revised IFRS or interpretations.

**IAS 1 Presentation of Financial Statements**
*Income statement*
Items recognized as revenue are: project revenue, compensation for other services performed, divestment of current-asset properties, deliveries of materials and merchandise, rental income and other operating revenue. Revenue from the sale of machinery, equipment, non-current-asset properties and intangible assets is not included, but is instead recognized on a net basis among operating expenses against the carrying amounts of the assets. See Note 10.

Items reported as cost of sales include: direct and indirect manufacturing expenses, loss risk provisions, the carrying amounts of divested current-asset properties, bad debt losses and warranty expenses. Also included is depreciation on property, plant and equipment used in construction and property management. Changes in the fair value of derivatives related to operations are recognized in operating income.

Selling and administrative expenses include customary administrative expenses, technical expenses and selling expenses, as well as depreciation of machinery and equipment that have been used in selling and administrative processes. Goodwill impairment losses are also reported as selling and administrative expenses.

Profit/loss from joint ventures and associated companies, after tax, is recognized separately in the income statement and is included in operating income.

Financial income and expenses are recognized divided into two items: "Financial income" and "Financial expense." Among items recognized under financial income are interest income, dividends and other financial items. Financial expense includes interest expense and other financial items. Changes in the fair value of financial instruments, primarily derivatives linked to financing activities, are recognized as a separate sub-item allocated between financial income and financial expense. The net amount of exchange rate differences and gains/losses on divestments of shares are recognized either as financial income or financial expense. Financial income and expense are described in more detail in Note 6 and in Note 14.

*Comprehensive income*
Aside from profit for the year, the consolidated statement of comprehensive income includes the items that are included under "Other comprehensive income." These include translation differences, hedging of exchange rate risks in foreign operations, remeasurement related to pension-linked assets and liabilities, effects of cash flow hedges and tax on these items.

**Statement of financial position**
*Assets*
Assets are allocated between current assets and non-current assets. An asset is regarded as a current asset if it is expected to be realized within 12 months from the closing day or within the company's operating cycle. The operating cycle is the period from the signing of a contract until the company receives cash payment following a final inspection or delivery of goods (including properties). Since the Group executes large contracting projects and project development, the operating cycle criterion means that many more assets are designated as current assets than if the only criterion were within 12 months.

Cash and cash equivalents consist of cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months that are subject to only an insignificant risk of fluctuation in value. Checks that have been issued reduce cash and cash equivalents only when cashed. Cash and cash equivalents that cannot be used freely are reported as current assets (current receivables) if the restriction will cease within 12 months from the closing day. In other cases, cash and cash equivalents are reported as non-current assets. Cash and cash equivalents belonging to joint operations are cash and cash equivalents with restrictions if they are only permitted to be used to settle the joint operations' debts.

Assets that meet the requirements in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are accounted for as a separate item among current assets.

Note 31 shows the allocation between interest-bearing and non-interest-bearing assets.

In Note 32, assets are allocated between amounts for assets that are expected to be recovered within 12 months of the closing day and assets that are expected to be recovered later than 12 months from the closing day. The allocation between non-current non-financial assets is based on expected annual depreciation. The division for current-asset properties is mainly based on outcomes during the past three years. This division is even more uncertain than for other assets, since the outcome during the coming year is strongly influenced by the dates when large individual properties are handed over.

*Equity*
The Group's equity is allocated between "Share capital," "Paid-in capital," "Reserves," "Retained earnings" and "Non-controlling interests."

Acquisitions of treasury shares are recognized as a deduction from equity. Proceeds from the divestment of shares are recognized as an increase in equity. Any transaction costs are recognized directly in equity.

*Note 1. Consolidated accounting and valuation principles, cont.*

Dividends are recognized as a liability once the general meeting of shareholders has approved the dividend.

A description of equity, the year's changes and disclosures concerning capital management are provided in Note 26.

*Liabilities*
Liabilities are allocated between current liabilities and non-current liabilities. Recognized as current liabilities are liabilities that are either supposed to be paid within 12 months of the closing day or – in the case of business-related liabilities only – are expected to be paid within the operating cycle. Since the operating cycle is taken into account, no non-interest-bearing liabilities, such as trade accounts payable and accrued employee expenses, are recognized as non-current. Liabilities that are recognized as interest-bearing due to discounting are included among current liabilities, since they are paid within the operating cycle. Interest-bearing liabilities can be recognized as non-current even if they fall due for payment within 12 months of the closing day if the original maturity was longer than 12 months and the company reaches an agreement on long-term refinancing of the obligation before the end of the reporting period. Information on liabilities is provided in Note 27 and Note 30.

In Note 32, liabilities are allocated between amounts for liabilities to be paid within 12 months of the closing day and liabilities to be paid later than 12 months from the closing day. Note 31 also provides information about the allocation between interest-bearing and non-interest-bearing liabilities.

**IFRS 10 Consolidated Financial Statements**
The consolidated financial statements cover the accounts of the Parent Company and the companies in which the Parent Company has a direct or indirect controlling interest. Under IFRS 10, a controlling interest exists when the investor has power over the business, or when it has rights to or is exposed to variable returns from its involvement with the investment holding and has the ability to affect those returns through its power over the investment holding. If, on the acquisition date, a subsidiary meets the conditions to be classified as held for sale in accordance with IFRS 5, it is reported according to that accounting standard.

The sale of a portion of a subsidiary is recognized as a separate equity transaction when the transaction does not result in a loss of controlling interest. If control of an operating Group company ceases, any remaining holding is to be recognized at fair value. Non-controlling interests may be recognized as a negative amount if a partly-owned subsidiary is operating at a loss.

Acquired companies are consolidated from the quarter within which the acquisition takes place. In a corresponding manner, divested companies are consolidated up to and including the final quarter before the divestment date.

Intra-Group receivables, liabilities, revenue and expenses are eliminated in their entirety when the consolidated financial statements are prepared.

Gains that arise from intra-Group transactions and that are unrealized from the standpoint of the Group on the closing day are eliminated in their entirety. Unrealized losses on intra-Group transactions are also eliminated in the same way as unrealized gains, to the extent that the loss does not correspond to an impairment loss.

Goodwill attributable to foreign operations is expressed in local currency. Translation to SEK is in accordance with IAS 21. Information on goodwill is provided in Note 18.

**IFRS 3 Business Combinations**
This accounting standard deals with business combinations, which are mergers of separate entities or operations. If the acquisition does not relate to business operations, as is normally the case when acquiring properties, IFRS 3 is not applied. In such cases, the acquisition cost is instead allocated among the individual identifiable assets and liabilities based on their fair values on the acquisition date, without recognizing goodwill and any deferred tax assets/tax liability resulting from the acquisition.

Acquisitions of businesses, regardless of whether the acquisitions are of holdings in another company or a direct acquisition of assets and liabilities, are recognized according to the purchase method of accounting. If the acquisition is of holdings in a company, the method involves regarding the acquisition as a transaction through which the Group indirectly acquires the assets of the subsidiary and assumes its liabilities and contingent liabilities. The cost of the acquisition recognized in the consolidated accounts is determined by means of an acquisition analysis in conjunction with the business combination transaction. The analysis establishes both the cost of the holdings or the business and the fair value of acquired identifiable assets plus the liabilities and contingent liabilities assumed. The difference between the cost of acquiring holdings in a subsidiary and the net fair value of acquired assets and of the liabilities and contingent liabilities assumed is goodwill on consolidation. If non-controlling interests remain after the acquisition, goodwill is normally calculated based only on the Group's stake in the acquired business.

Transaction costs relating to business combinations are expensed immediately. In the case of step acquisitions, previous holdings are remeasured at fair value and recognized in profit or loss when a controlling interest is achieved. Contingent consideration is recognized on the acquisition date at fair value. If the amount of the contingent consideration changes in subsequent financial statements, the change is recognized in profit or loss.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated among cash-generating units and subject to annual impairment testing in accordance with IAS 36.

In the case of business combinations where the cost of acquisition is below the net value of acquired assets and the liabilities and contingent liabilities assumed, the difference is recognized directly in profit or loss.

**IAS 21 The Effects of Changes in Foreign Exchange Rates**
*Foreign currency transactions*
Foreign currency transactions are translated into an entity's functional currency at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate in effect on the closing day. Exchange rate differences that arise in remeasurement are recognized in profit or loss. Non-monetary assets and liabilities recognized at historic cost are translated at the exchange rate in effect on the transaction date.

Functional currency is the currency of the primary economic environment where the companies in the Group conduct their business.

*Financial statements of foreign operations*
Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated to Swedish kronor at the exchange rate in effect on the closing day. Revenue and expenses in foreign operations are translated to Swedish kronor at the average exchange rate.

*Net investment in foreign operations*
Translation differences that arise in connection with translation of a foreign net investment are recognized under "Other comprehensive income." Foreign currency loans and currency derivatives for hedging of translation exposure are carried at the exchange rate on the closing day. Exchange rate differences are recognized, taking into account the tax effect, under "Other comprehensive income."

Hedging of translation exposure reduces the exchange rate effect when translating the financial statements of foreign operations to Swedish kronor. Any forward contract premium is accrued until maturity and is recognized as interest income or interest expense.

When divesting a foreign operation, the related accumulated translation differences and accumulated exchange rate differences from any currency hedges are transferred to the Group's profit or loss.

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**
Discontinued operations constitute a portion of an entity's operations that represents a separate line of business or major operations in a geographical area and which is part of a single coordinated plan to dispose of a separate line of business or major operations in a geographical area, or constitute a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operations occurs upon divestment, or at an earlier date when the operations meet the criteria to be classified as held for sale. A disposal group that is to be shut down can also qualify as discontinued operations if it meets the above criteria.

If a non-current asset or disposal group is to be classified as held for sale, the asset (disposal group) must be available for sale in its present condition. It must also be highly probable that the sale will occur. In order for a sale to be highly probable, a decision must have been made at management level, and active efforts to locate a buyer and complete the plan must have been initiated. The asset or disposal group must also be actively marketed at a price that is reasonable in relation to its fair value, and it must be probable that the sale will occur within one year. Skanska also applies the principle that with regard to a single non-current asset, its value must exceed EUR 100 M.

No depreciation or amortization of a non-current asset takes place as long as it is classified as held for sale.

Non-current assets classified as held for sale, disposal groups and liabilities attributable to them, and discontinued operations are recognized separately in the statement of financial position.

*Note 1. Consolidated accounting and valuation principles, cont.*

**IAS 28 Investments in Associates and Joint Ventures**
Companies in which the Skanska Group exercises a significant but not a controlling influence, which is presumed to be the case when the Group's holding is between 20 and 50 percent of the voting power, are reported as associated companies. In addition, it is presumed that this ownership is one element of a long-term connection and that the holding will not be reported as a joint arrangement.

Associated companies are recognized according to the equity method, as are joint ventures. See IFRS 11 on joint ventures.

*The equity method*
From the date when Skanska gains a significant influence in an associated company, or a joint controlling interest in a joint venture, holdings in associated companies and joint ventures are recognized in the consolidated financial statements according to the equity method. Any difference upon acquisition between the cost of the holding and Skanska's share of the net fair value of the associated company's or joint venture's identifiable assets, liabilities and assumed contingent liabilities is recognized in accordance with IFRS 3. Under the equity method, the recognized carrying amount of the Group's interest in associated companies and joint ventures is equivalent to the Group's share of the associated company's equity, as well as goodwill on consolidation and any other remaining consolidated surpluses and deductions of internal profits. The Group's share of the associated company's or joint venture's income after tax is recognized as "Income from joint ventures and associated companies" in the income statement. Any depreciation, amortization and impairment losses on acquired surpluses are taken into account. Dividends received from an associated company or joint venture reduce the carrying amount of the investment. If the Group's share of recognized losses in an associated company or joint venture exceeds the carrying amount of the holdings in the consolidated financial statements, the value of the holding is reduced to zero. Settlement of losses also occurs against long-term unsecured financial assets (subordinated loans), which, in substance, form part of Skanska's net investment in the associated company or joint venture and are thus recognized as shares. Continued losses are only recognized if the Group has provided guarantees to cover losses arising in the associated company or joint venture, and then as a provision.

*Elimination of intra-Group profits*
When profits arise from transactions between the Group and an associated company or a joint venture, the portion equivalent to the Group's share of ownership is eliminated. If the carrying amount of the Group's holding in the associated company is less than the elimination of internal profit, the excess portion of the elimination is recognized as a provision. If a loss arises from a transaction between the Group and an associated company or a joint venture, the loss is eliminated only if it does not correspond to an impairment loss on the asset.

If a profit or loss has arisen in the associated company or in a joint venture, the elimination affects the income for the transaction year recognized under "Income from joint ventures and associated companies." The elimination of the internal profit is reversed in later financial statements based on how the asset is used or when it is divested.

The equity method is applied until the date when the significant influence in an associated company or the joint controlling interest in a joint venture ceases. The sale of an interest in an associated company or in a joint venture is recognized on the date that the Group no longer has control over the holding.

Note 20 B provides information about associated companies and joint ventures.

**IFRS 11 Joint Arrangements**
A joint arrangement exists when the co-owners are bound by a contractual arrangement, and the contractual arrangement gives those parties joint control of the arrangement. The joint arrangement may be either a joint operation or a joint venture. A joint operation exists where the co-owners have rights to the assets of the arrangement and obligations for the liabilities of the arrangement. A joint arrangement that is not structured through the formation of a separate company is a joint operation. Contracting projects executed in cooperation with outside contracting companies, with joint and several liability, are reported by Skanska as joint operations. If the joint arrangement is a separate company but the vast majority of the company's production is acquired by the co-owners and there is no obstacle to its sale to an external party, the joint arrangement is often considered to be a joint operation. In other cases the arrangement is a joint venture. If the co-owners of the joint arrangement only have rights to the net assets of the arrangement, it is a joint venture. Classification of a joint arrangement requires a determination of its legal form, the terms of the contractual arrangement between the co-owners and other circumstances.

For joint operations the revenue, costs, assets and liabilities of the joint operation are included line by line in the consolidated financial statements according to Skanska's interest in the joint operation. Joint operations are described in Note 20 C.

The equity method is used for joint ventures when preparing the consolidated financial statements. This method is described under the heading IAS 28.

In connection with PPP projects, the Group's investment may include either holdings in or subordinated loans to a joint venture. Both are treated in the accounts as shares in joint ventures.

Note 20 B provides information about joint ventures, and a specification of significant holdings in joint operations is given in Note 20 C.

**IFRIC 12 Service Concession Arrangements**
IFRIC 12, which affects Skanska's joint ventures within the PPP-portfolio, deals with the question of how the operator of a service concession should account for the infrastructure, as well as the rights it receives and the obligations it undertakes under the agreement. The operator constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and maintains the infrastructure (operation services) for a specified period of time. Construction or upgrade services and operation services are reported in accordance with IFRS 15. The consideration may be rights to a financial asset or an intangible asset. If the operator has an unconditional right to receive cash in specified or determinable amounts (the consideration model is based on availability through the provision of, for example, a hospital or an airport), a financial asset is recognized. IFRS 9 requires interest to be calculated on this financial receivable. The customer does not pay until the facility is put into operation, and the payment received is then reported as a reduction in the financial receivable. If the operator is instead entitled to charge the users of the public service (the consideration model is based on market risk through, for example, road tolls) an intangible asset is recognized, which is amortized over the life cycle of the project. The road tolls received in payment are recognized as revenue.

**IFRS 15 Revenue from Contracts with Customers**
Under IFRS 15 revenue is recognized based on a five-step model. Step one involves identifying the contract with a customer. If two or more contracts are entered into with a customer at the same time and the price of one contract is dependent on the other contract, the contracts are combined. A contract modification involves a change to the scope or price (or both) of a contract that has been approved by the contracting parties. A contract modification exists when the parties approve a change that either creates new or changes existing rights and responsibilities for the contracting parties. A contract modification is treated as a separate contract when the scope of the contract increases due to the addition of promised goods or services which are distinct and where the price of the contract is raised by an amount reflecting the company's stand-alone selling price for the additional goods or services promised. If the parties have not approved a contract modification the entity is to continue applying the standard for the existing contract until such time as the contract modification is approved.

Step two involves identifying the separate performance obligations in the contract. A performance obligation is a promise to the customer to transfer goods or services that are distinct, or a series of distinct goods or services that are essentially the same and follow the same model for transfer to the customer. Goods or services are distinct if the customer can benefit from the goods or services either on their own or in combination with other resources that are readily available to the customer and if the entity's promise to transfer the goods or services to the customer is separately identifiable from the other promises in the contract. Skanska's customer contracts are usually of the type that do not require categorization into two or more performance obligations.

In step three the transaction price is determined. This determination involves establishing a fixed agreed price, variable consideration, any contingent considerations, bonuses and penalties. If there is variable consideration, an estimate is made of the highest amount of revenue that will likely not require a reversal of accumulated revenue in later reporting periods. If the contract includes a significant financing component, the transaction price is to be adjusted for the effect of the time value of money. Changes to and supplementary orders in contracts that have not yet been approved by the customer do not require an increase in the transaction price in the project's estimated income upon completion. Where there is a non-cash consideration, this is measured at fair value. If a customer defers goods or services, an assessment is made as to whether it has gained control of these; if this is the case, they are recognized as non-cash revenue received from the customer.

The revenue/transaction price is allocated in step four over the separate performance obligations in the contract if more than one obligation exists. The allocated transaction price for each individual obligation is to reflect the consideration that the company is expecting to have the right to in exchange for the transfer of the promised goods or services to the customer, based on a relative, stand-alone selling price.

*Note 1. Consolidated accounting and valuation principles, cont.*

Revenue is recognized in step five when the performance obligation is satisfied, either over time or at a specific point in time, and when the customer obtains control of the asset. Revenue is recognized over time when the customer simultaneously receives and consumes the benefits provided through the entity's performance, when the entity's performance creates or enhances an asset that the customer controls, or when the entity's performance does not create an asset with an alternative use for the entity and the entity also has the right to payment for its performance completed to date. If a performance obligation is not satisfied over time as stated above, the entity fulfills the obligation at a certain point in time. This takes place at the point when the customer gains control of the promised asset. Indicators for determining control can be that the entity has the right to receive payment for the asset, the customer has the legal right of ownership of the asset, the entity has transferred the physical possession of the asset, the customer has the material risks and rewards associated with ownership of the asset or the customer has accepted the asset.

Costs relating to obtaining a contract, i.e., costs the entity would not have had if it had not won the contract, are recognized as an asset only if the entity is expecting to have those expenses covered. Expenses to complete a contract that does not fall under a standard other than IFRS 15 are recognized as an asset if the expenses have a direct link to a contract or to an expected contract, if the expenses create or enhance resources that will be used to fulfill the performance obligation in the future and are also expected to be recovered. These "Assets arising from expenses to obtain or complete a contract with a customer" are included in the line item "Contract assets" and are reported in Note 9.

Contract assets and contract liabilities are recognized net of revenue recognized and invoiced amounts per project. Construction contracts often allow for invoicing in advance. Once an amount has been invoiced, a trade account receivable is recognized.

Loss contracts are expensed immediately and provisions for losses are made for the remaining work to be done and recognized in accordance with IAS 37.

As stated under the heading "Segment reporting compared with IFRS reporting", a different principle is used to establish when revenue is recognized in segment reporting for the Residential Development and Commercial Property Development business streams.

The Construction business stream builds and renovates buildings, industrial facilities and infrastructure. It also executes service-related assignments, in areas such as construction services and facility operations and maintenance. This business serves both public and private customers.

A combination of contracts happens rarely, but contract modifications, such as those related to additional orders, are common. In most cases the added goods or services are not distinct and therefore form part of a single performance obligation that is partially met at the time of the contract modification and is reported as being a part of the existing contract.

Most often the contracts within this business stream contain only one performance obligation. Performance obligations in the Construction business stream are the construction contract or the service that is to be delivered, for example the construction of a building on the customer's land or the maintenance of existing facilities, such as roads. If an agreement involves operations in different geographical locations, delivered during different time periods or with different risk exposures, the breakdown of several performance obligations may be relevant.

If there is a right to variable remuneration, such as incentive agreements, this is taken into account to the extent that it is highly unlikely it will be reversed at a later date. Revenue is recognized over time in the Construction business stream, when the customer simultaneously receives and consumes the benefits provided through the entity's performance or when Skanska creates or enhances an asset that the customer controls.

Revenue is recognized over time, determined each quarter, on the basis of accumulated project expenses in relation to estimated accumulated project expenses upon completion.

The Residential Development business stream develops and sells new residential units, including rental units. Its customers are mainly private individuals. The basis for recognizing revenue is usually an agreement to sell a specific unit, such as a residential apartment. Contract modifications are rare, but are included in the original contract if they do occur.

The performance obligation in the Residential Development business stream is the handing over of an apartment that is ready for occupation. The transaction price is a fixed price according to the terms of the sales agreement.

Revenue is recognized at the point in time when the keys to the home are handed over to the individual buyer. In other words, it is recognized when the buyer has taken possession of the apartment and has full control over it as the owner. This is based on Skanska being deemed not to be entitled to full payment until fulfillment of its contract obligation. Even if a certain advance payment is made by the buyer, Skanska is not entitled to full payment for the work completed to date. This is due to the fact that sales contracts contain clauses that allow the buyer in certain situations to withdraw from the contract during construction without reimbursing Skanska in the manner required for the recognition of revenue over time.

Skanska initiates and enters into agreements with newly formed Swedish cooperative housing associations or Finnish housing corporations for the construction of homes. Under the terms in these agreements Skanska has a controlling influence and thus consolidates the cooperative housing associations and housing corporations during the construction period and until the end-customer takes possession, at which point Skanska no longer has a controlling influence. Homes not yet transferred are recognized as current-asset properties.

In the Commercial Property Development stream Skanska initiates, develops and leases out investment holdings in the form of commercial properties, and also sells these to real estate investors.

Within this business stream the performance obligation to the customer (the property investor) is to deliver an investment holding in the form of a commercial property, usually with tenants. If legal ownership is transferred prior to the commencement of construction work, this is a performance obligation on its own, which means that the construction work becomes a separate performance obligation within the Construction business stream.

The development of commercial projects is a continuous process with a number of clearly defined phases. The average development cycle from the initial project idea to its completion is five to seven years. Divestment normally occurs at the end of the cycle, when a project is completed. The performance obligation is to hand over a fully developed property that usually becomes an investment holding of the customer.

The combination of contracts rarely occurs. In some cases, Skanska also assists the investor with renting the property, an undertaking that is then deemed to be a separate performance obligation. The transaction price is usually a fixed price according to the terms of the contract.

When the contract with the customer for the sale of the property is signed, there is no alternative use for the property. If Skanska is entitled to payment for any work performed to date, this would depend on the contractual terms and conditions and on the applicable legislation. Skanska's assessment is, however, that it usually assumes this right only when fulfilling a contract obligation. Prior to the completion of a project, Skanska normally only has the right to an indemnity not equal to work performed to date. Revenue is therefore normally recognized at the point in time when the property is handed over to the customer.

It is considered appropriate to recognize the sale of properties through divestment of companies in accordance with IFRS 15 and not as divested companies under IFRS 10 as it is an asset that is being divested, not a company with a business.

The PPP-portfolio includes development of hospitals, airports, roads and other necessary social structures. The accounting of these projects complies with IFRIC 12 Service Concession Arrangements, which in turn recognizes revenue in accordance with IFRS 15.

**IFRS 16 Leases**

***Skanska as a lessee***

Leases, with the exception of leases with a term of less than 12 months and leases where the underlying asset is of low value, are recognized in the statement of financial position as property, plant and equipment right-of-use assets, current-asset properties right-of-use assets as well as interest-bearing lease liabilities.

A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Non-lease components in a contract, such as servicing costs, are separated out and not included in the calculation of the value of the right-of-use asset where it is possible to separate such costs. Contracts with subcontractors are generally considered to be service agreements since Skanska is requesting a service and the contract does not give Skanska control over a specific asset. Hire of tower cranes and scaffolding, which in large construction projects are generally hired for a long period, is reported as leases.

When assessing whether an asset is of low value, the asset is grouped with assets on which it is heavily dependent or with which it is linked. Where the asset can be substituted by the supplier and it is practically possible to do so, a lease is not considered to exist since Skanska does not have control over the specific asset.

The lease term is the non-cancellable period of the lease, taking into consideration any extension or termination option for the contract and whether it is reasonably certain that this option will be exercised. Current-asset properties right-of-use assets which are in practice always extended are considered to be perpetual rights of use and the lease term is then set at 100 years.

Rights of use for property, plant and equipment are depreciated over the lease term except in the case of perpetual rights of use of land, which are not depreciated at all since the remaining lease term is always a constant 100 years. Rights of use for current-asset properties – both those considered to be

*Note 1. Consolidated accounting and valuation principles, cont.*

perpetual and those with a fixed lease term – are not depreciated at all since they are reported in accordance with IAS 2.

When making payments on a lease, the payment is divided between interest expense and reduction of the outstanding liability. Payments relating to rights of use that are not depreciated are recognized entirely as interest expense, since – as mentioned earlier – the liability is unchanged. The interest expense is capitalized during the construction period in the case of rights of use for current-asset properties.

In the case of sale and leaseback transactions, the seller only recognizes the gain that relates to the rights transferred to the buyer, while a right of use is recognized for the rights retained.

*Skanska as lessor*
Skanska rents out premises primarily through operating leases. Lease payments received for these leases are recognized as revenue on a straight-line basis over the lease term. Leases in the form of property leases are mainly entered into by Commercial Property Development. Starting from the 2022 financial year the new business stream, Investment Properties, will also generate rental income.

**IAS 16 Property, Plant and Equipment**
Property, plant and equipment are recognized as assets if it is probable that future economic benefits from them will flow to the Group and the cost of the assets can be reliably calculated. Property, plant and equipment are recognized at cost minus accumulated depreciation and any impairment losses.

Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the intended manner. Examples of directly attributable expenses are delivery and handling costs, installation, ownership documents, consultant fees and legal services. Borrowing costs are included in the cost of property, plant and equipment produced by the Group. Impairment losses are applied in accordance with IAS 36.

The cost of property, plant and equipment produced by the Group includes expenditures for materials and remuneration to employees, plus other applicable manufacturing costs that are considered attributable to the asset.

Further expenditures are added to cost only if it is probable that the Group will derive future economic benefits from the asset and the cost can be reliably calculated. All other further expenditures are recognized as expenses in the period when they arise.

The decisive factor in determining when a further expenditure is added to cost is whether the expenditure is related to replacement of identified components, or parts thereof, at which time such expenditures are capitalized. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or parts thereof, are disposed of and recognized as an expense at the time of replacement. If the cost of the removed component cannot be determined directly, its cost may be estimated as the cost of the new component adjusted by a suitable price index to take into account inflation. Repairs are recognized as expenses on a continuous basis.

Property, plant and equipment that consist of parts with different useful lives are treated as separate components of property, plant and equipment. Depreciation occurs on a straight-line basis during the estimated useful life, or based on degree of use, taking into account any residual value at the end of the period. Office buildings are divided into foundation and frame, with a depreciation period of 50 years, installations of 35 years, and non-weight-bearing parts of 15 years. In general, industrial buildings are depreciated over a 20-year period without allocation into different parts. Stone crushing and asphalt plants as well as concrete mixing plants are depreciated over 10 to 25 years depending on their condition when acquired and without being divided into different parts. For other buildings and equipment, division into different components occurs only if major components with different useful lives can be identified. For other machinery and equipment, the depreciation period is normally between three and 10 years. Minor equipment is recognized as an expense immediately. Gravel pits and stone quarries are depreciated as materials are removed. Land is not depreciated. Assessments of an asset's residual value and useful life are performed annually.

The carrying amount of a property, plant and equipment item is derecognized from the statement of financial position when it is disposed of or divested, or when no further economic benefits are expected from the use or divestment of the asset.

**IAS 38 Intangible Assets**
This accounting standard deals with intangible assets. Goodwill that arises upon acquisition of companies is recognized in accordance with the rules in IFRS 3.

An intangible asset is an identifiable non-monetary asset without physical substance that is used for producing or supplying goods or services or for leasing and administration. To be recognized as an asset, it is necessary both that it be probable that future economic benefits attributable to the asset will flow to the entity and that the cost can be reliably calculated. It is especially worth noting that expenditures recognized directly in prior annual or interim reporting periods may not subsequently be recognized as an asset.

Research expenses are recognized in the income statement as they arise. Development expenses, which are expenses for designing new or improved materials, structures, products, processes, systems and services by applying research findings or other knowledge, are recognized as assets if it is probable that the asset will generate future revenue. Other development expenses are expensed directly. Expenses for regular maintenance and modifications of existing products, processes and systems are not recognized as development expenses. Nor is work performed on behalf of a customer recognized as development expenses.

Intangible assets other than goodwill are recognized at cost minus accumulated amortization and impairment losses. Impairment losses are applied in accordance with IAS 36.

Amortization is recognized in the income statement on a straight-line basis, or based on the degree of use, over the useful life of intangible assets, to the extent such a period can be determined. Consideration is given to any residual value at the end of the period. Acquired customer contracts are amortized at the pace of completion and patents are amortized over 10 years. Investments in major computer systems are amortized over a maximum of seven years.

Further expenditures for capitalized intangible assets are recognized as an asset only when they increase the future economic benefits of the specific asset to which they are attributable.

**IAS 36 Impairment of Assets**
Assets covered by IAS 36 are tested on every closing day for indications of impairment. Exempted assets, for example inventories (including current-asset properties), assets arising when construction contracts are carried out and financial assets included within the scope of IFRS 9, are measured in accordance with the respective accounting standard.

Impairment losses are determined on the basis of the recoverable amount of assets, which is the higher of fair value less cost to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the asset. Estimated residual value at the end of the asset's useful life is included as part of value in use. For assets that do not generate cash flows that are essentially independent of other assets, the recovery value is calculated for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of other assets or groups of assets. For goodwill, the cash-generating unit is mainly the same as the Group's business unit or other unit reporting to the Parent Company. If the business unit operates in more than one business stream, the cash-generating unit is no larger than the identified business stream to which goodwill has been allocated. Operations that are not integrated into the business unit's other operations are exempted from the main rule.

In Construction and Residential Development, the recoverable amount of goodwill is based on value in use, which is calculated by discounting expected future cash flows. The discounting factor is the weighted average cost of capital (WACC) applicable to the operation. See Note 18.

Impairment of assets attributable to a cash-generating unit is allocated mainly to goodwill. After that, a proportionate impairment loss is applied to other assets included in the unit.

Goodwill impairment is not reversed. A goodwill-related impairment loss recognized in a previous interim report is not reversed in a later full-year report or interim report.

Impairment losses on other assets are reversed if there has been a change in the assumptions on which the estimate of the recoverable amount was based. An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that the asset would have had if no impairment loss had occurred, taking into account the amortization that would then have occurred.

**IAS 23 Borrowing Costs**
Borrowing costs are capitalized provided that it is probable that they will result in future economic benefits and the costs can be measured reliably. Generally speaking, capitalization of borrowing costs is limited to assets that take a substantial period of time for completion, which in the Group's case mainly means the construction of current-asset properties and properties for the Group's own use (non-current-asset properties). Capitalization occurs

*Note 1. Consolidated accounting and valuation principles, cont.*

when expenditures included in acquisition cost have arisen and activities to complete the building have begun. Capitalization ceases when the building is completed. Borrowing costs during an extended period when work to complete the building is interrupted are not capitalized. If separate borrowing has occurred for the project, the actual borrowing cost is used. In other cases, the cost of the loan is calculated on the basis of the Group's borrowing cost.

**IAS 12 Income Taxes**
Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement except when the underlying transaction is recognized directly under "Other comprehensive income," in which case the accompanying tax effect is also recognized there. Current tax is tax to be paid or received that is related to the year in question, applying the tax rates that have been decided or have effectively been decided as of the closing day; this also includes adjustment of current tax attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be settled and by applying the tax rates and tax rules that have been decided or announced as of the closing day. The following temporary differences are not taken into account: for a temporary difference that has arisen upon initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and which, on the transaction date, affect neither recognized profit nor taxable profit. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Offsetting of deferred tax assets against deferred tax liabilities occurs when there is a right to settle current taxes between companies.

Deferred tax assets related to deductible temporary differences and loss carryforwards are recognized only to the extent it is likely that they can be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized.

**IAS 2 Inventories**
Aside from customary inventories of goods, the Group's current-asset properties are also encompassed by this accounting standard. Both current-asset properties and inventories of goods are measured item by item in accordance with the lowest cost principle, which means that a property or item is measured either by its acquisition cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

When item-by-item measurement cannot be applied, the cost of inventories is assigned by using the first-in, first-out (FIFO) formula and includes expenditures that have arisen from acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods, cost includes a reasonable share of indirect costs based on normal capacity utilization. Materials not yet installed at construction sites are not recognized as inventories, but are included among project expenses.

Except for properties that are used in Skanska's own business, the Group's property holdings are reported as current assets, since these holdings are included in the Group's operating cycle. The operating cycle for current-asset properties is around three to five years.

Acquisitions of properties are recognized in their entirety only upon the transfer of legal ownership, which normally occurs on completion of the purchase. Property acquisitions through purchases of property-owning companies are recognized when the shares have been taken over by Skanska.

Current-asset properties are divided up between Commercial Property Development and Residential Development. They are also categorized as "Development properties," "Properties under construction" or "Completed properties."

Note 22 provides information about these properties.

Before impairment losses, properties both completed and under construction are valued based on costs paid directly, a reasonable proportion of indirect costs and interest expense during the construction period. Information on market appraisal of properties is provided in Note 43.

Information on customary inventories of goods is provided in Note 23.

**IAS 37 Provisions, Contingent Liabilities and Contingent Assets**
*Provisions*
A provision is recognized when the Group has a legal or informal obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Skanska makes provisions for future expenses relating to warranty obligations according to construction contracts that involve a liability for the contractor to remedy errors and omissions that are discovered within a certain period after the contractor has handed over the property to the customer. Such obligations may also be required by law.

Loss contracts are recognized in the form of a provision for the remaining work to be done.

A provision is made for disputes related to completed projects if it is probable that a dispute will result in an outflow of resources from the Group.

Provisions for restructuring charges are recognized when a detailed restructuring plan has been adopted and the restructuring has either begun or been publicly announced.

When accounting for interests in joint ventures and associated companies, a provision is made when a loss exceeds the carrying amount of the holding and the Group has a payment obligation.

*Contingent liabilities*
Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the company. Also reported as contingent liabilities are obligations arising from past events that have not been recognized as a liability because it is not likely that an outflow of resources will be required to settle the obligation, or the size of the obligation cannot be estimated with sufficient reliability.

The amounts of contract fulfillment guarantees are included until the contracted work has been transferred to the customer, which normally occurs upon its approval in a final inspection. If the guarantee covers all or most of the contract sum, the amount of the contingent liability is calculated as the contract sum minus the value of the portion performed. In cases where the guarantee only covers a small portion of the contract sum, the guarantee amount remains unchanged until the contracted work is handed over to the customer. The guarantee amount is not reduced by being offset against payments not yet received from the customer. Guarantees that have been received from subcontractors and suppliers of materials are not taken into account either. If the Group receives reciprocal guarantees related to external consortium members' share of joint and several liability, these are not taken into account. Tax cases, court proceedings and arbitration are not included in contingent liability amounts. Instead, a separate description is provided.

In connection with contracting assignments, security is often provided in the form of a completion guarantee from a bank or insurance institution. The issuer of the guarantee, in turn, normally receives an indemnity from the contracting company or other Group company. Such indemnities related to the Group's own contracting assignments are not reported as contingent liabilities, since they do not involve any increased liability compared to the contracting assignment.

Note 33 presents information about contingent liabilities.

**Contingent assets**
Contingent assets are possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

In the Group's construction operations, claims for additional compensation from the customer are not uncommon. If the right to additional compensation is confirmed, this affects the valuation of the project when reporting in accordance with IFRS 15. As for claims that have not yet been confirmed, it is not practicable to provide information about these, unless there is an individual claim of substantial importance to the Group.

**Assets pledged**
Shares in joint ventures within the PPP-portfolio business stream are reported as assets pledged when the shares in the project company, which may be directly owned by Skanska or owned via an intermediate holding company, are pledged as collateral for loans from banks or lenders other than the co-owners.

Note 33 provides information about assets pledged.

**IAS 19 Employee Benefits**
This accounting standard makes a distinction between defined-contribution and defined-benefit pension plans. Defined-contribution pension plans are defined as plans in which the company pays fixed contributions into a separate legal entity and has no obligation to pay further contributions, even if the legal entity does not have sufficient assets to pay all employee benefits relating to their service until the closing day. Other pension plans are defined-benefit plans. Calculation of defined-benefit pension plans in accordance with IAS 19 is carried out in a way that often deviates from local rules in each country. Obligations and costs are to be calculated according to the projected unit credit

*Note 1. Consolidated accounting and valuation principles, cont.*

method. The purpose is to recognize expected future pension disbursements as expenses in a way that yields more uniform expenses over the employee's period of employment. Actuarial assumptions about the discount rate, wage or salary increases, inflation and life expectancy are taken into account in the calculation. Pension obligations for post-employment benefits are discounted to present value. Discounts are calculated for all three countries where Skanska has defined-benefit pension plans using an interest rate based on the market return on high quality corporate bonds including mortgage bonds, with maturities matching the pension obligations. Plan assets in pension funds are recognized at fair value on the closing day. In the statement of financial position, the present value of pension obligations is recognized after subtracting the fair value of plan assets. The pension expense and the return on plan assets recognized in the income statement refer to the pension expense and return estimated on January 1. The return on plan assets is calculated using the same interest rate as is used to discount the pension obligations. Any differences compared to actual pension expense and actual return, as well as effects of changed assumptions, together constitute remeasurement and are reported in "Other comprehensive income."

If the terms of a defined-benefit plan are significantly amended, or the number of employees covered by a plan is significantly reduced, a curtailment occurs. Obligations are recalculated according to the new conditions. The effect of the curtailment is recognized in profit or loss.

When there is a difference between how pension expense is determined in a legal entity and the Group, a provision or receivable is recognized for the difference for taxes and social insurance contributions based on the company's pension expenses. The provision or receivable is not calculated at present value, since it is based on present-value figures. Deferred taxes and social insurance contributions on remeasurements are recognized under "Other comprehensive income."

Obligations related to contributions to defined-contribution plans are recognized as expenses in the income statement as they arise.

The Group's net obligation related to other long-term employee benefits, aside from pensions, amounts to the value of future benefits that employees have earned as compensation for the services they have performed during the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to present value, and the fair value of any plan assets is subtracted. The discount rate is again based on the yield on high quality corporate bonds including mortgage bonds, or government bonds, with a maturity matching the maturity of the obligations.

A provision is recognized in connection with termination of employees' employment only if the company is obligated through its own detailed formal termination plan – and there is no realistic possibility of annulling the plan – to end employment before the normal date, or when benefits are offered in order to encourage voluntary resignation. In cases where the company terminates employees' employment, the provision is calculated on the basis of a detailed plan that includes at least the location, function and approximate number of employees affected, as well as the benefits for each job category or position and the time at which the plan will be implemented.

Only an insignificant percentage of the Group's defined-benefit pension obligations were financed by premiums to the retirement insurance company Alecta. Since the required figures cannot be obtained from Alecta, these pension obligations are reported as a defined-contribution plan. Since the same conditions apply to the AFP plan in Norway, this is also reported as a defined-contribution plan.

**IFRS 2 Share-based Payment**
The Seop 4 and Seop 5 employee ownership programs are recognized as share-based payment settled with equity instruments, in accordance with IFRS 2. This means that the fair value is calculated on the basis of market value at the time of investment (which is the same as the time of allotment according to the standard) and expected fulfillment of targets. This value is allocated over the respective vesting period. After the fair value is established, there is no reappraisal during the remainder of the vesting period, except in the case of changes in the number of shares because the condition of continued employment during the vesting period is no longer met.

*Social insurance contributions*
Social insurance contributions that are payable in connection with share-based payments are reported in accordance with statement UFR 7 from the Swedish Financial Reporting Board. The cost of social insurance contributions is allocated over the period when the services are performed. The provision that arises is reappraised on each financial reporting date to correspond to the estimated contributions that are due at the end of the vesting period.

**IAS 7 Statement of Cash Flows**
In preparing its cash flow statement, Skanska applies the indirect method in accordance with the accounting standard. Aside from cash and bank balance flows, cash and cash equivalents are to include short-term investments whose conversion into bank balances may occur in an amount most of which is known in advance. Short-term investments with maturities of less than three months are regarded as cash and cash equivalents. Cash and cash equivalents that are subject to restrictions are reported either as current receivables or as non-current receivables.

In addition to the cash flow statement prepared in accordance with the standard, the Report of the Directors presents an operating cash flow statement that does not conform to the structure specified in the standard. The operating cash flow statement was prepared on the basis of the operations that the different business streams carry out.

**IAS 33 Earnings per Share**
Earnings per share are reported directly below the consolidated income statement and are calculated by dividing the portion of profit for the year that is attributable to the Parent Company's equity holders (shareholders) by the average number of shares outstanding during the period.

For Seop 4 and Seop 5 employee ownership programs, the dilution effect is calculated by adding potential ordinary shares to the number of ordinary shares before dilution. The calculation of potential ordinary shares occurs in two stages. First there is an assessment of the number of shares that may be issued when established targets are reached. The number of shares for the respective program year is then determined the following year, provided that the condition of continued employment is met. In the next step, the number of potential ordinary shares is reduced by the value of the consideration that Skanska is expected to receive, divided by the average market price of a share during the period.

**IAS 24 Related Party Disclosures**
According to this accounting standard, information must be provided about transactions and agreements with related companies and physical persons. In the consolidated financial statements, intra-Group transactions fall outside this reporting requirement. Notes 36, 37 and 39 provide disclosures in accordance with the accounting standard. With respect to the Parent Company, this information is provided in Notes 61 and 62.

**IAS 40 Investment Property**
Starting from the 2022 financial year the Group will own investment properties that will be covered by this reporting standard.

Investment properties are properties that are owned for the purpose of generating rental income and increases in value.

Investment properties are reported at fair value, applying IFRS 13 Level 3 in the fair value hierarchy. An internal valuation is performed for each property in conjunction with the quarterly and annual financial statements. An external valuation of each property is performed annually in collaboration with an independent external appraiser. Fair value is calculated using a yield-based appraisal method based on cash flow analysis. The calculation period is at least 10 years. Unrealized and realized changes in value are reported net on a separate line in the income statement.

A previous current-asset property or a property used in the Group's own operations will be reclassified as an investment property when the property's area of use has changed. When a current-asset property or a property used in the Group's own operations is reclassified as an investment property, the difference between the property's fair value on the date of transfer and its previous carrying amount is recognized in profit or loss.

A property may be classified as an investment property even if Skanska leases part of the area. In this case, Skanska's part must not amount to a significant proportion of the total area of the property. Otherwise the property must be classified as a current-asset property or a property used in Skanska's own operations.

If an investment property is reclassified as a current-asset property or a property used in the Group's own operations, the estimated cost in subsequent reporting is the fair value on the date that its area of use changed.

**IFRS 8 Operating Segments**
According to this standard, an operating segment is a component of the Group carrying out business operations whose operating income is evaluated regularly by the Group's highest executive decision-maker and about which separate financial information is available.

Skanska's operating segments consist of its business streams: Construction, Residential Development and Commercial Property Development.

The Group Leadership Team is the Group's highest executive decision-maker.

The principle for segment reporting of Residential Development and Commercial Property Development in the income statement deviates from IFRS on two points. In segment reporting a divestment gain is recognized on the date a sales contract is signed. In segment reporting, joint ventures are recognized within Residential Development line by line according to the proportional method of accounting. This means that Construction's revenue from joint

*Note 1. Consolidated accounting and valuation principles, cont.*

ventures within Residential Development operations is eliminated in segment reporting. Note 4 presents a reconciliation between segment reporting and the income statement in accordance with IFRS.

Note 4 provides information about operating segments. Financial reporting to the Group Leadership Team focuses on the areas for which each respective operating segment is operationally responsible: operating income in the income statement and capital employed. For each respective operating segment, the note thus reports external and internal revenue, cost of sales, selling and administrative expenses and capital employed. Capital employed refers to total assets minus tax assets and receivables invested in Skanska's treasury unit (internal bank) less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments. Acquisition goodwill has been reported in the operating segment to which it relates.

In transactions between operating segments, pricing occurs on market terms.

Certain parts of the Group do not belong to any operating segment. These are reported in Note 4 under the heading "Central and Eliminations." Operating segment income includes intra-Group profits and, consequently, these are eliminated during reconciliation with the consolidated income statement and the consolidated statement of financial position.

In addition to information about operating segments, Note 4 provides disclosures on external revenue for the entire Group and disclosures on the allocation of certain assets divided by countries with more than 10 percent of the Group's total items.

**IAS 10 Events After the Reporting Period**

Events after the end of the reporting period may, in certain cases, confirm a situation that existed on the closing day. Such events are taken into account when the financial reports are prepared. Information is provided about other events that occur after the closing day and before the financial report is signed if the omission of such information would affect the ability of a reader to make an accurate assessment and a sound investment decision.

Such information is provided in Note 41.

**IAS 32 Financial Instruments: Presentation**

Offsetting of financial assets and financial liabilities occurs when an entity has a legal right to offset items against each other and intends to either settle these items on a net basis or simultaneously divest the asset and settle the liability.

Prepaid income and expenses are not financial instruments. Accrued income and expenses that are related to the business are not recognized as financial instruments. Thus, contract assets and contract liabilities are not included under financial instruments. Obligations for employee benefit plans in accordance with IAS 19, such as pension plans, are exempt from IAS 32 and are thus not recognized as financial instruments. Assets and liabilities that are not based on contracts, such as income taxes, are not considered financial instruments.

Information in compliance with the accounting standard is provided mainly in Notes 6, 21 and 27.

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments addresses the recognition of financial assets and liabilities. Categories exempt from application in accordance with IFRS 9 include holdings in subsidiaries, associated companies and joint ventures, leases, rights under employment contracts, treasury shares, financial instruments as described in IFRS 2, and rights and responsibilities within IFRS 15 except for the rights in IFRS 15 where an impairment requirement in accordance with IFRS 9 applies. All financial instruments, including derivatives, are recognized as a financial asset or financial liability in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognized in and derecognized from the statement of financial position using trade date accounting. A financial asset is derecognized from the statement of financial position when the contractual rights to cash flows from the financial asset expire or when the entity transfers the contractual rights to receive cash flows from the financial asset or retains the contractual rights to receive cash flows, but assumes a contractual obligation to pay cash flows to one or more recipients. A financial liability is derecognized from the statement of financial position only when the contractual obligation is fulfilled, canceled or expires.

Presentation of financial assets is based on the entity's business model and the contractual cash flows of the asset.

A financial asset is measured at amortized cost if the asset is held within the framework of a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and the cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if the asset is held according to a business model the objective of which can be achieved both by collecting contractual cash flows and selling financial assets, and the cash flows are solely payments of principal and interest on the principal amount outstanding. A financial asset is measured at fair value though profit or loss if it is not measured at amortized cost or at fair value through other comprehensive income.

All financial liabilities are measured at amortized cost with the exception of:

a) financial liabilities measured at fair value through profit or loss (such liabilities, including derivatives that are liabilities, are thereafter to be measured at fair value);
b) financial liabilities arising when a transfer of a financial asset does not meet the criteria for derecognition from the statement of financial position or where a continued commitment is appropriate;
c) financial guarantee contracts;
d) a loan commitment with interest that is below the market interest rate; and
e) a contingent consideration acknowledged by an acquiring party in connection with a business combination covered by IFRS 3 (such contingent consideration is thereafter measured at fair value with changes recognized through profit or loss).

An entity is only entitled to reclassify all relevant financial assets when the entity changes its business model for managing financial assets. Reclassification of financial liabilities is not permitted.

Financial assets and liabilities are initially measured at fair value plus or minus transaction costs upon acquisition of a financial asset or financial liability, for a financial asset or financial liability that is not measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component are measured upon initial recognition at their transaction price (as defined in IFRS 15). After initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Subsequent measurement of financial liabilities is at amortized cost or fair value through profit or loss.

An entity is to apply the impairment requirement to expected credit losses on financial assets and a loss provision for these is to be recognized as a deduction from the asset. On every closing day the loss provision is to be equivalent to an amount reflecting the expected credit losses for the remaining time until maturity if the credit risk has increased significantly since it was initially recognized. If the credit risk has not increased significantly since it was first recognized, the loss provision is to be equivalent to 12 months of expected credit losses. For trade receivables, contractual assets and lease receivables, the loss provision is always to be at an amount equivalent to the remaining time to maturity. An entity is to measure expected credit losses taking into account an objective and probability-weighted amount, the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The purpose of hedge accounting is so that, in its financial statements, an entity can report the effect of its risk management where financial instruments are used to manage exposure from specific risks that would impact results. A derivative that is measured at fair value through profit or loss can be identified as a hedging instrument. A financial asset or liability that is not a derivative measured at fair value through profit or loss can be identified as a hedging instrument unless it is a financial liability identified as measured at fair value through profit or loss for which the amount of the change in fair value arising from changes in credit risk for the liability is recognized in other comprehensive income. In hedge accounting, only contracts with an external party outside the Group can be identified as hedging instruments. A hedged item may be a recognized asset or liability, an unrecognized binding commitment, a highly likely forecast transaction or a net investment in foreign operations. A hedging relationship only qualifies for hedge accounting when the following criteria have been met: the hedging relationship consists only of eligible hedging instruments and eligible hedged items; there is a formal designation and documentation for the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; and the effectiveness requirement for the hedges has been met. The effectiveness requirement is met when there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from the economic relationship, and the hedge ratio of the hedging relationship is the same as the ratio between the quantity of the hedged item that the entity actually hedges and the quantity that the entity actually uses to hedge that quantity of hedged items.

Skanska uses hedge accounting for cash flow hedging and hedging of net investment in foreign operations. Hedge accounting is used for cash flow hedges when a future cash flow is attributable to a recognized asset or liability

*Note 1. Consolidated accounting and valuation principles, cont.*

or a highly probable future transaction. Hedge accounting for hedging of net investments in foreign operations is applied when the net investment is in line with IAS 21.
A cash flow hedge is recognized as follows:
a) the separate component in equity, cash flow hedge reserve, which is linked to the hedged item is to be adjusted to the lower of the following: the cumulative gains or losses from the hedging instrument from the date the hedge was entered into or the cumulative change in fair value for the hedged item from the date the hedge was entered into;
b) the portion of the gain or loss for a hedging instrument that has been determined to be an effective hedge is recognized in other comprehensive income;
c) the remaining gain or loss for the hedging instrument is hedging ineffectiveness that is to be recognized through profit or loss;
d) the amount accumulated in the cash flow hedge reserve derived from the cash flow hedged in accordance with a) is to be recognized as follows:
   i) if a hedged forecast transaction subsequently leads to recognition of a non-financial asset or liability, or a hedged forecast transaction for a non-financial asset or liability becomes a binding commitment for which hedge accounting of fair value is used, the entity is to deduct this from the reserve originating from the cash flow hedge and include it directly in the initial cost or other recognized value for the asset or liability;
   ii) for all cash flow hedges except those covered by i) this amount is to be reclassified from the reserve originating from the cash flow hedge to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;
   iii) if this amount is a loss and an entity is expecting all or part of the loss not to be recovered during one or more future periods, the amount not expected to be recovered is to be immediately reclassified to profit or loss as a reclassification adjustment.

Hedging of net investments in foreign operations, including a hedge of a monetary item that is recognized as part of a net investment, is to be recognized in a similar way to cash flow hedges: the portion of the gain or loss for the hedging instrument that is determined to be an effective hedge is to be recognized through other comprehensive income, and the remainder is to be recognized through profit or loss. The cumulative gain or loss for the hedging instrument that is attributable to the effective portion of the hedge and that has accumulated in the currency translation reserve is to be reclassified from equity to profit or loss upon disposal or partial disposal of the foreign operations.

**IFRS 7 Financial Instruments: Disclosures**
The company provides disclosures that enable the evaluation of the significance of financial instruments for its financial position and performance. The disclosures also enable an evaluation of the nature of financial instruments and risks associated with them to which the company has been exposed during the period and is exposed to at the end of the reporting period. These disclosures also provide a basis for assessing how these risks are managed by the company. This standard supplements the principles for recognizing, measuring and classifying financial assets and liabilities in IAS 32 and IFRS 9.

The standard applies to all types of financial instruments, with the primary exception of holdings in subsidiaries, associated companies and joint ventures, as well as obligations for employee benefit plans in accordance with IAS 19, such as pension plans. The disclosures that are provided thus include accrued interest income, deposits and accrued interest expense. Accrued income relating to contracting assignments is not a financial instrument.

The disclosures provided are supplemented by reconciliation with other items in the income statement and in the statement of financial position.

Disclosures in accordance with this accounting standard are presented in Note 6.

**IAS 20 Accounting for Government Grants and Disclosure of Government Assistance**
"Government assistance" refers to action by the government designed to provide an economic benefit specific to one company or a category of companies that qualify based on certain criteria. Government grants are assistance from the government in the form of transfers of resources to a company in return for past or future compliance with certain conditions relating to its operations.

Government grants are recognized as prepaid income or a reduction of an investment when there is reasonable assurance that the grants will be received and that the Group will meet the criteria for receiving the grant.

**The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups**
The recommendation specifies what further disclosures must be provided in order for the annual accounts to comply with Sweden's Annual Accounts Act. The additional information mainly relates to disclosures on employees.

Disclosures on the number of employees, gender distribution and distribution among countries are provided in Note 36. The number of employees during the year was calculated as an average of the average number of employees during the quarters in the year. In this calculation, part-time employment is equivalent to 60 percent of full-time employment. Employees belonging to operations divested during the year are included up until the date of divestment. Employees of acquired companies are included from the date of acquisition.

Information on the gender distribution among senior executives refers to the situation on the closing day. "Senior executives" in the various subsidiaries refers to the members of the management teams of the respective business units. This information is provided in Notes 36 and 37.

In addition to board members and the CEO, all other persons in the Group Leadership Team must be included in the group for which a separate account is to be provided of the total amounts of salaries and other remuneration, as well as expenses and obligations related to pensions and similar benefits. Furthermore, the same disclosures must be provided individually for each of the board members and for the CEO, as well as individuals previously holding these positions. Employee representatives are exempted.

Note 36 provides information about loans, assets pledged and contingent liabilities from which any board member or CEO within the Group has benefited.

Information is also provided on fees to auditors and the accounting firms where the auditors work. See Note 38.

## **Note 1.** Parent Company accounting and valuation principles

The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, "Accounting for Legal Entities." According to RFR 2, the annual accounts of the legal entity must apply the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), to the extent these have been approved by the EU, as well as the interpretations by the IFRS Interpretations Committee and its predecessor the Standing Interpretations Committee (SIC), as far as this is possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation. A presentation of the various accounting standards can be found in the Group Note 1. The statements of the Swedish Financial Reporting Board must also be applied.

**Important differences compared to consolidated accounting principles**
In accordance with RFR 2, IFRS 9 is not applied to financial guarantee agreements benefiting subsidiaries, associated companies and joint ventures. Instead, IAS 37 is applied, which normally means that provisions for these measures are not recognized since it is unlikely that an outflow of resources will be required to settle the obligation.

In compliance with RFR 2, IFRS 16 is not applied to leases. Instead lease payments are recognized on a straight-line basis over the term of the lease, unless a different systematic approach better reflects the economic benefit over time.

Group contributions are recognized in accordance with the general rule in RFR 2.

The Seop 4 and Seop 5 employee ownership programs are recognized as share-based payment settled with equity instruments, in accordance with IFRS 2. The portion of the Group's expense for these employee ownership programs that relates to employees of subsidiaries is recognized in the Parent Company as an increase in the carrying amount of holdings in subsidiaries and an increase in equity. When the amount to be debited to the subsidiary is established, a transfer is made to "Receivables from subsidiaries." Where compensation from subsidiaries for shares that have been allocated deviates from the previously reported increase in the carrying amount of holdings in subsidiaries, the carrying amount of holdings in subsidiaries is reduced to the portion of the amount that does not exceed the previously reported increase. Any remaining portion of the compensation is recognized directly in equity.

The income statement and balance sheet conform to the presentation formats in the Annual Accounts Act.

Defined-benefit pension plans are reported according to the regulations in the Pension Obligations Vesting Act. Pension obligations secured by assets in pension funds are not recognized in the balance sheet.

Similar to holdings in subsidiaries, holdings in associated companies and joint arrangements are also carried at cost before any impairment losses.

## **Note 2.** Key estimates and judgments

**Key estimates and judgments**
The Group Leadership Team has discussed with the Board and the Audit Committee the developments and disclosures relating to the Group's important accounting principles and estimates, as well as the application of these principles and estimates.

Some important accounting-related estimates that were made when applying the Group's accounting principles are described here.

**Covid-19**
Covid-19 and its effects on real economies are creating uncertainty and risks that will last for a while. Skanska acted quickly and resolutely to protect the employees, the company and the balance sheet. Despite the pandemic the Construction and Project Development operations remained stable in 2021. Skanska does not believe that Covid-19 will affect the Group's ability to operate in the future; in other words, the Group is still presumed to be a going concern.

**Goodwill impairment testing**
When calculating the recoverable amount of cash-generating units to determine if there is any goodwill impairment, several assumptions about future conditions and estimates of parameters have been made. These are presented in Note 18. As understood from the description in this note, important changes in the basis for these assumptions and estimates might have a substantial effect on the value of goodwill.

**Pension assumptions**
Skanska has defined-benefit pension plans in a number of countries. The plans are recognized in accordance with IAS 19, which means that pension commitments are calculated using actuarial assumptions and that plan assets are measured at market value on the closing day. The effects of changed actuarial assumptions and changes in the market value of plan assets are recognized as remeasurements in other comprehensive income. The remeasurements impact interest-bearing pension liabilities and equity.

The assumptions and prerequisites that provide the basis for recognition of pension liability, including a sensitivity analysis, are presented in Note 28.

**Revenue recognition over time**
Skanska applies revenue recognition over time in the Construction business stream. This means that, based on projected final project results, income is recognized successively during the course of the project according to degree of completion. In order to do this, project revenue and project expenses must be able to be reliably determined. This in turn requires that the Group has efficient, coordinated systems for calculation, forecasting and revenue/expense reporting. The method also requires consistent assessment (forecasts) of the final outcome of the project, including analysis of deviations from earlier assessments. This critical assessment is performed at least once every quarter. However, actual future project outcomes may deviate, either positively or negatively, from this assessment.

**Disputes**
Although management's best judgment is used in reporting disputed amounts, the actual future outcomes may deviate from the judgment made. See Note 33 and Note 29.

**Investments in the PPP-portfolio**
The estimated investment amounts are presented in Note 20 B. Estimated market value is based on discounting anticipated cash flows for each respective investment. Estimated yield requirements on investments of this type have been used as discount rates. Changes in anticipated cash flows, which in a number of cases extend 20–30 years into the future, and/or changes in yield requirements, may materially affect both estimated values and carrying amounts for each investment. The risk of a significant impact is gradually reduced as the number of projects declines.

**Current-asset properties**
The stated combined market value in Note 22 is calculated on the basis of prevailing price levels in the respective location of the individual properties. Changes in the supply of similar properties, as well as changes in demand due to changed yield requirements, may materially affect both estimated market values and carrying amounts for each property.

In Commercial Property Development, the estimated market value for ongoing projects is assessed for each property once it is completed and fully occupied.

In Residential Development the supply of capital and the price of capital for financing home buyers' investments are critical factors. The market value assessed here too is the value of the properties once they are completed and taking into account the value that may be added in a normal economic cycle. The accounting principle applied to the sale of properties via the divestment of companies is stated in Note 1.

**Prices of goods and services**
In the Skanska Group's operations there are many different forms of contractual mechanisms. The degree of risk associated with the price of goods and services varies greatly depending on the contract type.

Sharp increases in material prices may pose a risk, particularly to long-term projects with fixed-price commitments. A shortage of human resources and certain inputs may also adversely impact operations. Delays in the design phase or changes in design are other circumstances that may adversely affect projects.

## **Note 3.** Effects of changes in accounting principles

No effects due to the changes in accounting principles have been reported for the year or for the comparative year.

## **Note 4.** Operating segments

Skanska's operations consist of Construction, Residential Development and Commercial Property Development and these constitute Skanska's operating segments. These business streams coincide with Skanska's operational organization used by the Group Leadership Team to monitor operations. The Group Leadership Team is also Skanska's "chief operating decision maker."

Each business stream carries out distinct types of operations associated with different risks. Construction includes both building construction and civil construction.

Residential Development develops residential projects for immediate sale. Homes are adapted for selected customer categories. The units in this segment are responsible for planning and selling projects. The construction assignments are performed by construction units in the Construction business stream in each respective market.

Commercial Property Development initiates, develops, leases and divests commercial property projects. Project Development focuses on office buildings, retail and logistics properties. Construction assignments are performed in most markets by Skanska's Construction segment. Construction assignments are performed by the construction units where Skanska has construction operations. Intra-Group pricing between operating segments occurs on market terms.

The segment "Central" includes the cost of Group headquarters, earnings of central companies and operations that are being discontinued. Eliminations consist mainly of profits in Construction operations related to property projects. See also Note 1.

**Revenue and expenses by operating segment**
Each business stream has operating responsibility for its income statement down through "operating income."

**Assets and liabilities by operating segment**
Each business stream has operating responsibility for its capital employed. The capital employed by each business stream consists of its total assets minus tax assets and intra-Group receivables invested in Skanska's treasury unit (internal bank) less non-interest-bearing liabilities excluding tax liabilities. In the calculation of capital employed, a capitalized interest expense is removed from total assets for the Residential Development and Commercial Property Development segments.

Acquisition goodwill has been reported in the business stream to which it belongs.

Cash flow by segment is presented as a separate statement: Consolidated operating cash flow statement and change in interest-bearing net receivables.

*Note 4. Operating segments, cont.*

| 2021 | Construction | Residential Development | Commercial Property Development | Total operating segments | Central | Eliminations | Total segments | Difference in accounting principles | Total IFRS |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 122,355 | 14,377 | 10,631 | 147,363 | 213 | | 147,576 | -3,712 | 143,865 |
| Revenue from internal customers | 10,232 | | 471 | 10,703 | 395 | -11,097 | | | |
| **Total revenue** | **132,587** | **14,377** | **11,102** | **158,066** | **608** | **-11,097** | **147,576** | **-3,712** | **143,865** |
| Cost of sales | -121,901 | -11,670 | -7,147 | -140,717 | -621 | 11,080 | -130,258 | 2,102 | -128,156 |
| **Gross income** | **10,687** | **2,707** | **3,955** | **17,349** | **-13** | **-17** | **17,318** | **-1,609** | **15,709** |
| Selling and administrative expenses | -5,709 | -727 | -784 | -7,220 | -645 | | -7,865 | | -7,865 |
| Income from joint ventures and associated companies | 35 | | 93 | 128 | 243 | 8 | 379 | 70 | 449 |
| **Operating income** | **5,013** | **1,980** | **3,264** | **10,256** | **-415** | **-9** | **9,832** | **-1,539** | **8,293** |
| of which depreciation/amortization | -2,469 | -23 | -86 | -2,578 | -90 | | -2,669 | | -2,669 |
| of which impairment losses/reversals of impairment losses | | | | | | | | | |
| Goodwill | -53 | | | -53 | | | -53 | | -53 |
| Other assets | -34 | -36 | -175 | -245 | | | -245 | | -245 |
| of which gains from sale of commercial properties | | | 3,928 | 3,928 | | 239 | 4,167 | -661 | 3,506 |
| of which gains from sales from PPP-portfolio | | | | | 4 | | 4 | | 4 |
| Personnel | 28,557 | 582 | 431 | 29,570 | 481 | | 30,051 | | |
| Gross margin, % | 8.1 | 18.8 | | | | | | | |
| Selling and administrative expenses, % | -4.3 | -5.1 | | | | | | | |
| Operating margin, % | 3.8 | 13.8 | | | | | | | |
| Assets, of which | | | | | | | | | |
| Property, plant and equipment | 9,872 | 54 | 409 | 10,335 | 260 | -3 | 10,593 | | 10,593 |
| Intangible assets | 4,127 | 322 | 17 | 4,466 | 144 | | 4,610 | | 4,610 |
| Investments in joint ventures and associated companies | 287 | 355 | 122 | 763 | 1,427 | -5 | 2,185 | | 2,185 |
| Current-asset properties | 57 | 20,371 | 33,272 | 53,700 | | -666 | 53,033 | | 53,033 |
| Capital employed | -7,875 | 14,385 | 32,721 | 39,231 | 27,499 | | 66,729 | | 66,729 |
| Investments | -1,850 | -11,488 | -7,344 | -20,683 | -720 | 457 | -20,945 | | -20,945 |
| Divestments | 1,034 | 10,766 | 9,961 | 21,762 | 27 | -457 | 21,331 | | 21,331 |
| **Net investments** | **-816** | **-722** | **2,617** | **1,079** | **-693** | **0** | **386** | | **386** |
| **Reconciliation from segment reporting to IFRS** | | | | | | | | | |
| Revenue according to segment reporting – upon signing of contracts | 132,587 | 14,377 | 11,102 | 158,066 | 608 | -11,097 | 147,576 | | |
| Plus properties sold before the period | | 13,868 | 6,012 | 19,880 | | | 19,880 | | |
| Less properties not yet occupied by the buyer on closing day | | -17,328 | -6,393 | -23,721 | | | -23,721 | | |
| Plus revenue of joint ventures in Residential Development | | -247 | | -247 | | | -247 | | |
| Exchange rate differences | | 326 | 52 | 377 | | | 377 | | |
| **Revenue in accordance with IFRS – handover** | **132,587** | **10,995** | **10,772** | **154,354** | **608** | **-11,097** | **143,865** | | |
| Operating income according to segment reporting – upon signing of contracts | 5,013 | 1,980 | 3,264 | 10,256 | -415 | -9 | 9,832 | | |
| Plus properties sold before the period | | 1,982 | 692 | 2,675 | | 61 | 2,736 | | |
| Less properties not yet occupied by the buyer on closing day | | -2,863 | -1,332 | -4,195 | | -92 | -4,287 | | |
| Plus operating income of joint ventures in Residential Development | | -20 | | -20 | | | -20 | | |
| New intra-Group profits | | | | 0 | | -35 | -35 | | |
| Exchange rate differences | | 56 | 10 | 67 | | | 67 | | |
| **Operating income according to IFRS – handover** | **5,013** | **1,135** | **2,635** | **8,783** | **-415** | **-75** | **8,293** | | |

*Note 4. Operating segments, cont.*

| **2020** | **Construction** | **Residential Development** | **Commercial Property Development** | **Total operating segments** | **Central** | **Eliminations** | **Total segments** | **Difference in accounting principles** | **Total IFRS** |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 130,301 | 13,057 | 14,900 | 158,258 | 348 | | 158,606 | 1,738 | 160,344 |
| Revenue from internal customers | 10,182 | 13 | 83 | 10,278 | 22 | -10,300 | 0 | | 0 |
| **Total revenue** | **140,483** | **13,070** | **14,983** | **168,536** | **370** | **-10,300** | **158,606** | **1,738** | **160,344** |
| Cost of sales | -131,140 | -10,892 | -10,282 | -152,314 | -283 | 10,362 | -142,236 | -1,221 | -143,457 |
| **Gross income** | **9,343** | **2,178** | **4,701** | **16,222** | **86** | **62** | **16,370** | **517** | **16,887** |
| Selling and administrative expenses | -5,852 | -635 | -796 | -7,283 | -986 | | -8,269 | | -8,269 |
| Income from joint ventures and associated companies | 37 | | -8 | 29 | 3,730 | | 3,759 | 256 | 4,015 |
| **Operating income** | **3,528** | **1,543** | **3,897** | **8,968** | **2,830** | **62** | **11,860** | **773** | **12,633** |
| of which depreciation/amortization | -2,759 | -27 | -74 | -2,860 | -85 | | -2,945 | | -2,945 |
| of which impairment losses/reversals of impairment losses | | | | | | | | | |
| Other assets | -7 | -44 | -282 | -333 | -63 | 3 | -393 | | -393 |
| of which gains from sale of commercial properties | | | 4,750 | 4,750 | | 359 | 5,109 | 868 | 5,977 |
| of which gains from sales from PPP-portfolio | | | | | 4,054 | | 4,054 | | 4,054 |
| Personnel | 30,944 | 571 | 445 | 31,961 | 502 | | 32,463 | | |
| Gross margin, % | 6.7 | 16.7 | | | | | | | |
| Selling and administrative expenses, % | -4.2 | -4.9 | | | | | | | |
| Operating margin, % | 2.5 | 11.8 | | | | | | | |
| Assets, of which | | | | | | | | | |
| Property, plant and equipment | 9,999 | 70 | 457 | 10,526 | 227 | -6 | 10,746 | | 10,746 |
| Intangible assets | 3,985 | 301 | 16 | 4,301 | 182 | | 4,484 | | 4,484 |
| Investments in joint ventures and associated companies | 263 | 475 | 218 | 956 | 745 | -12 | 1,689 | | 1,689 |
| Current-asset properties | 56 | 17,385 | 31,055 | 48,496 | | -569 | 47,927 | | 47,927 |
| Capital employed | -5,270 | 13,608 | 30,906 | 39,244 | 21,885 | | 61,129 | | 61,129 |
| Investments | -1,503 | -10,420 | -9,777 | -21,699 | -89 | 103 | -21,685 | | -21,685 |
| Divestments | 314 | 11,710 | 16,988 | 29,013 | 5,296 | -117 | 34,193 | | 34,193 |
| **Net investments** | **-1,189** | **1,291** | **7,211** | **7,314** | **5,208** | **-14** | **12,508** | | **12,508** |
| **Reconciliation from segment reporting to IFRS** | | | | | | | | | |
| Revenue according to segment reporting – upon signing of contracts | 140,483 | 13,070 | 14,984 | 168,537 | 369 | -10,300 | 158,606 | | |
| Plus properties sold before the period | | 13,520 | 9,285 | 22,805 | | -30 | 22,775 | | |
| Less properties not yet occupied by the buyer on closing day | | -13,868 | -6,012 | -19,880 | | | -19,880 | | |
| Plus revenue of joint ventures in Residential Development | | -594 | 0 | -594 | | 23 | -571 | | |
| Exchange rate differences | | -466 | -119 | -586 | | | -586 | | |
| **Revenue in accordance with IFRS – handover** | **140,483** | **11,661** | **18,138** | **170,282** | **369** | **-10,307** | **160,344** | | |
| Operating income according to segment reporting – upon signing of contracts | 3,528 | 1,543 | 3,897 | 8,968 | 2,830 | 62 | 11,860 | | |
| Plus properties sold before the period | | 2,001 | 1,492 | 3,493 | | 35 | 3,528 | | |
| Less properties not yet occupied by the buyer on closing day | | -1,982 | -692 | -2,675 | | -61 | -2,736 | | |
| Plus operating income of joint ventures in Residential Development | | 23 | | 23 | | | 23 | | |
| New intra-Group profits | | | | | | 24 | 24 | | |
| Exchange rate differences | | –71 | –18 | –89 | | 24 | –65 | | |
| **Operating income according to IFRS – handover** | **3,528** | **1,514** | **4,678** | **9,721** | **2,830** | **83** | **12,633** | | |

*Note 4. Operating segments, cont.*

**External revenue in accordance with IFRS by geographical area**

| | Sweden | | UK | | USA | | Norway | | Other[1] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Construction | 27,280 | 28,030 | 14,123 | 16,864 | 53,438 | 59,697 | 13,873 | 12,475 | 13,642 | 13,259 | 122,355 | 130,325 |
| Residential Development | 5,240 | 5,964 | | | | | 1,697 | 1,086 | 4,058 | 4,597 | 10,995 | 11,648 |
| Commercial Property Development | 2,743 | 5,142 | | | 2,359 | 8,231 | 6 | 17 | 5,193 | 4,636 | 10,301 | 18,025 |
| Central and Eliminations | 177 | 308 | | | 36 | 39 | | | | | 213 | 347 |
| **Total operating segments** | **35,440** | **39,444** | **14,123** | **16,864** | **55,833** | **67,967** | **15,576** | **13,578** | **22,893** | **22,492** | **143,865** | **160,344** |

1 No geographical area with revenue accounting for 10 percent or more of the Group's total revenue is included.

The Group has no customers that account for 10 percent or more of its revenue.

**Non-current assets and current-asset properties by geographical area**

| | Property, plant and equipment | | Intangible assets | | Investments in joint ventures and associated companies | | Current-asset properties | |
|---|---|---|---|---|---|---|---|---|
| | **Dec 31, 2021** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2020** |
| Norway | 2,749 | 2,278 | 1,293 | 1,204 | 40 | 51 | 4,256 | 3,923 |
| Czech Republic | 723 | 707 | 89 | 101 | 80 | 83 | 1,678 | 1,406 |
| Poland | 157 | 198 | 3 | 5 | | | 1,536 | 1,488 |
| Sweden | 2,404 | 2,687 | 778 | 876 | 1,214 | 1,391 | 16,097 | 13,613 |
| UK | 1,118 | 1,317 | 1,364 | 1,229 | 48 | 23 | 2,581 | 1,659 |
| USA | 2,565 | 2,567 | 537 | 533 | 673 | 134 | 10,556 | 8,935 |
| Other[1] | 877 | 992 | 545 | 536 | 130 | 6 | 16,329 | 16,904 |
| | **10,593** | **10,746** | **4,610** | **4,484** | **2,185** | **1,689** | **53,034** | **47,928** |

1 No geographical area with revenue accounting for 10 percent or more of the Group's total items is included.

## **Note 5.** Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are recognized in accordance with IFRS 5. See Note 1. No operations were recognized as discontinued in 2021 or 2020.

At the end of both 2021 and 2020, there were no non-current assets that under IFRS 5 are to be recognized as current assets and specified as assets held for sale.

# **Note 6.** Financial instruments and financial risk management

Financial instruments are recognized in accordance with IFRS 9 Financial Instruments, IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures.

Skanska's contract assets and contract liabilities are not recognized as a financial instrument and the risk associated with these receivables and liabilities is thus not reported in this note either.

Risks in partly-owned joint venture companies in the PPP-portfolio are managed within each respective joint venture company. Skanska's aim is to ensure that financial risk management within these companies is equivalent to that which applies to the Group's wholly owned companies. As the contract period in many cases amounts to decades, management of the interest rate risk in financing is essential in each joint venture company. This risk is managed using long-term interest rate swaps. These holdings are recognized according to the equity method of accounting. As a result, the financial instruments in each joint venture company are included under the item "Income from joint ventures and associated companies." Disclosures on financial instruments in joint ventures and associated companies are not included in the following disclosures.

**Financial risk management**
Through its operations, aside from business risk, Skanska is exposed to various financial risks such as credit risk, liquidity risk and market risk. These risks are associated with the Group's reported financial instruments such as cash and cash equivalents, interest-bearing receivables, trade accounts receivable, trade accounts payable, borrowings and derivatives.

**Objectives and policy**
The Group endeavors to achieve a systematic assessment of both financial and business risks. To do this a common risk management model is used. The risk management model does not involve avoidance of risk but is instead aimed at identifying and managing the risks.

Through the Group's Financial Policy, each year the Board of Directors establishes guidelines, objectives and restrictions for management of the Group's finances and financial risk. Skanska's Group Governance Framework regulates the distribution of responsibility among Skanska's Board, the Group Leadership Team, Skanska Financial Services (Skanska's Group Function for financial services) and the business units.

Within the Group, Skanska Financial Services has operational responsibility for securing Group financing and for managing liquidity, financial assets and financial liabilities. A centralized financial unit enables Skanska to take advantage of economies of scale and synergies.

The objectives and policy for each type of risk are described in the respective sections below.

**Credit risk**
Credit risk describes the Group's risk from financial assets and arises if a counterparty does not fulfill its contractual payment obligations to Skanska. Credit risk is divided into financial credit risk, which is risk associated with interest-bearing assets and derivatives, and customer credit risk, which is risk relating to trade accounts receivable.

**Financial credit risk – risk in interest-bearing assets and derivatives**
Financial credit risk is the risk that the Group is exposed to in its relationships with financial counterparties when investing surplus funds and with respect to bank account balances and investments in financial assets. Credit risk in the form of counterparty risk also arises when using derivatives and is the risk that a potential gain will not be realized if the counterparty does not fulfill its part of the contract.

According to the policy, Skanska must limit its exposure to financial counterparties by using banks and financial institutions assigned a high credit rating by rating agencies Standard & Poor's, Moody's or Fitch. The permitted exposure volume per counterparty is dependent on the counterparty's credit rating and the maturity of the exposure. To reduce the credit risk associated with derivative instruments, the Group has also signed standardized netting agreements (ISDA agreements) with all financial counterparties with whom Skanska enters into derivative contracts.

When investing surplus funds the objective is to always achieve good risk diversification. As of the end of the year the surplus funds were primarily invested with larger banks with a global presence, mainly from the Nordic region, Europe, USA and Japan, and in short-term interest-bearing instruments and money market funds. Skanska currently uses around 10 banks for derivative transactions.

Maximum exposure is equivalent to the fair value of the assets and amounts to SEK 31,500 M (28,827).

The average maturity of interest-bearing assets amounted to 0.3 years (0.1) as of December 31, 2021. The Group's financial interest-bearing assets as of December 31, 2021, primarily consisting of bank balances and investments in short-term debt instruments, were still considered to have a low credit risk as of the closing day as the assets have a high credit rating and thus the loss provision for these assets is based on 12 months of expected credit losses.

| Interest-bearing assets and derivatives | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Maximum exposure in outstanding receivables | 31,500 | 28,827 |
| of which derivatives | 63 | 197 |
| Less adjustment from fair value | -33 | -1 |
| Loss provision for expected credit losses in accordance with IFRS 9 | -11 | -36 |
| **Carrying amount** | **31,457** | **28,790** |

| Change in impairment losses on interest-bearing assets and derivatives | 2021 | 2020 |
|---|---|---|
| January 1 | 36 | 21 |
| Adjustment loss provision in accordance with IFRS 9 | -25 | 15 |
| **December 31** | **11** | **36** |

**Customer credit risk – risk in trade accounts receivable**
Customer credit risk is managed using the Skanska Group's common procedures for identifying and managing risks: the Skanska Tender Approval Procedure (STAP) and Project Scrutiny and Approval Procedure (PSAP).

Skanska's credit risk with regard to trade accounts receivable has a high degree of risk diversification due to the large number of projects of varying sizes and types with numerous different customer categories – many of which are in the public sector – in a large number of geographical markets.

The portion of Skanska's operations related to construction projects extends only limited credit, since projects are invoiced in advance as much as possible. In other operations, the extension of credit is limited to customary invoicing periods.

The impairment loss on trade accounts receivable amounts to SEK 324 M (363), of which SEK 115 M (129) is for the loss provision for expected credit losses according to IFRS 9.

| Trade accounts receivable | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Outstanding receivables | 15,187 | 13,642 |
| Impairment losses | -324 | -363 |
| **Carrying amount** | **14,863** | **13,279** |

| Change in impairment losses, trade accounts receivable | 2021 | 2020 |
|---|---|---|
| January 1 | 363 | 379 |
| Impairment losses for the year | 10 | 95 |
| Reversals of impairment losses | -48 | -34 |
| Impairment losses settled | -11 | -58 |
| Exchange rate differences | 10 | -19 |
| **December 31** | **324** | **363** |

**Risk in other operating receivables including shares**
Other financial operating receivables consist of receivables for properties divested, accrued interest income, deposits etc.

On the closing day no operating receivables were past due and there were no impairment losses.

Holdings with less than 20 percent of voting power in a company are reported as shares. Their carrying amount is SEK 37 M (43).

Other financial operating receivables are reported by time interval with respect to when the amounts fall due in the future.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Due within 30 days | 9 | |
| Due in over 30 days but within one year | 186 | 99 |
| Due after one year | 10 | 10 |
| **Total** | **206** | **109** |

*Note 6. Financial instruments and financial risk management, cont.*

**Liquidity and refinancing risk**
Liquidity and refinancing risk is defined as the risk of Skanska not being able to meet its payment obligations due to lack of liquidity or due to difficulties in obtaining or rolling over external loans.

The Group uses liquidity forecasting as a means of identifying and managing the fluctuations in short-term liquidity.

Surplus liquidity is, if possible, to be used primarily to repay the principal on loan liabilities.

**Funding**
Skanska has several borrowing programs, both committed bank credit facilities and market funding programs, which provide good preparedness for temporary fluctuations in the Group's short-term liquidity requirements and ensure long-term funding. Skanska does not have a credit rating.

In 2021 two bilateral backup facilities of SEK 500 M and EUR 50 M respectively matured, both having a maturity of one year with the option to extend for a further year. The option to extend was not exercised.

A bilateral loan of USD 65 M from Svensk Exportkredit matured during the year. Due to the strong liquidity situation, the maturing loan was not refinanced.

At the end of the year the central debt portfolio amounted to SEK 3.3 billion (3.7). The unutilized credit facilities of SEK 6.6 billion (7.5) in combination with interest-bearing net receivables excluding cash and cash equivalents with restrictions, lease liabilities and net pension liabilities of SEK 17.7 billion (16.0) ensure that the Group has sufficient financial capacity.

| | | | | Dec 31, 2021 | | Dec 31, 2020 | |
|---|---|---|---|---|---|---|---|
| **Company** | **Maturity** | **Currency** | **Limit in currency** | **Limit in SEK** | **Utilized** | **Limit in SEK** | **Utilized** |
| **Market funding programs** | | | | | | | |
| Commercial paper (CP) program, maturities 0–1 years | | SEK/EUR | SEK 6,000 M | 6,000 | | 6,000 | |
| Medium-term note (MTN) program, maturities 1–10 years | | SEK/EUR | SEK 8,000 M | 8,000 | 500 | 8,000 | 500 |
| | | | | **14,000** | **500** | **14,000** | **500** |
| **Committed credit facilities** | | | | | | | |
| Syndicated bank loan | 2024 | SEK/EUR/USD/GBP | EUR 600 M | 6,143 | | 6,033 | |
| Bilateral bank loan | 2021 | SEK | SEK 500 M | | | 500 | |
| Bilateral bank loan | 2021 | EUR | EUR 50 M | | | 503 | |
| Bilateral loan agreement | 2021 | USD | USD 65 M | | | 533 | 533 |
| Bilateral loan agreement | 2023 | USD | USD 50 M | 453 | 453 | 409 | 409 |
| Bilateral loan agreement | 2024 | USD | USD 50 M | 453 | 453 | 409 | 409 |
| Bilateral loan agreement | 2024 | USD | USD 100 M | 905 | 905 | 818 | 818 |
| Bilateral loan agreement | 2025 | EUR | EUR 50 M | 511 | 511 | 502 | 502 |
| Bilateral loan agreement | 2027 | EUR | EUR 50 M | 511 | 511 | 502 | 502 |
| Other credit facilities | | | | 448 | | 433 | |
| | | | | **9,424** | **2,833** | **10,642** | **3,174** |

At year-end the Group's unutilized confirmed credit facilities amounted to SEK 6,591 M (7,468).

**Liquidity reserve and maturity structure**
The objective is to have a liquidity reserve of at least SEK 4 billion available within one week in the form of cash liquidity or unutilized committed credit facilities. At year-end, cash and cash equivalents and unutilized confirmed credit facilities amounted to SEK 18 billion (27), of which SEK 15 billion (23) is, or is expected to be, available within one week.

The Group's policy is for the central borrowing portfolio's maturity structure to be distributed over time and to have a weighted average residual term of three years, including unutilized committed credit facilities, with authorization to deviate within a two- to four-year interval. On December 31, 2021 the average maturity of the borrowing portfolio was 2.5 years (3.1), if unutilized credit facilities are taken into account.

Including interest payments, the maturity structure of the Group's financial interest-bearing liabilities, derivatives and lease liabilities is distributed over the next few years according to the following table. For lease liabilities the future payments are in undiscounted amounts.

*Note 6. Financial instruments and financial risk management, cont.*

**Dec 31, 2021**

| Maturity period | | Carrying amount | Future payment amount | Maturity: Within 3 months | After 3 months within 1 year | After 1 year within 5 years | After 5 years |
|---|---|---|---|---|---|---|---|
| Interest-bearing financial liabilities | | 8,622 | 8,878 | 16 | 4,828 | 3,495 | 539 |
| Derivatives: Currency forward contracts | Inflow | | -10,688 | -9,959 | -729 | | |
| | Outflow | 131 | 10,811 | 10,074 | 737 | | |
| Derivatives: Interest rate swaps | Inflow | | -2 | -1 | -1 | | |
| | Outflow | 1 | 3 | | 3 | | |
| Lease liabilities | | 6,960 | 26,748 | 284 | 733 | 2,697 | 23,034 |
| Trade accounts payable | | 12,426 | 12,426 | 12,426 | | | |
| Other operating liabilities | | 367 | 367 | 261 | 83 | 23 | |
| **Total** | | **28,507** | **48,543** | **13,101** | **5,654** | **6,215** | **23,573** |

**Dec 31, 2020**

| Maturity period | | Carrying amount | Future payment amount | Maturity: Within 3 months | After 3 months within 1 year | After 1 year within 5 years | After 5 years |
|---|---|---|---|---|---|---|---|
| Interest-bearing financial liabilities | | 8,417 | 8,651 | 19 | 4,701 | 3,317 | 614 |
| Derivatives: Currency forward contracts | Inflow | | -4,180 | -3,534 | -569 | -77 | |
| | Outflow | 88 | 4,268 | 3,618 | 569 | 81 | |
| Derivatives: Interest rate swaps | Inflow | | | | | | |
| | Outflow | 3 | 3 | 1 | 1 | 1 | |
| Lease liabilities | | 7,233 | 25,972 | 299 | 807 | 2,883 | 21,982 |
| Trade accounts payable | | 9,649 | 9,649 | 9,649 | | | |
| Other operating liabilities | | 531 | 531 | 429 | 59 | 43 | |
| **Total** | | **25,920** | **44,894** | **10,481** | **5,568** | **6,248** | **22,596** |

The average maturity for interest-bearing liabilities excluding lease liabilities and unutilized committed credit facilities was 1.8 years (2.1).

**Market risk**
Market risk is the Group's risk that the fair value of financial instruments or future cash flows from financial instruments will fluctuate due to changes in market prices. The main market risks in the consolidated accounts are interest rate risk and foreign exchange rate risk.

**Interest rate risk**
Interest rate risk is the risk that changes in interest rates will adversely affect the Group's financial items and cash flow (cash flow risk) or the fair value of financial assets and liabilities (fair value interest rate risk).

To limit the risk, the interest-rate maturities for financial assets and liabilities are to match to the greatest extent possible in the respective borrowing currencies.

When calculating the Group's sensitivity to changes in interest rates, all interest-bearing assets, liabilities and derivatives are included, with the exception of pensions and taxes. For interest rate risk related to pensions, see Note 28.

The analysis is based on the assumption that the position as of December 31, 2021 will remain the same in terms of the size of net debt, the ratio of fixed and variable interest rates, and the percentage of financial instruments in foreign currencies.

Fair value sensitivity is measured using three different scenarios: a base scenario with an interest rate increase of one percentage point across all maturities, or an increase or decrease in the base scenario rate of one half of a percentage point over the maturity. According to this policy, the change in fair value may not exceed SEK 150 M for any of these interest scenarios.

As of December 31, 2021 the change in fair value estimated using the scenarios above would impact net financial items in the range of SEK 47–104 M (37–68) and other comprehensive income by SEK 0 M (0), as hedge accounting was not applied to outstanding interest rate swap contracts. All amounts are stated before tax. Equity would thus be affected by SEK 37–83 M (29–53) taking tax into account.

The Group's cash flow risk must not exceed SEK 150 M over a 12-month period in the event of an increase of one percentage point in market interest rates. Assuming the volume and fixed interest period are the same at year-end, an average increase in the market interest rate of one percentage point from the level at the end of the year would result in an estimated positive effect on the Group's financial items of around SEK 143 M (190) for the coming 12-month period. The deviation as of December 31, 2020 is an approved temporary effect due to receipt of proceeds from the sale of two large project holdings in the USA, 2+U and Elizabeth River Crossings, at the end of the year.

The average fixed interest period for all of the Group's interest-bearing assets was 0.2 years (0.03), taking derivatives into account. The interest rate for these was 0.22 percent (0.1) at year-end. Of the Group's total interest-bearing financial assets, after taking into account derivatives, 72 percent (49) carry fixed interest rates and 28 percent (51) variable interest rates. The average fixed interest period for all interest-bearing liabilities, taking into account derivatives but excluding lease liabilities and pension liabilities, was 0.0 (0.2) years. The interest rate for interest-bearing liabilities amounted to 1.42 (1.43) percent at year-end. Taking into account derivatives, the interest rate was 0.49 (1.09) percent. Of total interest-bearing financial liabilities, after taking into account derivatives, 4 (7) percent carry fixed interest rates and 96 (93) percent variable interest rates.

As of December 31, 2021 there was one outstanding interest rate swap contract amounting to a nominal SEK 300 M (500), which was entered into in order to swap part of the Group's borrowing from variable to fixed interest. In addition, there were five outstanding interest rate swap contracts amounting to a nominal SEK 4,500 M (0), which were entered into in order to swap parts of the Group's investments from variable to fixed interest.

Hedge accounting is applied for interest rate swaps with terms that match the hedged loan with respect to nominal amounts, reference interest rate, date of maturity, and the payment and interest rate adjustment date. The effectiveness is evaluated when the hedging relationship is entered into and on an ongoing basis. Ineffectiveness may arise if the creditworthiness of the contracting parties affects fair value changes to the hedge and the hedged loan differently.

As of December 31, 2021 Skanska has no outstanding interest rate swap contracts for which hedge accounting is applied. The fair value of interest rate swaps for which hedge accounting is not applied totaled SEK -1 M (-3) on December 31, 2021. For these interest rate swaps, changes in fair value are recognized through profit or loss.

There were also interest rate swap contracts in partly owned joint venture companies and hedge accounting is applied for all of these.

**Interest Rate Benchmark Reform (IBOR reform)**
Skanska has continually monitored the reform work and has projects in progress to manage the transition to alternative reference interest rates. This work has included identifying which products, contracts and IT systems are affected, the impact on risk measurement and measurement of financial instruments, and also which measures need to be taken.

*Note 6. Financial instruments and financial risk management, cont.*

As of December 31, 2021 Skanska has three outstanding bilateral loans totaling USD 200 M with USD LIBOR as the reference interest rate, of which USD 50 M matures before USD LIBOR ends. For the other two loans it is planned that the transition to a risk-free reference interest rate (SOFR) will take place in conjunction with publication of the cessation of USD LIBOR. The effects of changes in contractual cash flows as a result of USD LIBOR being replaced by the risk-free reference interest rate are not expected to impact the financial reporting.

Skanska is applying the relief rules in IFRS 9 relating to the IBOR reform in respect of hedging relationships in which interest rate swaps are used to obtain fixed interest on variable borrowing. As of December 31, 2021, all outstanding hedging relationships with exposure to benchmark interest rates that are directly affected by the reform are in partly owned joint venture companies. In these hedging relationships the Group has exposure to the STIBOR rate.

**Foreign exchange rate risk**
Foreign exchange rate risk is defined as the risk of a negative impact on the Group's income statement and statement of financial position due to fluctuations in exchange rates. This risk can be divided into transaction exposure, i.e., net operating and financial (interest/principal payment) flows, and translation exposure related to net investments in foreign subsidiaries.

**Transaction exposure**
Transaction exposure arises in a local unit when the unit's inflows and outflows of foreign currencies are not matched.

Although the Group has a large international presence, its operations are mainly of a local nature in terms of foreign exchange rate risks, because project revenue and costs are mainly denominated in the same currency. If this is not the case, the objective is for each respective business unit to hedge its exposure in contracted cash flows against its functional currency in order to minimize the effect on earnings caused by shifts in exchange rates. The main tool for this purpose is currency forward contracts.

The foreign exchange rate risk for the Group may amount to a total of SEK 50 M, with risk calculated as the effect on earnings of a five percentage point shift in exchange rates. As of December 31, 2021 foreign exchange rate risk accounted for SEK 9 M (4) of transaction exposure before tax, which would affect other comprehensive income in the amount of SEK 7 M (3) after tax.

Skanska hedges foreign currency flows by matching critical terms such as nominal amount, currency and maturity date. A qualitative evaluation of the relationship's effectiveness is made in this way. The effectiveness of a hedge is evaluated when the hedging relationship is entered into and on an ongoing basis. A currency hedge may become ineffective if the timing of the transaction differs from what was initially estimated and if the credit risk associated with the derivative counterparty changes.

Skanska mainly uses hedge accounting to hedge expenses in currencies other than EUR in its European property development operations. The fair value of these hedges totaled SEK -27 M (-47) on December 31, 2021. The hedges fulfill effectiveness requirements, which means that unrealized gains or losses are recognized in other comprehensive income. As of December 31, 2021 the fair value of currency hedges for which hedge accounting is not applied totaled SEK 4 M (–39), including the fair value of embedded derivatives. Changes in fair value for these are recognized through profit or loss.

Information on the changes recognized in the consolidated income statement and in other comprehensive income during the period can be found in the table "Impact of financial instruments on the consolidated income statement, other comprehensive income and equity" in Note 26.

Contracted net flows – as well as hedges for these – in currencies that are foreign to the respective Group company break down into currencies and maturities as shown in the following table.

**Translation exposure**
Skanska's policy stipulates that net investments in Commercial Property Development are to be currency-hedged since the intention is to sell these assets over time. These hedges consist of forward currency contracts and/or foreign currency loans. The positive fair value of the currency forward contracts amounts to SEK 1 M (0) and their negative fair value to SEK 0 M (2). In 2021 and 2020 no foreign currency loans were used for hedging.

Net investments in other foreign subsidiaries are not normally hedged, unless the Board of Directors of Skanska AB decides otherwise. At year-end 2021, 0 percent (0) of net investments in foreign currency was currency hedged. A change in the exchange rate where the Swedish krona falls/rises by 10 percent against other currencies would have an effect of SEK +/–3.0 billion (2.6) on other comprehensive income after tax and taking hedges into account.

| **Dec 31, 2021** | The Group's contracted net foreign currency flows | | | Hedging of foreign currency flows | | |
|---|---|---|---|---|---|---|
| **SEK M**[1] | **2022** | **2023** | **2024 and later** | **2022** | **2023** | **2024 and later** |
| PLN | -1,534 | -208 | | 1,519 | 208 | |
| EUR | -846 | -76 | -3 | 812 | 19 | |
| CZK | -525 | -145 | | 502 | 147 | |
| HUF | -132 | | | 98 | | |
| RON | -1 | | -3 | 7 | | |
| USD | 58 | -16 | | -58 | 16 | |
| Other currencies | -10 | -2 | | 26 | | |
| **Total equivalent value** | **-2,990** | **-447** | **-6** | **2,906** | **390** | **0** |

1 Flows in PLN, CZK, HUF and RON are mainly related to Property Development project expenses. Flows in EUR are mainly attributable to Construction operations in Sweden and Norway.

| **Dec 31, 2020** | The Group's contracted net foreign currency flows | | | Hedging of foreign currency flows | | |
|---|---|---|---|---|---|---|
| **SEK M**[1] | **2021** | **2022** | **2023 and later** | **2021** | **2022** | **2023 and later** |
| PLN | -1,424 | -319 | -8 | 1,427 | 311 | 0 |
| EUR | -474 | -44 | 0 | 487 | 27 | 0 |
| HUF | -116 | -109 | | 149 | 63 | |
| CZK | -161 | -41 | | 151 | 40 | |
| RON | -18 | -20 | | 4 | | |
| USD | 24 | | | -23 | | |
| Other currencies | 1 | -1 | | 1 | | |
| **Total equivalent value** | **-2,167** | **-534** | **-8** | **2,196** | **441** | **0** |

1 Flows in PLN, CZK, HUF and RON are mainly related to Property Development project expenses. Flows in EUR are mainly attributable to Construction operations in Sweden and Norway.

*Note 6. Financial instruments and financial risk management, cont.*

**Hedging of net investments outside Sweden**

| | Dec 31, 2021 | | | | | Dec 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Currency** | **Net investments** | **Hedges[1]** | **Hedged portion, %** | **Net investments[2]** | **Net investments, %[2]** | **Net investments** | **Hedges[1]** | **Hedged portion, %** | **Net investments[2]** | **Net investments, %[2]** |
| CZK | 2,688 | | | 2,688 | 6 | 2,435 | | | 2,435 | 6 |
| DKK | 1,501 | | | 1,501 | 3 | 801 | | | 801 | 2 |
| EUR | 4,059 | | | 4,059 | 9 | 4,215 | | | 4,215 | 11 |
| GBP | 1,883 | -85 | 5 | 1,798 | 4 | 843 | -78 | 9 | 765 | 2 |
| NOK | 5,272 | | | 5,272 | 12 | 4,797 | | | 4,797 | 12 |
| PLN | 277 | | | 277 | 1 | 90 | | | 90 | 0 |
| USD | 14,209 | | | 14,209 | 31 | 13,470 | | | 13,470 | 35 |
| Other foreign | -6 | | | -6 | 0 | -6 | | | -6 | 0 |
| **Total foreign currencies** | **29,884** | **-85** | **0** | **29,799** | **65** | **26,646** | **-78** | **0** | **26,567** | **69** |
| SEK and eliminations | | | | 15,883 | 35 | | | | 12,052 | 31 |
| **Total** | | | | **45,682** | **100** | | | | **38,620** | **100** |

1 Hedged amount before subtracting tax portion.
2 After subtracting hedged portion.

Hedge accounting is applied in cases where hedging of net investments takes place outside Sweden. The hedges fulfill effectiveness requirements, which means that gains or losses on the hedges are recognized in other comprehensive income until the hedged transaction takes place, at which point the accumulated change in value is transferred to profit or loss.

The effectiveness of the hedge is evaluated on an ongoing basis to ensure that the relationship meets the criteria. Ineffectiveness may arise in connection with a change in net investments and if the credit risk associated with the derivative counterparty changes.

Information on the changes recognized in the consolidated income statement and in other comprehensive income during the period can be found in the table "Impact of financial instruments on the consolidated income statement, other comprehensive income and equity" in Note 26.

See also Note 34.

**Significance of financial instruments for the Group's financial position and income**

*Financial instruments in the statement of financial position*

The table below shows the carrying amount and fair value of financial instruments by category, as well as a reconciliation with total assets and liabilities in the statement of financial position.

See also Note 21, Note 24, Note 27 and Note 30.

Fair value relating to hedged transaction exposure is reported under "Contract assets/liabilities" or under "Other operating receivables/liabilities."

**Fair value**

There are three different levels for establishing fair value. The first level uses the official price quotation in an active market. The second level, which is used when a price quotation in an active market does not exist, calculates fair value by remeasuring at observable exchange rates and discounting future cash flows based on observable market interest rates for each respective maturity and currency. The third level uses substantial input data not observable in the market.

All fair value items in the table below have been measured at the second level above, except for shares and participations and a portion of the liabilities for the contingent considerations which are measured at fair value according to level three. Further, the fair value for the portion of the assets relating to bonds has been measured according to level one. In calculating fair value in the borrowing portfolio, Skanska takes into account current market interest rates which include the credit risk premium that Skanska is estimated to pay for its borrowing.

The fair value of financial instruments with option elements is calculated using the Black-Scholes model. As of December 31, 2021, Skanska had no instruments with option elements.

The fair value of financial instruments recognized at amortized cost: cash and bank balances, trade accounts receivable, other operating receivables, trade accounts payable and other operating liabilities, is considered the same as the carrying amount.

*Note 6. Financial instruments and financial risk management, cont.*

| **Assets**<br>**Dec 31, 2021** | **Hierarchy level** | **At fair value through profit or loss** | **At fair value through other comprehensive income** | **At amortized cost** | **Total carrying amount** | **Total fair value** |
|---|---|---|---|---|---|---|
| **Financial instruments** | | | | | | |
| **Interest-bearing assets and derivatives** | | | | | | |
| Financial assets[1] | 1, 2 | 63 | | 20,447 | 20,510 | 20,553 |
| Cash and bank balances | – | | | 10,947 | 10,947 | 10,947 |
| | | **63** | **0** | **31,394** | **31,457** | **31,500** |
| **Trade accounts receivable[2]** | | | | **14,863** | **14,863** | **14,978** |
| **Other operating receivables including shares and participations** | | | | | | |
| Shares and participations[3] | 3 | | 37 | | 37 | 37 |
| Other operating receivables[2, 4] | – | | | 206 | 206 | 206 |
| | | **0** | **37** | **206** | **243** | **243** |
| **Total financial instruments** | | **63** | **37** | **46,463** | **46,563** | **46,722** |

| **Assets**<br>**Dec 31, 2020** | **Hierarchy level** | **At fair value through profit or loss** | **At fair value through other comprehensive income** | **At amortized cost** | **Total carrying amount** | **Total fair value** |
|---|---|---|---|---|---|---|
| **Financial instruments** | | | | | | |
| **Interest-bearing assets and derivatives** | | | | | | |
| Financial assets[1] | 2 | 197 | | 9,086 | 9,282 | 9,319 |
| Cash and bank balances | – | | | 19,508 | 19,508 | 19,508 |
| | | **197** | **0** | **28,594** | **28,790** | **28,827** |
| **Trade accounts receivable[2]** | | | | **13,279** | **13,279** | **13,408** |
| **Other operating receivables including shares and participations** | | | | | | |
| Shares and participations[3] | 3 | | 43 | | 43 | 43 |
| Other operating receivables[2, 4] | – | | | 109 | 109 | 109 |
| | | | **43** | **109** | **152** | **152** |
| **Total financial instruments** | | **197** | **43** | **41,982** | **42,222** | **42,388** |

1 The carrying amount of financial assets excluding shares and participations, totaling SEK 20,510 M (9,282), is presented in Note 21.
2 See Note 24.
3 Shares and participations are reported in the consolidated statement of financial position among financial assets. See also Note 21.
4 In the consolidated statement of financial position, SEK 25,212 M (22,401) was reported as other operating receivables. See Note 24. Of this amount, trade accounts receivable accounted for SEK 14,863 M (13,279). These are reported as financial instruments. The remaining amount is SEK 10,349 M (9,122) and breaks down as SEK 206 M (109) for financial instruments and SEK 10,143 M (9,013) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial instruments include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

| **Reconciliation with statement of financial position** | **Dec 31, 2021** | **Dec 31, 2020** |
|---|---|---|
| **Assets** | | |
| Financial instruments according to the categories in IFRS 9 | 46,563 | 42,222 |
| **Other assets** | | |
| Property, plant and equipment and intangible assets | 11,889 | 11,300 |
| Property, plant and equipment, right-of-use assets | 3,314 | 3,930 |
| Investments in joint ventures and associated companies | 2,185 | 1,689 |
| Net assets in funded pension plans | 2,138 | 1,098 |
| Tax assets | 3,231 | 2,753 |
| Current-asset properties | 49,745 | 44,948 |
| Current-asset properties, right-of-use assets | 3,289 | 2,980 |
| Inventories | 1,090 | 1,100 |
| Receivables from customers for contract work | 5,451 | 4,599 |
| Other operating receivables[1] | 10,143 | 9,013 |
| **Total assets** | **139,039** | **125,631** |

1 In the consolidated statement of financial position, SEK 25,212 M (22,401) was reported as other operating receivables. See Note 24. Of this amount, trade accounts receivable accounted for SEK 14,863 M (13,279). These are reported as financial instruments. The remaining amount is SEK 10,349 M (9,122) and breaks down as SEK 206 M (109) for financial instruments and SEK 10,143 M (9,013) for non-financial instruments. The amount reported as financial instruments includes accrued interest income, deposits etc. Amounts reported as non-financial instruments include, for example, interim items other than accrued interest, VAT receivables, pension-related receivables and other employee-related receivables.

*Note 6. Financial instruments and financial risk management, cont.*

**Liabilities**

| Dec 31, 2021 | Hierarchy level | At fair value through profit or loss | At amortized cost | Total carrying amount | Total fair value |
|---|---|---|---|---|---|
| **Financial instruments** | | | | | |
| **Interest-bearing liabilities and derivatives** | | | | | |
| Financial liabilities[1] | 2, 3 | 561 | 8,193 | 8,754 | 8,822 |
| | | **561** | **8,193** | **8,754** | **8,822** |
| **Operating liabilities** | | | | | |
| Trade accounts payable | – | | 12,426 | 12,426 | 12,426 |
| Other operating liabilities[2] | – | | 367 | 367 | 367 |
| | | **0** | **12,794** | **12,794** | **12,794** |
| **Total financial instruments** | | **561** | **20,987** | **21,548** | **21,616** |

**Liabilities**

| Dec 31, 2020 | Hierarchy level | At fair value through profit or loss | At amortized cost | Total carrying amount | Total fair value |
|---|---|---|---|---|---|
| **Financial instruments** | | | | | |
| **Interest-bearing liabilities and derivatives** | | | | | |
| Financial liabilities[1] | 2, 3 | 483 | 8,025 | 8,508 | 8,560 |
| | | **483** | **8,025** | **8,508** | **8,560** |
| **Operating liabilities** | | | | | |
| Trade accounts payable | – | | 9,649 | 9,649 | 9,649 |
| Other operating liabilities[2] | – | | 531 | 531 | 531 |
| | | **0** | **10,179** | **10,179** | **10,179** |
| **Total financial instruments** | | **483** | **18,204** | **18,687** | **18,739** |

1 The carrying amount for financial liabilities totaling SEK 8,754 M (8,508) is reported in the statement of financial position along with financial liabilities of SEK 8,169 M (7,910) from Note 27 and contingent consideration of SEK 585 M (598) from Note 29. Contingent consideration is included in financial liabilities measured at fair value at SEK 430 M (392) and in financial liabilities measured at amortized cost at SEK 155 M (206). During the year SEK 46 M (44) of the contingent consideration was paid out and SEK 38 M (39) accrued as interest expense. An additional SEK 0 M (12) accrued as contingent consideration and an amount of SEK 5 M (0) has been released.

2 Other financial operating liabilities, totaling SEK 12,794 M (10,179), are reported in the statement of financial position together with trade accounts payable of SEK 12,426 M (9,649) and other financial instruments of SEK 367 M (531). The total item in the statement of financial position amounts to SEK 36,642 M (31,812). See Note 30. Accrued interest expense, checks issued but not cashed, liabilities for unpaid properties etc. are recognized as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities. Operating liabilities are measured at amortized cost.

| Reconciliation with statement of financial position | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| **Equity and liabilities** | | |
| Financial instruments | 21,548 | 18,687 |
| **Other liabilities** | | |
| Equity | 45,797 | 38,717 |
| Pensions | 5,936 | 7,360 |
| Lease liabilities | 6,960 | 7,233 |
| Tax liabilities | 1,632 | 2,812 |
| Provisions | 10,654 | 9,728 |
| Contract liabilities | 22,664 | 19,462 |
| Other operating liabilities[1] | 23,848 | 21,632 |
| **Total equity and liabilities** | **139,039** | **125,631** |

1 Other financial operating liabilities, totaling SEK 12,794 M (10,179), are reported in the statement of financial position together with trade accounts payable of SEK 12,426 M (9,649) and other financial instruments of SEK 367 M (531). The total item in the statement of financial position amounts to SEK 36,642 M (31,812). See Note 30. Accrued interest expense, checks issued but not cashed, liabilities for unpaid properties etc. are recognized as other financial operating liabilities. Other non-financial operating liabilities are, for example, interim items other than accrued interest, VAT liabilities, pension-related liabilities and other employee-related liabilities. Operating liabilities are measured at amortized cost.

*Note 6. Financial instruments and financial risk management, cont.*

| | Dec 31, 2021 | | Dec 31, 2020 | |
|---|---|---|---|---|
| **Disclosures concerning offsetting of financial instruments** | **Financial assets** | **Financial liabilities** | **Financial assets** | **Financial liabilities** |
| Gross amount | 46,563 | 21,548 | 42,222 | 18,687 |
| Amounts offset | | | | |
| **Recognized in balance sheet** | **46,563** | **21,548** | **42,222** | **18,687** |
| Amounts covered by netting arrangements | -37 | -37 | -27 | -27 |
| **Net amount after netting arrangements** | **46,526** | **21,511** | **42,195** | **18,660** |

**Impact of financial instruments on the consolidated income statement, other comprehensive income and equity**

| **Revenue and expenses from financial instruments recognized in the income statement** | **2021** | **2020** |
|---|---|---|
| **Recognized in operating income** | | |
| Interest expense on financial liabilities measured at cost | -2 | |
| Cash flow hedges removed from equity and recognized in the income statement | 152 | 155 |
| **Total income and expenses in operating income** | **150** | **155** |
| **Recognized in financial items** | | |
| Interest income on assets measured at fair value | 40 | 52 |
| Interest income on assets measured at amortized cost | 8 | 18 |
| Interest income on cash and bank balances | 20 | 48 |
| Changes in market value of financial assets measured at fair value through profit or loss | 1 | |
| Changes in market value of financial liabilities measured at fair value through profit or loss | 3 | 2 |
| Reversal of impairment losses attributable to any future credit losses | 24 | |
| Net exchange rate differences | 10 | |
| **Total income in financial items** | **105** | **120** |

| **Revenue and expenses from financial instruments recognized in the income statement** | **2021** | **2020** |
|---|---|---|
| Interest expense on financial liabilities measured at fair value through profit or loss | -9 | -6 |
| Interest expense on financial liabilities measured at amortized cost | -169 | -188 |
| Changes in market value of financial assets measured at fair value through profit or loss | -2 | -1 |
| Changes in market value of financial liabilities measured at fair value through profit or loss | -3 | -4 |
| Impairment losses attributable to any future credit losses | | -15 |
| Net exchange rate differences | | -7 |
| Expenses for borrowing programs | -16 | -18 |
| Bank-related expenses and other | -29 | |
| **Total expenses in financial items** | **-228** | **-239** |
| **Net income and expenses from financial instruments recognized in the income statement** | **-125** | **36** |
| of which interest income on financial assets not measured at fair value through profit or loss | 28 | 66 |
| of which interest expense on financial liabilities not measured at fair value through profit or loss | -171 | -188 |

*Note 6. Financial instruments and financial risk management, cont.*

| Reconciliation with financial items | 2021 | 2020 |
|---|---|---|
| Total income from financial instruments in financial items | 105 | 120 |
| Total expense from financial instruments in financial items | -228 | -239 |
| Net interest on pensions | -70 | -61 |
| Interest expense for lease liabilities | -209 | -244 |
| Capitalized interest expense | 234 | 195 |
| **Total financial items** | **-168** | **-229** |

See also Note 14.

| Income and expenses from financial instruments recognized in other comprehensive income | 2021 | 2020 |
|---|---|---|
| Cash flow hedges recognized directly in equity | -37 | -296 |
| Cash flow hedges removed from equity and recognized in the income statement | 152 | 155 |
| Translation differences | 1,802 | -2,135 |
| Resolved translation differences for companies divested | 6 | 15 |
| Hedging of exchange rate risk in foreign operations | 40 | -19 |
| **Total** | **1,963** | **-2,280** |
| of which recognized in cash flow hedge reserve | 115 | -141 |
| of which recognized in translation reserve | 1,847 | -2,139 |
| | **1,963** | **-2,280** |

**Collateral**
The Group has provided collateral (assets pledged) in the form of financial receivables amounting to SEK 979 M (934). Also see Note 33.

These assets may be utilized by customers if Skanska does not fulfill its obligations according to the respective construction contract. To a varying extent, the Group has obtained collateral for trade accounts receivable in the form of guarantees issued by banks and insurance companies and, in some cases, in the form of guarantees from the parent companies of customers.

## **Note 7.** Business combinations

No business combinations took place during the financial year or in the comparable year.

## **Note 8.** Revenue

Revenue is recognized according to IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. See Note 1. For revenue in accordance with IFRS 15, see also Note 9. Revenue from contracts with customers amounted to SEK 142,939 M (159,310) and rental income from leases amounted to SEK 926 M (1,034). As for other types of revenue, dividends and interest income are recognized in financial items. See Note 14.

| **Revenue by business stream** | **2021** | **2020** |
|---|---|---|
| Construction | 132,587 | 140,483 |
| Residential Development | 10,995 | 11,661 |
| Commercial Property Development | 10,772 | 18,138 |
| Other | | |
| Central | 608 | 369 |
| Eliminations, see below | -11,097 | -10,307 |
| **Total** | **143,865** | **160,344** |

Reported in Eliminations

| | **2021** | **2020** |
|---|---|---|
| Intra-Group construction for | | |
| Construction | -85 | -252 |
| Residential Development | -4,971 | -4,511 |
| Commercial Property Development | -5,171 | -5,280 |
| Intra-Group property divestments | -457 | -117 |
| Other[1] | -413 | -148 |
| **Total** | **-11,097** | **-10,307** |

1 Construction includes SEK 2,536 M (4,643) in intra-Group construction for joint ventures in the PPP-portfolio. Elimination does not occur since this revenue consists of invoices issued to joint ventures, which are recognized according to the equity method of accounting.

**Other**
For other transactions with related parties, see Note 39.

## **Note 9.** Contract assets and contract liabilities

Contract assets and contract liabilities are recognized in accordance with IFRS 15 Revenue from Contracts with Customers. See Note 1. For risks in ongoing assignments, see Note 2 and the Report of the Directors.

**Information from the income statement**
Revenue accrued during the year amounts to SEK 115,034 M (130,747).

| **Information from the statement of financial position** | **Dec 31, 2021** | **Dec 31, 2020** |
|---|---|---|
| Contract assets | 5,451 | 4,599 |
| Contract liabilities | 22,664 | 19,462 |

| **Contract assets** | **2021** | **2020** |
|---|---|---|
| January 1 | 4,599 | 5,898 |
| Revenue accrued during the year, not yet invoiced | 3,041 | 3,754 |
| Revenue accrued during the year, invoiced during the year | 32,787 | 31,895 |
| Invoiced revenue | -35,647 | -36,629 |
| Reclassification | 355 | 100 |
| Exchange rate differences for the year | 316 | -419 |
| **Carrying amount, December 31** | **5,451** | **4,599** |

Assets arising from expenses to obtain or complete a contract with a customer are included in contract assets and amount to SEK 0 M (0).

Depreciation amounted to SEK 0 M (0) and impairment losses, which are charged to the project, to SEK 0 M (0).

| **Contract liabilities** | **2021** | **2020** |
|---|---|---|
| January 1 | 19,462 | 20,419 |
| Invoiced revenue | 82,183 | 95,908 |
| Revenue accrued during the year, invoiced during the year | -71,265 | -84,428 |
| Revenue accrued during the year, invoiced in previous year | -7,940 | -10,670 |
| Revenue adjustment | -480 | -99 |
| Reclassification | -503 | -100 |
| Exchange rate differences for the year | 1,207 | -1,568 |
| **Carrying amount, December 31** | **22,664** | **19,462** |

Future revenue for remaining performance obligations breaks down between the following years.

**Expected revenue recognition for remaining performance obligations in 2021**

| | **2022** | **2023** | **2024** | **2025** | **≥2026** | **Total** |
|---|---|---|---|---|---|---|
| Construction | 104,969 | 52,775 | 28,022 | 12,743 | 8,522 | 207,031 |
| Residential Development | 8,812 | 7,936 | 580 | | | 17,328 |
| Commercial Property Development | 4,769 | 1,624 | | | | 6,393 |
| **Total** | **118,550** | **62,335** | **28,602** | **12,743** | **8,522** | **230,752** |

**Expected revenue recognition for remaining performance obligations in 2020**

| | **2021** | **2022** | **2023** | **2024** | **≥2025** | **Total** |
|---|---|---|---|---|---|---|
| Construction | 91,857 | 50,711 | 21,305 | 9,995 | 5,056 | 178,924 |
| Residential Development | 6,923 | 5,741 | 1,204 | | | 13,868 |
| Commercial Property Development | 4,907 | 1,105 | | | | 6,012 |
| **Total** | **103,687** | **57,557** | **22,509** | **9,995** | **5,056** | **198,804** |

## **Note 10.** Operating expenses by category of expense

In 2021 revenue decreased by SEK 16,479 M to SEK 143,865 M (160,344). Total costs decreased by SEK 12,139 M to SEK -135,572 M (-147,711). Operating income decreased by SEK 4,340 M, to SEK 8,293 M (12,633).

| | 2021 | 2020 |
|---|---|---|
| **Revenue** | **143,865** | **160,344** |
| Personnel expenses[1] | -27,952 | -29,442 |
| Depreciation | -2,669 | -2,945 |
| Impairment losses[2] | -298 | -332 |
| Carrying amount of current-asset properties divested | -14,202 | -18,427 |
| Income from joint ventures and associated companies | 449 | 4,015 |
| Income from property, plant and equipment sold | 140 | 134 |
| Other operating expenses[3] | -91,040 | -100,714 |
| **Total expenses** | **-135,572** | **-147,711** |
| **Operating income** | **8,293** | **12,633** |

1 Note 36 Personnel describes what is included in personnel expenses.

2 Excluding impairment losses/reversals in joint ventures and associated companies, which are included in the item "income from joint ventures and associated companies" and amount to SEK 0 (-61) M.

3 Other operating expenses includes purchased materials, machinery rentals and subcontractors.

## **Note 11.** Selling and administrative expenses

Selling and administrative expenses are recognized as one item. See Note 1.

| **Selling and administrative expenses** | **2021** | **2020** |
|---|---|---|
| Construction | -5,709 | -5,852 |
| Residential Development | -727 | -634 |
| Commercial Property Development | -784 | -797 |
| Central expenses[1] | -645 | -986 |
| **Total** | **-7,865** | **-8,269** |

1 Including eliminations.

## **Note 12.** Depreciation

Depreciation and amortization are carried out in accordance with IAS 16 Property, Plant and Equipment, IFRS 16 Leases and IAS 38 Intangible Assets. See Note 1.

Depreciation and amortization are presented below by business stream.

For further information about depreciation and amortization, see Note 17, Note 19 and Note 40.

**Depreciation/amortization by asset class and business stream**

| **2021** | **Construction** | **Residential Development** | **Commercial Property Development** | **Central and Eliminations** | **Total** |
|---|---|---|---|---|---|
| **Intangible assets** | -142 | -2 | -2 | -60 | -205 |
| **Property, plant and equipment** | | | | | |
| Property (buildings and land) | -80 | -1 | | -5 | -86 |
| Plant and equipment | -1,435 | -1 | -21 | -12 | -1,469 |
| **Property, plant and equipment, right-of-use assets** | | | | | |
| Property (buildings and land) | -20 | | | | -20 |
| Offices | -511 | -5 | -58 | -12 | -585 |
| Cars | -154 | -1 | -6 | -1 | -161 |
| Plant and equipment | -96 | | | | -96 |
| Other | -33 | -13 | | | -46 |
| **Total** | **-2,469** | **-23** | **-86** | **-90** | **-2,669** |

| **2020** | **Construction** | **Residential Development** | **Commercial Property Development** | **Central and Eliminations** | **Total** |
|---|---|---|---|---|---|
| **Intangible assets** | -162 | -2 | -1 | -63 | -228 |
| **Property, plant and equipment** | | | | | |
| Property (buildings and land) | -79 | -3 | | -1 | -83 |
| Plant and equipment | -1,556 | -2 | -22 | -8 | -1,588 |
| **Property, plant and equipment, right-of-use assets** | | | | | |
| Property (buildings and land) | -20 | | | | -20 |
| Offices | -589 | -5 | -44 | -12 | -650 |
| Cars | -170 | -1 | -7 | -1 | -179 |
| Plant and equipment | -135 | | | | -135 |
| Other | -48 | -14 | 0 | | -62 |
| **Total** | **-2,759** | **-27** | **-74** | **-85** | **-2,945** |

# **Note 13.** Impairment losses/reversals of impairment losses

Impairment losses/reversals of impairment losses are recognized in accordance with IAS 36 Impairment of Assets. See Note 1. Impairment losses/reversals of impairment losses on current-asset properties are recognized in accordance with IAS 2 Inventories.

Impairment losses/reversals of impairment losses are presented below by business stream.

For further information on impairment losses/reversals of impairment losses, see Note 17, Note 18, Note 19, Note 22 and Note 40.

**Impairment losses/reversals of impairment losses by asset class and business stream**

| 2021 | Construction | Residential Development | Commercial Property Development | Central and Eliminations | Total |
|---|---|---|---|---|---|
| **Recognized in operating income** | | | | | |
| **Intangible assets** | | | | | |
| Goodwill | -53 | | | | -53 |
| Other intangible assets | | | | | 0 |
| **Property, plant and equipment** | | | | | |
| Property (buildings and land) | -10 | | | | -10 |
| Plant and equipment | -6 | | -1 | | -7 |
| **Property, plant and equipment, right-of-use assets** | | | | | |
| Site leaseholds | | | | | 0 |
| Offices | -16 | | -4 | | -20 |
| Cars | | | | | 0 |
| Plant and equipment | | | | | 0 |
| **Investments in joint ventures and associated companies** | | | | | 0 |
| **Current-asset properties** | | | | | |
| Commercial Property Development | | | -170 | | -170 |
| Residential Development | -1 | -36 | | | -37 |
| **Current-asset properties, right-of-use assets** | | | | | |
| Commercial Property Development | | | | | 0 |
| Residential Development | | | | | 0 |
| **Total** | **-87** | **-36** | **-175** | **0** | **-298** |

*Note 13. Impairment losses/reversals of impairment losses, cont.*

**Impairment losses/reversals of impairment losses by asset class and business stream**

| 2020 | Construction | Residential Development | Commercial Property Development | Central and Eliminations | Total |
|---|---|---|---|---|---|
| **Recognized in operating income** | | | | | |
| **Intangible assets** | | | | | |
| Goodwill | | | | | 0 |
| Other intangible assets | 18 | | | | 18 |
| **Property, plant and equipment** | | | | | |
| Property (buildings and land) | -1 | | | | -1 |
| Plant and equipment | 1 | | | -2 | -1 |
| **Property, plant and equipment, right-of-use assets** | | | | | |
| Site leaseholds | | | | | 0 |
| Offices | -24 | | | | -24 |
| Cars | | | | | 0 |
| Plant and equipment | | | | | 0 |
| **Investments in joint ventures and associated companies** | | | | -61 | -61 |
| **Current-asset properties** | | | | | |
| Commercial Property Development | | | -282 | 3 | -279 |
| Residential Development | -1 | -44 | | | -45 |
| **Current-asset properties, right-of-use assets** | | | | | |
| Commercial Property Development | | | | | 0 |
| Residential Development | | | | | 0 |
| **Total** | **-7** | **-44** | **-282** | **-60** | **-393** |

## **Note 14.** Financial items

| | 2021 | 2020 |
|---|---|---|
| **Financial income** | | |
| Interest income | 68 | 118 |
| Change in fair value | 3 | 2 |
| Net exchange rate differences | 10 | |
| Reversal of impairment losses attributable to any future credit losses | 24 | |
| | **105** | **120** |
| **Financial expense** | | |
| Interest expense | -178 | -194 |
| Interest expense for lease liabilities | -209 | -244 |
| Net interest on pensions | -70 | -61 |
| Capitalized interest expense | 234 | 195 |
| Change in fair value | -5 | -5 |
| Net exchange rate differences | | -7 |
| Impairment losses attributable to any future credit losses | | -15 |
| Other financial items | -45 | -18 |
| | **-273** | **-349** |
| **Total** | **-168** | **-229** |

Information on how large a portion of income and expense in financial items comes from financial instruments is presented in Note 6.

**Net interest**
Financial items totaled SEK -168 M (-229) net. Net interest items improved to SEK -155 M (-186). Interest income decreased to SEK 68 M (118).

Interest expense before capitalized interest improved to SEK -387 M (-438). In 2021 Skanska capitalized interest expense of SEK 234 M (195) in its own ongoing projects.

Interest income was received at an average interest rate of 0.24 percent (0.58). Interest expense, excluding interest on pension liabilities, was paid at an average interest rate of 1.55 percent (1.70) during the year. The average interest rate for lease liabilities was 2.94 percent (2.92).

Net interest on pensions, which is the net amount of interest expense for pension obligations calculated at the beginning of the year, based on the 2021 outcome, and the expected return on plan assets, increased to SEK -70 M (-61). See also Note 28.

The Group had net interest items of SEK -2 M (0) that were recognized in operating income. See Note 1 Accounting and valuation principles.

**Change in fair value**
Change in fair value amounted to SEK -2 (-3) million.

**Other financial items**
Other financial items amounted to SEK -12 M (-40) net relating to various charges for credit facilities and bank guarantees, exchange rate differences, as well impairment losses relating to any future credit losses in accordance with IFRS 9.

## **Note 15.** Borrowing costs

Borrowing costs related to investments that require a substantial period for completion are capitalized. See Note 1.

Borrowing costs were capitalized during the year at an interest rate of around 1.5 (1.6) percent.

| | Capitalized interest during the year | | Total accumulated capitalized interest included in cost | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Current-asset properties | 234 | 195 | 374 | 309 |
| **Total** | **234** | **195** | **374** | **309** |

## **Note 16.** Income taxes

Income taxes are reported in accordance with IAS 12 Income Taxes. See Note 1.

| **Tax expense** | **2021** | **2020** |
|---|---|---|
| Current taxes | -1,709 | -2,287 |
| Deferred tax expense from change in temporary differences | 441 | -85 |
| Deferred tax expense from change in loss carryforwards | 13 | -161 |
| Change in provision for tax risk | 17 | 26 |
| **Total** | **-1,238** | **-2,507** |

| **Tax items recognized under other comprehensive income** | **2021** | **2020** |
|---|---|---|
| Deferred taxes attributable to cash flow hedges | -3 | 21 |
| Deferred taxes attributable to pensions | -575 | 211 |
| **Total** | **-578** | **232** |

**Relationship between taxes calculated after aggregating nominal tax rates and recognized taxes**
The Group's recognized tax rate is 15 percent (20).

The Group's aggregated nominal tax rate has been estimated at 22 percent (23).

The average nominal tax rate in Skanska's home markets in Europe is 20 percent (20) and in the USA just over 27 percent (27), depending on the distribution of income between the different states there.

The relationship between taxes calculated after aggregating nominal tax rates of 22 percent (23) and recognized tax of 15 percent (20) is explained in the table below.

| | **2021** | **2020** |
|---|---|---|
| Income after financial items | 8,125 | 12,404 |
| Tax according to aggregation of nominal tax rates, 22 percent (23) | -1,787 | -2,853 |
| **Tax effect of:** | | |
| Property divestments[1] | 335 | 574 |
| Utilized loss carry-forwards | 153 | |
| Other | 61 | -228 |
| **Recognized tax expense** | **-1,238** | **-2,507** |

1 In a number of the countries where Skanska operates, the sale of real estate projects via the divestment of companies is tax-free.

Income taxes paid in 2021 amounted to SEK 3,596 M (1,081).

*Note 16. Income taxes, cont.*

Income taxes paid can vary greatly from year to year for the countries where the Group operates. Income taxes are often calculated based on different principles to those that apply to the preparation of the consolidated income statement. If the final income tax is less than the amount provisionally withdrawn in previous years, income taxes paid for the year may be substantially reduced.

The table below shows a breakdown by country of income taxes paid:

**Income taxes paid**

| | 2021 | | 2020 |
|---|---|---|---|
| USA | 2,422 | Sweden | 743 |
| Poland | 327 | Poland | 112 |
| Sweden | 217 | USA | 86 |
| Finland | 179 | Norway | 49 |
| Norway | 166 | Finland | 45 |
| Other | 285 | Other | 46 |
| **Total** | **3,596** | **Total** | **1,081** |

Tax assets and tax liabilities refer to the difference between estimated income tax for the year and preliminary tax paid, as well as income taxes for prior years that have not yet been paid.

**Deferred tax assets and deferred tax liabilities**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Deferred tax assets according to the statement of financial position | 1,984 | 1,803 |
| Deferred tax liabilities according to the statement of financial position | 1,215 | 928 |
| **Net deferred tax assets(+), deferred tax liabilities(-)** | **769** | **875** |

**Deferred tax assets and deferred tax liabilities, cont.**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Deferred tax assets for loss carryforwards | 238 | 214 |
| Deferred tax assets for other assets | 436 | 362 |
| Deferred tax assets for pension provisions | 1,587 | 1,785 |
| Deferred tax assets for ongoing projects | 632 | 552 |
| Other deferred tax assets | 1,333 | 1,240 |
| **Total before net accounting** | **4,226** | **4,153** |
| Net accounting of offsettable deferred tax assets/tax liabilities | -2,242 | -2,350 |
| **Deferred tax assets according to the statement of financial position** | **1,984** | **1,803** |

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Deferred tax liabilities for non-current assets | 301 | 280 |
| Deferred tax liabilities for ongoing projects | 1,639 | 1,746 |
| Deferred tax liabilities for other current assets | 187 | 96 |
| Other deferred tax liabilities | 1,330 | 1,156 |
| **Total before net accounting** | **3,457** | **3,278** |
| Net accounting of offsettable deferred tax assets/tax liabilities | -2,242 | -2,350 |
| **Deferred tax liabilities according to the statement of financial position** | **1,215** | **928** |

**Change in net deferred tax assets(+)/liabilities(-) deferred tax**

| | 2021 | 2020 |
|---|---|---|
| Net deferred tax assets, January 1 | 875 | 817 |
| Divestments | 8 | 30 |
| Recognized under other comprehensive income | -578 | 232 |
| Deferred tax income/expenses | 471 | -220 |
| Exchange rate differences | -7 | 16 |
| **Net deferred tax assets, December 31** | **769** | **875** |

Deferred tax assets other than for loss carryforwards are temporary differences between carrying amounts for tax purposes and carrying amounts recognized in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. These deferred tax assets are mostly expected to be realized within five years.

Deferred tax assets arise, for example, when a recognized depreciation/amortization/impairment loss on assets becomes tax-deductible only in a later period, when eliminating intra-Group profits, when there are differences with respect to provisions for defined-benefit pensions between local rules and IAS 19, when the required provisions become tax-deductible in a later period and when advance payments for ongoing projects are taxed on a cash basis.

Deferred tax liabilities for other assets and other deferred tax liabilities are temporary differences between carrying amounts for tax purposes and carrying amounts in the statement of financial position. These differences arise, for example, when the Group's valuation principles deviate from those applied locally by a Group company. For the most part, these deferred tax liabilities are expected to be realized within five years.

For example, deferred tax liabilities arise when depreciation/amortization for tax purposes in the current period is larger than the required economic depreciation/amortization and when accrued profits in ongoing projects are taxed only when the project is completed.

Temporary differences attributable to investments in Group companies, branches, associated companies and joint ventures for which deferred tax liabilities were not recognized amount to SEK 0 M (0). In Sweden and a number of other countries, divestments of holdings in limited companies are tax-exempt under certain circumstances. Temporary differences thus do not normally exist for the shareholdings of the Group's companies in these countries.

Deferred tax liabilities for future dividends from subsidiaries amount to SEK 0 M (0) because dividends from subsidiaries in the markets where Skanska is currently active do not have any consequences with respect to taxes.

**Temporary differences and loss carryforwards that are not recognized as deferred tax assets**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Loss carryforwards that expire within one year | 207 | 513 |
| Loss carryforwards that expire in more than one year but within three years | 634 | 1,085 |
| Loss carryforwards that expire in more than three years | 2,542 | 2,297 |
| **Total** | **3 ,383** | **3,895** |

Skanska has loss carryforwards in a number of countries. In some of these countries the likelihood that a loss carryforward will be able to be used is difficult to assess, and therefore no deferred tax asset is recognized.

## Note 17. Property, plant and equipment

Property, plant and equipment are reported in accordance with IAS 16 Property, Plant and Equipment. See Note 1.

Office buildings and other buildings used in the Group's operations are recognized as property, plant and equipment. Machinery and equipment are recognized as a single item.

**Property, plant and equipment by asset class**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Property (buildings and land) | 1,503 | 1,358 |
| Plant and equipment | 5,644 | 5,338 |
| Property, plant and equipment under construction | 132 | 120 |
| **Total** | **7,279** | **6,816** |

**Depreciation of property, plant and equipment by asset class and function**

| | Cost of sales | | Selling and administration | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Property (buildings and land) | -58 | -45 | -28 | -38 | -86 | -83 |
| Plant and equipment | -1,402 | -1,488 | -67 | -101 | -1,469 | -1,588 |
| **Total** | **-1,460** | **-1,533** | **-95** | **-139** | **-1,555** | **-1,671** |

**Impairment losses/reversals of impairment losses on property, plant and equipment**

In 2021 impairment losses/reversals of impairment losses in the net amount of SEK -18 M (-2) were recognized. Impairment losses/reversals of impairment losses were recognized in USA and Poland during the year. In the comparative year, impairment losses/reversals of impairment losses were recognized in Poland and Sweden. Impairment losses/reversals of impairment losses were recognized as cost of sales in the amount of SEK 16 M and selling and administrative expenses in the amount of SEK 2 M.

**Impairment losses/reversals of impairment losses**

| | Property (buildings and land) | | Plant and equipment | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Impairment losses | -10 | -2 | -7 | -3 | -18 | -5 |
| Reversals of impairment losses | | 1 | | 2 | | 3 |
| **Total** | **-10** | **-1** | **-7** | **-1** | **-18** | **-2** |

**Amount of impairment losses/reversals of impairment losses based on**

| | Property (buildings and land) | | Plant and equipment | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Fair value less selling expenses/costs of disposals | -9 | | | -1 | -9 | -1 |
| Value in use | -1 | -1 | -7 | | -8 | -1 |
| **Total** | **-10** | **-1** | **-7** | **-1** | **-18** | **-2** |

*Note 17. Property, plant and equipment, cont.*

**Information about cost, accumulated depreciation and accumulated impairment losses**

| | Property (buildings and land) | | Plant and equipment | | Property, plant and equipment under construction | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Accumulated cost** | | | | | | |
| January 1 | 2,913 | 3,614 | 21,563 | 27,475 | 120 | 68 |
| Investments | 85 | 44 | 1,736 | 1,396 | 13 | 54 |
| Divestments | -36 | -29 | -692 | -450 | -1 | -3 |
| Reclassifications | 15 | -486 | -167 | -5,349 | | 1 |
| Exchange rate differences for the year | 182 | -229 | 1,098 | -1,508 | | |
| | **-3,158** | **2,913** | **23,539** | **21,563** | **132** | **120** |
| **Accumulated depreciation according to plan** | | | | | | |
| January 1 | -1,333 | -1,782 | -16,073 | -21,107 | | |
| Divestments and disposals | 23 | 4 | 511 | 308 | | |
| Reclassifications | 5 | 430 | 28 | 5,251 | | |
| Depreciation for the year | -86 | -83 | -1,469 | -1,588 | | |
| Exchange rate differences for the year | -80 | 99 | -797 | 1,062 | | |
| | **-1,471** | **-1,333** | **-17,800** | **-16,073** | | |
| **Accumulated impairment losses** | | | | | | |
| January 1 | -222 | -302 | -152 | -224 | | |
| Divestments | 4 | 4 | 2 | 10 | | |
| Reclassifications | 52 | 67 | 68 | 55 | | |
| Impairment losses for the year | -10 | -2 | -7 | -3 | | |
| Reversals of impairment losses | | 1 | | 2 | | |
| Exchange rate differences for the year | -9 | 10 | -5 | 8 | | |
| | **-185** | **-222** | **-94** | **-152** | | |
| **Carrying amount, December 31** | **1,503** | **1,358** | **5,644** | **5,338** | **132** | **120** |
| Carrying amount, January 1 | 1,358 | 1,530 | 5,338 | 6,145 | 120 | 68 |

**Other**

Information about capitalized interest is presented in Note 15. For information on finance leases, see Note 40. Skanska has obligations to acquire property, plant and equipment in the amount of SEK 0 M (0).

Skanska did not receive any significant compensation from third parties for property, plant and equipment that was damaged or lost during the year or in the comparative year.

## **Note 18.** Goodwill

Goodwill is recognized in accordance with IFRS 3 Business Combinations. See Note 1. For key judgments, see Note 2.

Goodwill amounted to SEK 3,934 M (3,713). In 2021 goodwill increased by SEK 221 M net due to impairment losses and exchange rate differences.

The goodwill recoverable amount is based on value in use. The amounts of goodwill together with other non-current assets, current-asset properties and net working capital are tested annually and also when there is an indication of impairment.

Expected cash flows are based on forecasts for the performance of the Residential Development and Commercial Property Development business streams and the development of construction investments in each market in the countries where the Group has operations. The forecasts are based on the units' two-year forecasts. Future macroeconomic development and changes in interest rates are also important variables. The forecast period is 10 years, which is the period used in models for measurement of other types of assets, for example commercial projects. When 10-year models are used it is easier to make assumptions concerning cycles and there is less reliance on residual values.

The growth rate used to extrapolate cash flow forecasts beyond the period covered by the 10-year forecasts is the normal growth rate for the industry in each respective country.

Each business unit uses a unique discount factor based on weighted average cost of capital (WACC). Parameters that affect the WACC are interest rates for borrowing, market risks and the ratio between borrowed funds and equity. The WACC is stated both before and after taxes.

The following table shows how the carrying amount relates to the recoverable amount for the respective business units for Skanska's largest goodwill items. The recoverable amount is expressed as 100. The tests are based on an assessment of anticipated development over the next 10-year period.

**Goodwill impairment losses**
The Group reported goodwill impairment losses during the year of SEK 53 M (0).

Changed market conditions for the operations in the Sweden and Central Europe have resulted in decisions on impairment of goodwill.

Impairment losses are based on a calculation of value in use and reported as selling and administrative expenses in the income statement.

**Goodwill amounts by cash-generating units**

| | Dec 31, 2021 | Dec 31, 2020 | Change during the year | Of which impairment losses | of which exchange rate differences |
|---|---|---|---|---|---|
| **Construction** | | | | | |
| Sweden | 17 | 51 | -34 | -35 | 1 |
| Norway | 969 | 903 | 66 | | 66 |
| Finland | 449 | 440 | 9 | | 9 |
| Central Europe | 533 | 518 | 15 | -18 | 33 |
| UK | 1,244 | 1,138 | 106 | | 106 |
| USA Building | 368 | 333 | 35 | | 35 |
| USA Civil | 33 | 30 | 3 | | 3 |
| **Residential Development** | | | | | |
| Norway | 311 | 290 | 21 | | 21 |
| Finland | 10 | 10 | 0 | | 0 |
| **Total** | **3,934** | **3,713** | **221** | **-53** | **274** |

| | Norway | Finland | Central Europe | UK |
|---|---|---|---|---|
| Recoverable amount, 100 | 100 | 100 | 100 | 100 |
| Carrying amount | 31 | n/a | n/a | n/a |
| Carrying amount, previous year[1] | 37 | n/a | n/a | n/a |
| Interest rate, percent (WACC), before taxes | 11 | 9 | 11 | 10 |
| Interest rate, percent (WACC), after taxes | 9 | 7 | 9 | 8 |
| Expected growth, % | 2 | 2 | 2 | 2 |
| Interest rate, percent (WACC), previous year (before taxes) | 12 | 10 | 12 | 11 |
| Interest rate, percent (WACC), previous year (after taxes) | 9 | 8 | 9 | 9 |
| Expected growth, %, previous year | 2 | 2 | 3 | 1 |
| Carrying amount in relation to recoverable amount, 100 in case of increase in interest rate by | | | | |
| +1 percentage point | 36 | n/a | n/a | n/a |
| +5 percentage points | 62 | n/a | n/a | n/a |
| Carrying amount, previous year, in relation to recoverable amount, 100 in case of increase in interest rate by | | | | |
| +1 percentage point | 44 | n/a | n/a | n/a |
| +5 percentage points | 79 | n/a | n/a | n/a |

1 Value > 100 indicates that the recoverable amount is less than the carrying amount and an impairment loss needs to be recognized. For Skanska's operations in Finland and the UK, the carrying amount was negative due to negative working capital exceeding the value of non-current assets.

# **Note 19.** Intangible assets

Intangible non-current assets are recognized in accordance with IAS 38. See Note 1.

**Intangible assets and useful life applied**

| | Dec 31, 2021 | Dec 31, 2020 | Useful life applied |
|---|---|---|---|
| Intangible assets, externally acquired | 265 | 317 | 3–10 years |
| Intangible assets, internally generated | 411 | 454 | 3–7 years |
| **Total** | **676** | **771** | |

Internally generated intangible assets consist of business systems. Externally acquired intangible assets include acquired software in the USA, Sweden and Finland, and licenses and right-of-use assets in Sweden.

Business systems are amortized over a maximum of seven years. Customer contracts are amortized as projects progress to completion and patents are amortized over 10 years.

Amortization of other intangible assets by function

All intangible assets are amortized as they have a limited useful life.

| **Amortization by function** | **2021** | **2020** |
|---|---|---|
| Cost of sales | -92 | -115 |
| Selling and administration | -113 | -113 |
| **Total** | **-205** | **-228** |

**Impairment losses/reversals of impairment losses on other intangible assets**
In 2021 impairment losses/reversals of impairment losses in the net amount of SEK 0 M (18) were recognized. Reversals of impairment losses were recognized in the comparative year in Poland.

**Information about cost, accumulated depreciation and accumulated impairment losses**

| | Intangible assets, externally acquired | | Intangible assets, internally generated[1] | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **Accumulated cost** | | | | |
| January 1 | 1,528 | 1,638 | 924 | 841 |
| Investments | 35 | 38 | 68 | 94 |
| Acquisitions of companies | | | | |
| Divestments | -23 | -25 | | |
| Reclassifications | -4 | 7 | -1 | -8 |
| Exchange rate differences for the year | 90 | -130 | 6 | -3 |
| | **1,627** | **1,528** | **998** | **924** |
| **Accumulated amortization** | | | | |
| January 1 | -1,033 | -1,030 | -470 | -361 |
| Divestments | 4 | 17 | | |
| Amortization for the year | -89 | -110 | -116 | -117 |
| Reclassifications | 5 | 9 | -1 | 8 |
| Exchange rate differences for the year | -61 | 81 | | |
| | **-1,173** | **-1,033** | **-587** | **-470** |
| **Accumulated impairment losses** | | | | |
| January 1 | -178 | -223 | 0 | 0 |
| Divestments | | | | |
| Impairment losses for the year | | | | |
| Reversals of impairment losses | | 18 | | |
| Reclassifications | | 10 | | |
| Exchange rate differences for the year | -10 | 17 | | |
| | **-188** | **-178** | **0** | **0** |
| **Carrying amount, December 31** | **265** | **317** | **411** | **454** |
| Carrying amount, January 1 | 317 | 385 | 454 | 480 |

1 Internally generated intangible assets consist of business systems.

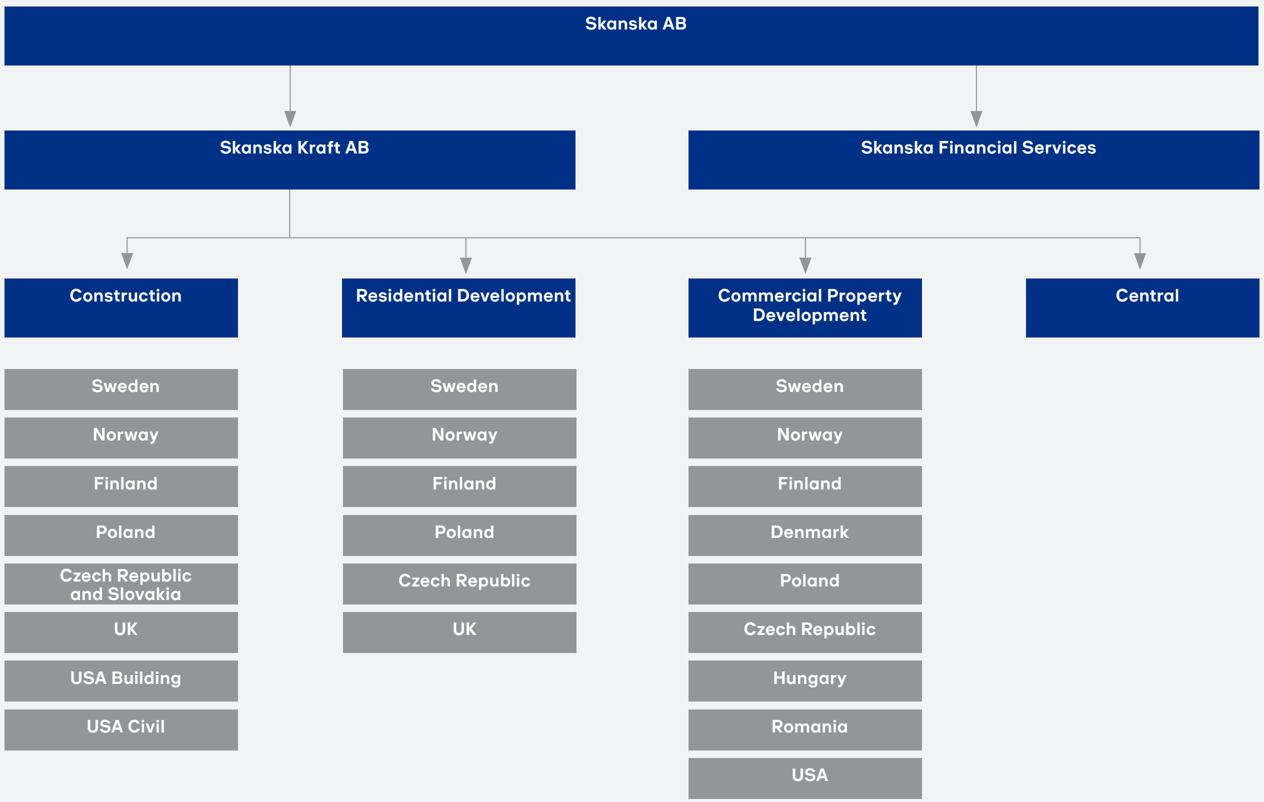
**Other**
Information about capitalized interest is presented in Note 15.

Direct research and development expenses amounted to SEK 40 M (51).

## **Note 20A.** Subsidiaries

The Parent Company Skanska AB holds 100 percent of the shares in Skanska Financial Services AB and Skanska Kraft AB. Skanska Kraft AB in turn directly or indirectly owns the subsidiaries in the countries in which Skanska has operations. All subsidiaries are independent limited companies, partnerships or equivalent legal forms in each country. For the location of the registered office of the companies, see Note 51 in the Parent Company notes.

**Skanska's Corporate Structure**




According to Note 26, there are only minor interests in non-controlling interests.

# **Note 20B.** Investments in joint ventures and associated companies

For all joint arrangements an assessment is made of their legal form, agreements between the owning parties and other circumstances. In accordance with IFRS 11, the joint arrangement is reported as a joint venture if the owning parties only have rights to the net assets. See also Note 1.

Investments in joint ventures and associated companies are reported according to the equity method of accounting. Income from joint ventures and associated companies after tax is reported on a separate line in operating income. This income consists of the Group's share of the income in joint ventures and associated companies after tax, adjusted for any impairment losses on consolidated goodwill and intra-Group profits.

Income from joint ventures and associated companies is presented in the following table.

| | 2021 | 2020 |
|---|---|---|
| Share of income in joint ventures according to the equity method | 444 | 22 |
| Share of income in associated companies according to the equity method | 1 | |
| Divestments of joint ventures | 4 | 4,054 |
| Impairment losses in joint ventures | | -61 |
| **Total** | **449** | **4,015** |

**Joint ventures**
Joint ventures are recognized in accordance with IAS 28 Investments in Associates and Joint Ventures. See Note 1.

The Group has holdings in joint ventures with a carrying amount of SEK 2,145 M (1,668).

The PPP-portfolio includes carrying amounts in joint ventures totaling SEK 1,424 M (741).

**Income from joint ventures**
The share of income in joint ventures, after tax, is recognized in operating income, because these holdings are an element of Skanska's business.

The share of income in joint ventures according to the equity method comes mainly from operations in the PPP-portfolio.

**PPP-portfolio**
Public-private partnerships (PPP) are a type of public procurement where a project company owned by private enterprises has overall responsibility for developing, financing, building, operating and maintaining public facilities.

The type of payment for the investments may either be based on market risk, for example road tolls, or based on availability; see also IFRIC 12, Note 1. The concession periods for current investments vary between 30 and 58 years and the portions owned in the current portfolio are between 32 and 50 percent. At this time the PPP-portfolio has investments in Sweden, the UK and the USA.

The carrying amount according to the statement of financial position and the change that occurred can be seen in the following table.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Joint ventures** | **Associated companies** | **Total** | **Joint ventures** | **Associated companies** | **Total** |
| January 1 | 1,668 | 21 | 1,689 | 3,419 | 23 | 3,442 |
| New acquisitions | 718 | 12 | 730 | 17 | | 17 |
| Divestments | -18 | | -18 | -1,334 | | -1,334 |
| Reclassifications | -43 | 4 | -39 | 648 | | 648 |
| Exchange rate differences for the year | 5 | 3 | 8 | -48 | -2 | -50 |
| Change in fair value of derivatives | 112 | | 112 | -16 | | -16 |
| Impairment losses for the year | | | | -61 | | -61 |
| The year's change in share of income in joint ventures and associated companies after subtracting dividends received | -297 | | -297 | -957 | | -957 |
| **Carrying amount, December 31** | **2,145** | **40** | **2,185** | **1,668** | **21** | **1,689** |

**Specification of major holdings of shares and participations in joint ventures**

| | | | | | Consolidated carrying amount[1] | | of which cash flow hedges | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **Business stream** | **Country** | **Percentage of share capital** | **Percentage of votes** | **Dec 31, 2021** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2020** |
| AB Sydsten | Construction | Sweden | 50 | 50 | 159 | 151 | | |
| UNIASFALT s.r.o. | Construction | Slovakia | 50 | 50 | 45 | 44 | | |
| Botkyrka Södra Porten Holding AB | Construction | Sweden | 50 | 50 | 99 | 99 | | |
| Nacka 13:79 JV AB | Residential Development | Sweden | 50 | 50 | 30 | 30 | | |
| Sjöstadsbo AB | Residential Development | Sweden | 50 | 50 | 23 | 167 | | |
| Järvastaden AB | Residential Development | Sweden | 50 | 50 | 165 | 166 | | |
| Kista Park AB | Residential Development | Sweden | 50 | 50 | 18 | 20 | | |
| Kista Valley AB | Residential Development | Sweden | 50 | 50 | 34 | 36 | | |
| Tappsund Exploatering AB | Residential Development | Sweden | 50 | 50 | 66 | | | |
| BCal SCD Property LP[2] | Commercial Property Development | USA | 10 | 10 | | 111 | | |
| Ranheimsfjæra Utbyggindsselskap DA | Residential Development | Norway | 50 | 50 | | 25 | | |
| Joint ventures in the PPP-portfolio | | | | | 1,424 | 741 | -232 | -337 |
| Other joint ventures[3] | | | | | 82 | 78 | | |
| **Total joint ventures, Group** | | | | | **2,145** | **1,668** | **-232** | **-337** |

1 Consolidated carrying amounts represent the Group's share of equity including results achieved, Group adjustments and deductions for dividends provided.
2 Holding divested in 2021.
3 Carrying amounts for joint ventures in the PPP-portfolio are affected by cash flow hedges. The value of these cash flow hedges amounts to -232 (-337). When joint ventures where the carrying amount is affected by cash flow hedges are sold, the income from the sale will be affected as the effect of the cash flow hedges is rebooked against income.

*Note 20B. Investments in joint ventures and associated companies, cont.*

**Unrealized development gain in the PPP-portfolio**

| SEK bn | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Present value of cash flow from projects | 2.5 | 2.2 |
| Present value of remaining investments | -0.6 | -1.0 |
| **Present value of projects** | **1.9** | **1.2** |
| Carrying amount before cash flow hedging | -1.4 | -0.7 |
| **Unrealized development gain** | **0.5** | **0.5** |
| Cash flow hedge | 0.2 | 0.3 |
| Effect in unrealized equity[1] | **0.7** | **0.8** |

1 Tax effects not included.

**Details of Skanska's joint ventures**
Most of Skanska's joint ventures are in the PPP-portfolio, which is reported in accordance with IFRIC 12 Service Concession Arrangements. The amounts below correspond to 100 percent of the joint venture's income statement and statement of financial position.

| | PPP-portfolio | | Other joint ventures | | Total all joint ventures | |
|---|---|---|---|---|---|---|
| **Income statement** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Revenue | 7,526 | 9,161 | 1,581 | 2,731 | 9,107 | 11,892 |
| Depreciation | | -161 | -12 | -32 | -12 | -193 |
| Other operating expenses | -7,352 | -9,659 | -1,195 | -2,281 | -8,547 | -11,940 |
| **Operating income** | **174** | **-659** | **374** | **418** | **548** | **-241** |
| Interest income | 1,104 | 1,104 | 2 | 6 | 1,106 | 1,110 |
| Interest expense | -767 | -1,104 | -117 | -17 | -884 | -1,121 |
| Financial items | | | 124 | 304 | 124 | 304 |
| **Income after financial items[1]** | **511** | **-659** | **383** | **711** | **894** | **52** |
| Taxes | -33 | 134 | -16 | -18 | -49 | 116 |
| **Profit for the year** | **478** | **-525** | **367** | **693** | **845** | **168** |
| **Comprehensive income for the year** | **478** | **-525** | **367** | **693** | **845** | **168** |

1 The amount includes impairment losses in the consolidated accounts.

*Note 20B. Investments in joint ventures and associated companies, cont.*

| | PPP-portfolio | | Other joint ventures | | Total all joint ventures | |
|---|---|---|---|---|---|---|
| **Statement of financial position** | **Dec 31, 2021** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2020** |
| Non-current assets | 44,593 | 41,103 | 388 | 395 | 44,981 | 41,498 |
| Current assets | 1,692 | 2,186 | 8,558 | 11,113 | 10,250 | 13,299 |
| Cash and bank balances | 2,983 | 3,798 | 828 | 1,253 | 3,811 | 5,051 |
| **Total assets** | **49,268** | **47,087** | **9,774** | **12,761** | **59,042** | **59,848** |
| Equity attributable to equity holder[1] | 3,276 | 1,675 | 3,837 | 5,449 | 7,113 | 7,124 |
| Non-current financial liabilities | 42,313 | 40,505 | 285 | 626 | 42,598 | 41,131 |
| Other non-current liabilities | | | 128 | 187 | 128 | 187 |
| Current financial liabilities | 3,679 | 4,907 | 4,225 | 5,864 | 7,904 | 10,771 |
| Other current liabilities | | | 997 | 635 | 997 | 635 |
| **Total equity and liabilities** | **49,268** | **47,087** | **9,774** | **12,761** | **59,042** | **59,848** |
| Skanska received the following dividend[2] | 171 | 261 | 571 | 717 | 742 | 978 |
| **Reconciliation with participations in joint ventures** | | | | | | |
| Equity attributable to the investors in joint ventures, 100% | 3,276 | 1,675 | 3,837 | 5,449 | 7,113 | 7,124 |
| Less equity attributable to investors other than Skanska | -2,102 | -1,245 | -3,114 | -4,326 | -5,216 | -5,571 |
| **Skanska's portion of equity in joint ventures, adjusted for surplus value and goodwill** | **1,174** | **430** | **723** | **1,123** | **1,897** | **1,553** |
| + Losses recognized as provisions | 250 | 372 | 3 | 2 | 253 | 374 |
| - Impairment losses | | -61 | 0 | | 0 | -61 |
| +/- Elimination of intra-Group profit | | | -5 | -198 | -5 | -198 |
| **Carrying amount of Skanska's holdings** | **1,424** | **741** | **721** | **927** | **2,145** | **1,668** |
| of which cash flow hedges | -232 | -337 | 0 | | -232 | -337 |

1 Equity includes subordinated loans from the owners.
2 Dividends also include interest paid on the subordinated loans.

**Assets pledged**
Shares in joint ventures pledged as collateral for loans and other obligations amount to SEK 1,424 M (741).

**Other**
Skanska's joint ventures are owned by Skanska and other investors. They are financed in part by capital from the owning parties, but the majority are financed via banks or credit institutions. The assets of the respective joint ventures are used as collateral for the liabilities. According to agreements with the banks, the ability to access bank account funds from these joint ventures is restricted.

Skanska's portion of the total investment obligations of partly owned joint ventures amounts to SEK 1,924 M (1,789), of which Skanska has remaining obligations to invest SEK 595 M (1,120) in infrastructure in the form of equity holdings and loans. The remaining portion is expected to be financed mainly in the form of bank loans or bonds in the respective joint ventures and in the form of participations and loans from other co-owners.

Contingent liabilities for joint ventures amounted to SEK 283 M (357).

**Associated companies**
Associated companies are recognized in accordance with IAS 28 Investments in Associates and Joint Ventures. See Note 1. The carrying amount of associated companies is SEK 40 M (21).

**Information on the Group's share of revenue, income, assets, liabilities and equity in associated companies**

| | 2021 | 2020 |
|---|---|---|
| Revenue | 1 | 20 |
| Profit | 1 | 0 |
| **Assets** | **40** | **24** |
| Equity[1] | 40 | 21 |
| Liabilities | | 3 |
| | **40** | **24** |

1 Reconciliation between equity and carrying amount of holdings, in accordance with the equity method of accounting.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Equity in associated companies | 40 | 21 |
| **Carrying amount** | **40** | **21** |

**Other**
The associated companies have no liabilities or contingent liabilities which the Group may become responsible for paying. Nor are there any obligations for future investments.

## **Note 20C.** Joint operations

Skanska executes certain projects with a joint party without a separate legal company being formed for the purpose. These projects are then classified as joint operations in accordance with IFRS 11. Joint operations without the formation of a separate company are found mainly in the USA.

Skanska also executes certain projects with a joint party where a separate company is formed for the purpose. These projects are classified as joint operations provided that the other criteria in IFRS 11 are fulfilled.

**Specification of significant holdings in joint operations, according to sales in current year**

| Name of joint operation | Type | Country | Percentage of share capital |
|---|---|---|---|
| Skanska Balfour Beatty | Campus area | USA | 50 |
| Skanska Costain Strabag Joint Venture | Railway | UK | 34 |
| Hoffman Skanska | Airport | USA | 50 |
| Regional Connector Constructors | Public transit | USA | 63 |
| Skanska Ecco III | Highway/bridge | USA | 70 |
| Skanska/Walsh | Airport | USA | 70 |
| Skanska-Traylor-Shea Joint Venture | Public transit | USA | 50 |
| Skanska Corman McLean Joint Venture | Bridge | USA | 65 |
| Skanska-Granite-Lane Joint Venture | Highway/bridge | USA | 40 |
| Mid-Coast Transit Constructors | Railway | USA | 33 |

There are 95 other small joint operations in the above countries, as well as in Sweden and the Czech Republic.

## **Note 21.** Financial assets

Financial investments, financial receivables and shareholdings where ownership is less than 20 percent and the Group has no significant influence are recognized as non-current financial assets.

Financial investments and financial receivables are recognized as current financial assets. See also Note 6.

| **Non-current financial assets** | **Dec 31, 2021** | **Dec 31, 2020** |
|---|---|---|
| **Non-current financial assets at fair value through profit or loss** | | |
| Derivatives | | 4 |
| | **0** | **4** |
| **Non-current financial assets at fair value through other comprehensive income** | | |
| Shares and participations[1] | 37 | 43 |
| | **37** | **43** |

1 Shareholdings were affected by impairment losses of SEK -1 M (0) during the year.

| **Non-current financial assets** | **Dec 31, 2021** | **Dec 31, 2020** |
|---|---|---|
| **Non-current financial assets at amortized cost** | | |
| Receivables from joint ventures | 21 | 10 |
| Restricted cash and cash equivalents | 472 | 611 |
| Other interest-bearing receivables | 1,207 | 165 |
| | **1,700** | **786** |
| **Other** | | |
| Net assets in funded pension plans | 2,138 | 1,098 |
| **Total** | **3,875** | **1,931** |
| of which interest-bearing non-current financial assets | 3,838 | 1,884 |
| of which non-interest-bearing non-current financial assets | 37 | 47 |

| **Current financial assets** | **Dec 31, 2021** | **Dec 31, 2020** |
|---|---|---|
| **Current financial assets at fair value through profit or loss** | | |
| Derivatives | 63 | 193 |
| | **63** | **193** |
| **Current financial assets at amortized cost** | | |
| Restricted cash and cash equivalents | 5,165 | 4,202 |
| Receivables from joint ventures | 26 | 21 |
| Other interest-bearing receivables | 13,556 | 4,077 |
| | **18,747** | **8,299** |
| **Total** | **18,810** | **8,492** |
| of which interest-bearing current financial assets | 18,747 | 8,299 |
| of which non-interest-bearing current financial assets | 63 | 193 |
| **Total carrying amount, financial assets** | **22,685** | **10,423** |
| of which financial assets excluding shares and pensions | 20,510 | 9,282 |

## Note 22. Current-asset properties/Project Development

Current-asset properties are recognized in compliance with IAS 2 Inventories. See Note 1.

The allocation of items in the statement of financial position by business stream is presented below.

| Business stream | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Commercial Property Development | 29,691 | 27,906 |
| Residential Development | 20,054 | 17,041 |
| **Total** | **49,745** | **44,948** |

For a further description of the respective business streams, see Note 4. Current-asset properties are divided into completed properties, properties under construction and development properties.

**Impairment losses/reversals of impairment losses**
Current-asset properties are valued in compliance with IAS 2 Inventories, and are thus carried at cost or net realizable value, whichever is lower. Adjustment to net realizable value via an impairment loss is recognized, as are reversals of previous impairment losses, in the income statement under "Cost of sales." Net realizable value is affected by the type and location of the property, and by the yield requirement in the market.

| | Impairment losses | | Reversals of impairment losses | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Commercial Property Development | -170 | -279 | | | -170 | -279 |
| Residential Development | -37 | -47 | | 2 | -37 | -45 |
| **Total** | **-207** | **-326** | **0** | **2** | **-207** | **-324** |

**Carrying amounts**

| | Completed properties | | Properties under construction | | Development properties | | Current-asset properties | |
|---|---|---|---|---|---|---|---|---|
| | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2021 | Dec 31, 2020 |
| Commercial Property Development | 9,142 | 6,575 | 9,466 | 9,739 | 11,084 | 11,592 | 29,691 | 27,906 |
| Residential Development | 314 | 648 | 10,605 | 7,843 | 9,135 | 8,550 | 20,054 | 17,041 |
| **Total** | **9,456** | **7,223** | **20,071** | **17,582** | **20,219** | **20,142** | **49,745** | **44,948** |

| | Commercial Property Development | | Residential Development | | Total current-asset properties | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Carrying amount** | | | | | | |
| January 1 | 27,906 | 29,708 | 17,041 | 16,665 | 44,948 | 46,373 |
| Investments | 7,271 | 9,751 | 11,013 | 10,302 | 18,285 | 20,053 |
| Carrying amount of properties divested | -5,720 | -9,330 | -8,482 | -9,097 | -14,202 | -18,427 |
| Impairment losses | -170 | -279 | -37 | -47 | -207 | -326 |
| Reversals of impairment losses | | | | 2 | | 2 |
| The year's provision for intra-Group profits in contracting work | -248 | -289 | -174 | -163 | -422 | -452 |
| Reclassifications | -389 | -152 | 258 | 104 | -130 | -48 |
| Exchange rate differences for the year | 1,040 | -1,503 | 434 | -725 | 1,474 | -2,228 |
| **December 31** | **29,691** | **27,906** | **20,054** | **17,041** | **49,745** | **44,948** |

The carrying amount of current-asset properties is allocated between properties carried at cost and properties carried at net realizable value as shown in the following table.

| | Cost | | Net realizable value | | Total | |
|---|---|---|---|---|---|---|
| | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2021 | Dec 31, 2020 |
| Commercial Property Development | 28,963 | 27,832 | 727 | 74 | 29,691 | 27,906 |
| Residential Development | 19,933 | 16,803 | 121 | 238 | 20,054 | 17,041 |
| **Total** | **48,896** | **44,635** | **848** | **312** | **49,745** | **44,948** |

*Note 22. Current-asset properties/Project Development, cont.*

**Difference between fair value and carrying amount for current-asset properties**

| SEK bn | Surplus value Dec 31, 2021 | Surplus value Dec 31, 2020 |
|---|---|---|
| Commercial Property Development | | |
| Completed projects | 3.5 | 2.1 |
| Development properties | 1.5 | 0.7 |
| Ongoing projects[1] | 6.8 | 4.3 |
| | **11.8** | **7.1** |
| **Residential Development** | | |
| Undeveloped land and development properties | 4.0 | 2.8 |
| **Total** | **15.8** | **9.9** |

1 Estimated market value. Internal appraisal, with valuation on respective completion dates.

**Assets pledged**
Current-asset properties pledged as collateral for loans and other obligations amount to SEK 0 M (0), see Note 33.

**Other**
Information about capitalized interest is presented in Note 15.

Skanska has committed to investing SEK 3,214 M (2,565) in current-asset properties.

## **Note 23.** Inventories

Inventories are reported in accordance with IAS 2 Inventories. See Note 1.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Raw materials and supplies | 312 | 318 |
| Products being manufactured | 74 | 101 |
| Finished products and merchandise | 704 | 681 |
| **Total** | **1,090** | **1,100** |

There are no significant differences between the carrying amount for inventories and their fair value.

No portion of inventories was adjusted due to an increase in net realizable value.

No merchandise was used as collateral for loans and other obligations.

## **Note 24.** Other operating receivables

Non-interest-bearing business receivables are reported as "Other operating receivables." Other operating receivables are part of the Group's operating cycle and are recognized as current assets.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Trade accounts receivable, joint ventures | 3 | |
| Trade accounts receivable, others | 14,860 | 13,279 |
| Other operating receivables | 6,456 | 5,812 |
| Prepaid expenses and accrued income | 3,893 | 3,308 |
| **Total** | **25,212** | **22,401** |
| Of which financial instruments reported in Note 6. | | |
| Trade accounts receivable | 14,863 | 13,279 |
| Other operating receivables including accrued interest income | 206 | 109 |
| | **15,069** | **13,388** |
| Of which non-financial instruments | 10,143 | 9,012 |

## **Note 25.** Cash and bank balances

"Cash and bank balances" consists of cash and available funds at banks and equivalent financial institutions, as well as short-term investments. Cash and bank balances amount to SEK 10,947 M (19,508). On the closing day the Group's short-term investments amounted to SEK 575 M. The Group had no short-term investments on the previous year's closing day.

## **Note 26.** Equity/earnings per share

Equity in the Group is allocated between equity attributable to equity holders (shareholders) and non-controlling interests (minority interests).

Non-controlling interests account for 0.2 percent of total equity.

Equity changed during the year as follows:

| | 2021 | 2020 |
|---|---|---|
| **January 1** | **38,717** | **33,021** |
| of which non-controlling interests | 97 | 97 |
| **Comprehensive income for the year** | | |
| Profit for the year attributable to | | |
| Equity holders | 6,864 | 9,875 |
| Non-controlling interests | 23 | 22 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Remeasurement of defined-benefit pension plans[1] | 2,585 | -1,003 |
| Tax on items that will not be reclassified to profit or loss for the period | -575 | 211 |
| **Total** | **2,010** | **-792** |
| **Items that have been or will be reclassified to profit or loss for the period** | | |
| Translation differences attributable to equity holders[2] | 1,808 | -2,120 |
| Translation differences attributable to non-controlling interests | 7 | -7 |
| Hedging of exchange rate risk in foreign operations[2] | 40 | -19 |
| Effect of cash flow hedges[3] | 115 | -141 |
| Tax on items that have been or will be reclassified to profit or loss for the period | -3 | 21 |
| **Total** | **1,966** | **-2,266** |

1 Remeasurement of defined-benefit pension plans, SEK 2,585 M (-1,003), together with tax, SEK -575 M (211), totaling SEK 2,010 M (-792), constitutes the Group's total effect on other comprehensive income of remeasurement of pensions recognized in accordance with IAS 19 and is recognized in retained earnings.

2 Translation differences attributable to equity holders, SEK 1,808 M (-2,120), plus hedging of exchange rate risk in foreign operations, SEK 40 M (-19), totaling SEK 1,848 M (-2,139), constitute the change in the Group's translation reserve.

3 The effect on cash flow hedges, SEK 115 M (-141), together with taxes SEK -3 M (21), totaling SEK 112 M (-120), constitutes the change in the Group's cash flow hedge reserve.

*Note 26. Equity/earnings per share*

| | 2021 | 2020 |
|---|---|---|
| **Other comprehensive income after tax** | **3,977** | **-3,058** |
| **Comprehensive income for the year** | **10,863** | **6,839** |
| of which attributable to equity holders | 10,834 | 6,824 |
| of which attributable to non-controlling interests | 30 | 15 |
| **Other changes in equity not included in comprehensive income for the year** | | |
| Dividend to shareholders | -3,917 | -1,340 |
| Dividend to non-controlling interests | -13 | -15 |
| Effects of share-based payments | 388 | 300 |
| Shares repurchased | -242 | -88 |
| **Total** | **-3,784** | **-1,143** |
| **Equity, December 31** | **45,797** | **38,717** |
| of which non-controlling interests | 114 | 97 |

**Equity attributable to equity holders is allocated as follows:**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Share capital | 1,260 | 1,260 |
| Paid-in capital | 3,715 | 3,327 |
| Reserves | 2,866 | 906 |
| Retained earnings | 37,842 | 33,127 |
| **Total** | **45,682** | **38,620** |

**Paid-in capital**
Paid-in capital in excess of quota (par) value from historical issues of new shares is recognized as "Paid-in capital."

The change in 2021 and 2020 was attributable to share-based payments and amounted to SEK 388 M (300).

**Reserves**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Translation reserve | 3,259 | 1,412 |
| Cash flow hedge reserve | -394 | -506 |
| **Total** | **2,866** | **906** |

**Reconciliation of reserves**

| | 2021 | 2020 |
|---|---|---|
| **Translation reserve** | | |
| Translation reserve, January 1 | 1,412 | 3,551 |
| Translation differences for the year | 1,808 | -2,120 |
| Hedging of exchange rate risk in foreign operations | 40 | -19 |
| **Translation reserve, December 31** | **3,259** | **1,412** |
| **Cash flow hedge reserve** | | |
| Hedge reserve, January 1 | -506 | -386 |
| **Cash flow hedges recognized in other comprehensive income** | | |
| Hedges for the year | -37 | -296 |
| Transferred to the income statement | 152 | 155 |
| Taxes attributable to hedging for the year | -3 | 21 |
| **Hedge reserve, December 31** | **-394** | **-506** |
| **Total reserves** | **2,866** | **906** |

**Translation reserve**
The translation reserve consists of accumulated translation differences from the translation of financial statements for foreign operations. The translation reserve also includes exchange rate differences that have arisen when hedging net investments in foreign operations. The translation reserve was reset at zero upon the transition to IFRS on January 1, 2004.

Translation differences for the year amount to SEK 1,808 M (-2,120) and consist of positive translation differences mainly in USD.

In 2021 the translation reserve was affected by exchange rate differences of SEK 40 M (-19) due to currency hedging. The accumulated translation reserve totaled SEK 3,259 M (1,412).

**Cash flow hedge reserve**
Hedge accounting is applied mainly for the PPP-portfolio. Unrealized gains and losses on hedging instruments are recognized in the cash flow hedge reserve. The change during the year amounts to SEK 112 M (-120), which is explained by changes in exchange rates where forward contracts have been entered into for future transactions in foreign currencies and hedge accounting is applied, as well as the fact that interest rate swaps have matured and been realized, which to a certain extent is offset by changes in market interest rates. The reserve at year-end amounted to SEK -394 M (-506).

**Retained earnings**
Retained earnings include the profit for the year plus undistributed Group profits earned in prior years. The Parent Company's statutory reserve is part of retained earnings, along with remeasurements of pension liabilities, which in accordance with IAS 19 are recognized only under "Other comprehensive income."

**Remeasurement of defined-benefit pension plans**
Equity was affected by remeasurement of defined-benefit pension plans in the amount of SEK 2,010 M (-729) after taking into account social insurance contributions and taxes. Remeasurement of pension obligations amounted to SEK -83 M (-2,306). Remeasurements of plan assets were made in the amount of SEK 2,357 M (1,446) as the actual return on the assets exceeds the estimated return. See also Note 28.

| | 2021 | 2020 |
|---|---|---|
| Remeasurement of pension obligations | -83 | -2,306 |
| Difference between expected and actual return on plan assets | 2,357 | 1,446 |
| Social insurance contributions including special payroll tax | 311 | -143 |
| Taxes | -575 | 211 |
| **Total** | **2,010** | **-792** |

**IFRS 2 Share-based Payment**
The employee ownership programs introduced in 2017 and 2020 are recognized as share-based payment settled with equity instruments, in accordance with IFRS 2. This means that fair value is calculated on the basis of estimated fulfillment of established performance targets during the measurement period. After the end of the measurement period the fair value is established. This value is allocated over the three-year vesting period. There is no reappraisal after fair value is established during the remainder of the vesting period, aside from changes in the number of shares because the condition of continued employment during the vesting period is no longer fulfilled.

**Dividend**
After the closing day, the Board has proposed a dividend for 2021 of SEK 10.00 per share (9.50), of which SEK 7.00 per share (6.50) as ordinary dividend and SEK 3.00 per share (3.00) as extra dividend. The proposal is equivalent to a dividend payout totaling SEK 4,122 M (3,917). No dividend is paid for the Parent Company's holding of Series B treasury shares. The Board has proposed Thursday March 31, 2022, as the record date for receiving the dividend. The total dividend amount may change by the record date, depending on repurchases of Series B treasury shares and the transfer of Series B shares to participants in Skanska employee ownership programs. The decision on dividends to shareholders for 2021 will be made by the AGM on March 29, 2022.

*Note 26. Equity/earnings per share*

**Shares**
Information on the number of shares as well as earnings and equity per share is presented in the table below.

| | 2021 | 2020 |
|---|---|---|
| Number of shares at year-end | 419,903,072 | 419,903,072 |
| of which Series A shares | 19,661,632 | 19,684,564 |
| of which Series B shares | 400,241,440 | 400,218,508 |
| Average price, repurchased shares, SEK | 141.85 | 138.45 |
| of which repurchased during the year | 1,048,500 | 460,000 |
| Number of Series B treasury shares, December 31 | 7,655,488 | 7,616,674 |
| Number of shares outstanding, December 31 | 412,247,584 | 412,286,398 |
| Average number of shares outstanding | 412,387,142 | 411,993,869 |
| Average number of shares outstanding after dilution | 415,491,861 | 414,304,017 |
| Average dilution, % | 0.75 | 0.56 |
| Earnings per share, SEK | 16.64 | 23.97 |
| Earnings per share after dilution, SEK | 16.52 | 23.84 |
| Equity per share, SEK | 110.81 | 93.67 |

| Change in number of shares | 2021 | 2020 |
|---|---|---|
| Number on January 1 | 412,286,398 | 411,508,593 |
| Number of Series B shares repurchased | -1,048,500 | -460,000 |
| Number of shares transferred to employees | 1,009,686 | 1,237,805 |
| **Number on December 31** | **412,247,584** | **412,286,398** |

**Dilution effect**
In the employee ownership programs introduced in 2017 and 2020 the number of potential ordinary shares is calculated during the measurement period based on the estimated number of shares that will be issued upon fulfillment of established targets. After the end of the measurement period, Skanska establishes the number of shares that may be issued provided that the requirement of continued employment is fulfilled. The number of potential ordinary shares thus calculated is then reduced by the difference between the payment Skanska is expected to receive and the average share price during the period.

Excluding social insurance contributions, the cost of both employee ownership programs is estimated at a total of SEK 1,752 M, allocated over the three-year vesting period, equivalent to 5,946,057 shares. The maximum dilution at the end of the vesting period is estimated at 1.42 percent.

In 2021 the cost of both programs amounted to SEK 388 M, excluding social insurance contributions. Share awards earned but not yet allotted by the end of 2021 totaled 3,104,719 shares. The dilution effect up to and including 2021 amounted to 0.75 percent.

**Capital management**
Capital requirements vary between business streams. Skanska's construction projects are mainly based on customer funding. As a result, in its Construction business stream, the company can operate with free working capital (negative). The free working capital in the Construction business stream combined with the profits from the Group's operations, as well as the possibility of increasing borrowing through credit financing, make it possible for Skanska to finance investments in inhouse project development.

In light of the Construction business stream's large volumes with differentiated risk in various types of assignments and customer demands for guarantees, such as performance guarantees in publicly procured projects in the US market, the equity requirement is significant. It is also necessary to take into account financing of goodwill and future investments in Project Development.

A number of financial targets have been established that are deemed to best reflect the profitability of the operations and best demonstrate the financial scope for investments and growth. The return on equity and on capital employed is a measure of how well the capital provided by the shareholders and lenders is being used.

The target for 2021 is a return on the Group's equity of at least 18 percent, an operating margin within Construction of at least 3.5 percent and a return on capital employed, calculated jointly for the business streams within Project Development, of at least 10 percent. Skanska's dividend policy is to pay out 40–70 percent of net profit for the year after tax to the shareholders, provided that the company's overall financial situation is stable.

The Board has determined that the Group's equity is at a reasonable level based on what Skanska's financial position and market circumstances require.

## **Note 27.** Financial liabilities

Financial liabilities are allocated between non-current and current liabilities. Normally, a maturity date within one year is required if a liability is to be treated as current. This does not apply to discounted operating liabilities, which are part of Skanska's operating cycle and are therefore recognized as current liabilities regardless of their maturity date.

For information on financial risks and the Financial Policy, see Note 6.

| Non-current financial liabilities | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| **Financial liabilities at fair value through profit or loss** | | |
| Derivatives | | 6 |
| **Financial liabilities at amortized cost** | | |
| Liabilities to credit institutions | 2,834 | 2,641 |
| Other liabilities | 555 | 599 |
| **Total** | **3,389** | **3,247** |
| of which interest-bearing non-current financial liabilities | 3,389 | 3,240 |
| of which non-interest-bearing non-current financial liabilities | | 6 |
| **Current financial liabilities** | | |
| **Financial liabilities at fair value through profit or loss** | | |
| Derivatives | 131 | 85 |
| **Financial liabilities at amortized cost** | | |
| Construction loans, cooperative housing associations | 4,644 | 4,045 |
| Liabilities to credit institutions | | 533 |
| Other liabilities | 4 | 1 |
| **Total** | **4,780** | **4,663** |
| of which interest-bearing current financial liabilities | 4,649 | 4,578 |
| of which non-interest-bearing current financial liabilities | 131 | 85 |
| **Total carrying amount for financial liabilities** | **8,169** | **7,910** |

## **Note 28.** Pensions

Pension provisions are recognized in accordance with IAS 19 Employee Benefits. See Note 1.

**Pension liability according to the statement of financial position**
According to the statement of financial position, interest-bearing pension liabilities amounted to SEK 5,936 M (7,360) and interest-bearing pension receivables amounted to SEK 2,138 M (1,098). The net amount of interest-bearing pension liabilities and interest-bearing pension receivables was SEK 3,798 M (6,262).

Skanska has defined-benefit pension plans in Sweden, Norway and the UK. The pension in these plans is mainly based on final salary or average earnings during the term of employment. The plans include a large number of employees, but Skanska also has defined-contribution plans in these countries. Group companies in other countries have pension plans reported as defined-contribution plans.

**Defined-benefit plans**
The pension plans mainly consist of retirement pensions. Each respective employer usually has an obligation to pay a lifetime pension. Benefits are based on the number of years of employment. The employee must belong to the plan for a certain number of years to earn full retirement pension entitlement. For each year, the employee earns increased pension entitlements, which are reported as pension earned during the period plus an increase in pension obligation.

Pension plans are funded by securing pension obligations with assets in pension funds and provisions in the accounts.

The plan assets in Sweden are smaller than the pension obligations. The difference is therefore recognized as a liability in the statement of financial position. The plan assets in Norway and the UK exceed the pension obligations. The difference is therefore recognized as a receivable. The ceiling rule which, in some cases, limits the value of these assets in the statement of financial position does not apply according to the existing pension foundation statutes, with the exception of one of the plans in Norway and one of the smaller plans in the UK. The carrying amount of the plan assets was reduced by SEK 61 M (46) due to the limit in the ceiling rule.

On the closing day the pension obligations amounted to SEK 29,832 M (28,173). During the year pension obligations were affected by remeasurements. The discount rate and inflation assumption for all three countries have been raised resulting in a small net change in obligations. The remeasurements are included in other comprehensive income in a net amount of SEK -83 M (-2,306). Pension obligations were also affected by the cost of vested pensions and interest expense exceeding pensions paid. The pension obligations increased due to higher exchange rates for NOK and GBP.

The plan assets amounted to SEK 26,034 M (21,911). The plan assets were affected during the year by remeasurements, since the actual return on the assets was higher than the estimated return. The remeasurements are included in other comprehensive income in the amount of SEK 2,357 M (1,446). The plan assets increased due to higher exchange rates for NOK and GBP.

The return on plan assets recognized in the income statement amounted to SEK 330 M (424), while the actual return amounted to SEK 2,687 M (1,870). The higher return is attributable to the pension plans in all three countries.

The plan assets mainly consist of equities, interest-bearing securities, mutual fund units and investments in properties and PPP projects. No assets are used in Skanska's operations. The number of directly owned shares in Skanska AB totaled 0 (0) Series B shares. There is also an insignificant percentage of indirectly owned shares in Skanska AB via investments in various mutual funds.

There are various types of risk inherent in the company's defined-benefit pension plans. Pension obligations are mainly affected by the relevant discount rate, pay increases, inflation and life expectancy. The risk inherent in the plan assets is mainly market risk. Overall, these risks may result in volatility in the company's equity and in increased future pension costs and higher than estimated pension disbursements. Skanska continually monitors changes in its pension obligations and updates the most important assumptions every quarter and other assumptions at least once a year.

Pension commitments are calculated by independent actuaries. The company has prepared policy documents for the management of plan assets in the form of investment guidelines regulating permitted investments and allocation frameworks for these. In addition, the company uses external investment advisors who continually monitor development of the plan assets. The long duration of the pension obligations is partly matched by long-term investments in PPP-projects and property investments, and investments in long-term interest-bearing securities.

The largest defined-benefit plan for Skanska in Sweden is the ITP 2 plan, in which pensions are based on final salary on retirement. ITP 2 covers salaried employees born in 1978 or earlier. The pension obligations are secured through assets in a pension fund and through insurance with PRI Pensionsgaranti. The pension obligation is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life span.

A small portion of the ITP 2 plan is secured by insurance from the retirement insurance company Alecta. This is a multi-employer insurance plan, and there is insufficient information to report these obligations as a defined-benefit plan. Pensions secured by insurance from Alecta are therefore reported as defined-contribution plans. Contributions paid in 2021 amounted to SEK 2 M (3). At the end of 2021, the collective funding ratio of defined-benefit plans in Alecta totaled a preliminary 172 percent (148). The collective funding ratio consists of assets as a percentage of actuarial obligations.

Within Skanska Norway, the largest defined-benefit pension plan is the Skanska Norge Pensionskassa pension fund. This plan covered almost all employees of Skanska in Norway and the pension is based on final salary and number of years of employment with Skanska. The pension obligations are secured through assets in the pension fund. The Skanska Norge Pensionskassa pension fund has been closed for new members since mid-2018. The pension obligation is lifelong and sensitive to changes in the discount rate, pay increases, inflation and life span.

The largest of Skanska's defined-benefit pension plans in the UK is the Skanska Pension Fund. The plan covers salaried employees and is based on average earnings over the period of employment. The pension is remeasured following changes in inflation (index-linked). The pension obligations are secured through assets in the pension fund. Skanska Pension Fund has been closed for vesting and new members since the end of the first quarter of 2018. The pension commitment is sensitive to changes in the discount rate, inflation and life span.

**Net liability related to employee benefits, defined-benefit plans**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Pension obligations, funded plans, present value, December 31 | 29,832 | 28,173 |
| Plan assets, fair value, December 31 | -26,034 | -21,911 |
| **Net liability according to statement of financial position** | **3,798** | **6,262** |

**Pension obligations and plan assets by country**

| **2021** | Sweden | Norway | UK | Total |
|---|---|---|---|---|
| Pension obligations | 11,999 | 5,237 | 12,596 | 29,832 |
| Plan assets | -6,063 | -6,843 | -13,128 | -26,034 |
| **Net liability according to statement of financial position** | **5,936** | **-1,606** | **-532** | **3,798** |
| **2020** | | | | |
| Pension obligations | 11,902 | 4,626 | 11,645 | 28,173 |
| Plan assets | -4,988 | -5,724 | -11,199 | -21,911 |
| **Net liability according to statement of financial position** | **6,914** | **-1,098** | **446** | **6,262** |

*Note 28. Pensions, cont.*

**Interest-bearing pension liability, net**

| | 2021 | 2020 |
|---|---|---|
| Net pension liability, January 1 | 6,262 | 5,321 |
| Pension expenses | 580 | 551 |
| Benefits paid by employers | -260 | -248 |
| Funds contributed by employers | -359 | -313 |
| Remeasurements[1] | -2,274 | 860 |
| Curtailments and settlements | -69 | -8 |
| Exchange rate differences | -82 | 99 |
| **Net liability according to statement of financial position** | **3,798** | **6,262** |

1 See also Note 26, which shows the tax portion and social insurance contributions recognized in other comprehensive income.

**Pension obligations**

| | 2021 | 2020 |
|---|---|---|
| January 1 | 28,173 | 27,115 |
| Pensions earned during the year | 516 | 496 |
| Interest on obligations | 400 | 485 |
| Benefits paid by employers | -260 | -248 |
| Benefits paid from plan assets | -439 | -442 |
| Remeasurements: | | |
| – Actuarial gains(-)/losses(+), changed financial assumptions | 20 | 2,442 |
| – Actuarial gains(-)/losses(+), changed demographic assumptions | -224 | -236 |
| – Experience-based changes | 287 | 100 |
| Curtailments and settlements | -69 | -8 |
| Exchange rate differences | 1,428 | -1,531 |
| **Pension obligations, present value** | **29,832** | **28,173** |

**Breakdown of pension obligations and average duration by country**

| 2021 | Sweden | Norway | UK |
|---|---|---|---|
| Active members' portion of obligations | 44% | 43% | 5% |
| Dormant pension rights | 27% | 16% | 56% |
| Pensioners' portion of obligations | 29% | 41% | 39% |
| Weighted average duration | 20 years | 19 years | 20 years |
| **2020** | | | |
| Active members' portion of obligations | 43% | 47% | 4% |
| Dormant pension rights | 26% | 17% | 55% |
| Pensioners' portion of obligations | 31% | 36% | 41% |
| Weighted average duration | 21 years | 20 years | 20 years |

**Plan assets**

| | 2021 | 2020 |
|---|---|---|
| January 1 | 21,911 | 21,794 |
| Estimated return on plan assets | 330 | 424 |
| Funds contributed by employers | 359 | 313 |
| Funds contributed by employees | 6 | 6 |
| Benefits paid | -439 | -442 |
| Difference between actual return and estimated return: | 2,357 | 1,446 |
| Exchange rate differences | 1,510 | -1,630 |
| **Plan assets, fair value** | **26,034** | **21,911** |

Amounts contributed are expected to total SEK 275 M in 2022.

**Plan assets not included in carrying amount due to the limit in the ceiling rule**

| | 2021 | 2020 |
|---|---|---|
| January 1 | 46 | 4 |
| Change during the year | 15 | 42 |
| **Plan assets not included in carrying amount** | **61** | **46** |

**Plan assets and return by country**

| 2021 | Sweden | Norway | UK |
|---|---|---|---|
| Shares | 30% | 42% | 12% |
| Interest-bearing securities | 33% | 45% | 68% |
| Alternative investments | 37% | 13% | 20% |
| Estimated return | 1.10% | 1.80% | 1.40% |
| Actual return | 21.70% | 10.50% | 8.20% |
| **2020** | | | |
| Shares | 30% | 40% | 29% |
| Interest-bearing securities | 35% | 41% | 47% |
| Alternative investments | 35% | 19% | 24% |
| Estimated return | 1.50% | 2.50% | 2.00% |
| Actual return | 4.30% | 7.30% | 11.60% |

*Note 28. Pensions, cont.*

**Total plan assets by asset class**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| **Equities and mutual funds** | | |
| Swedish equities and mutual funds | 655 | 640 |
| Norwegian equities and mutual funds | 1,037 | 848 |
| UK equities and mutual funds | 875 | 1,327 |
| Global mutual funds | 4,084 | 4,258 |
| **Total equities and mutual funds** | **6,651** | **7,073** |
| | | |
| **Interest-bearing securities** | | |
| Swedish bonds | 1,699 | 1,464 |
| Norwegian bonds | 1,195 | 926 |
| UK bonds | 6,350 | 4,081 |
| Bonds in other countries | 4,870 | 2,865 |
| **Total interest-bearing securities** | **14,114** | **9,336** |
| | | |
| **Alternative investments:** | | |
| Hedge funds | 469 | 303 |
| Property investments | 2,144 | 1,639 |
| Projects in the PPP-portfolio | 602 | 1,503 |
| Other | 2,054 | 2,057 |
| **Total alternative investments** | **5,269** | **5,502** |
| | | |
| **Total plan assets** | **26,034** | **21,911** |

Equities and mutual funds, interest-bearing securities and hedge funds were measured at current market prices. Property investments and infrastructure projects were measured by discounting future cash flows.

80 percent of total plan assets have a quoted price on an active market.

**Actuarial assumptions**

| 2021 | Sweden | Norway | UK |
|---|---|---|---|
| **Financial assumptions** | | | |
| Discount rate, January 1 | 1.10% | 1.80% | 1.40% |
| Discount rate, December 31 | 1.60% | 1.90% | 1.60% |
| Estimated return on plan assets for the period | 1.10% | 1.80% | 1.40% |
| Expected pay increase, December 31 | 3.25% | 2.50% | 3.50% |
| Expected inflation, December 31 | 2.00% | 1.75% | 3.25% |
| | | | |
| **Demographic assumptions** | | | |
| Life expectancy after age 65, men | 23 years | 22 years | 22 years |
| Life expectancy after age 65, women | 25 years | 25 years | 24 years |
| Life expectancy table | DUS14 | K2013 | S3 2020 |

| 2020 | Sweden | Norway | UK |
|---|---|---|---|
| **Financial assumptions** | | | |
| Discount rate, January 1 | 1.50% | 2.50% | 2.00% |
| Discount rate, December 31 | 1.10% | 1.80% | 1.40% |
| Estimated return on plan assets for the period | 1.50% | 2.50% | 2.00% |
| Expected pay increase, December 31 | 3.00% | 2.25% | 3.25% |
| Expected inflation, December 31 | 1.50% | 1.50% | 3.00% |
| | | | |
| **Demographic assumptions** | | | |
| Life expectancy after age 65, men | 23 years | 21 years | 22 years |
| Life expectancy after age 65, women | 25 years | 25 years | 24 years |
| Life expectancy table | PRI | K2013 | S3 2019 |

All three countries where Skanska has defined-benefit plans have an extensive market for high-grade long-term corporate bonds, including mortgage bonds. The discount rate is established on the basis of the market yield for these bonds on the closing day.

*Note 28. Pensions, cont.*

**Sensitivity of pension obligations to changes in assumptions**

| | Sweden | Norway | UK | Total[1] |
|---|---|---|---|---|
| Pension obligations, December 31, 2021 | 11,999 | 5,237 | 12,596 | 29,832 |
| Discount rate increase of 0.25% | -600 | -250 | -600 | -1,450 |
| Discount rate decrease of 0.25% | 600 | 250 | 600 | 1,450 |
| Increase of 0.25% in expected pay increase | 175 | 125 | 0 | 300 |
| Decrease of 0.25% in expected pay increase | -175 | -125 | 0 | -300 |
| Increase of 0.25% in expected inflation | 450 | 125 | 300 | 875 |
| Decrease of 0.25% in expected inflation | -450 | -125 | -300 | -875 |
| Life expectancy increase of 1 year | 525 | 250 | 450 | 1,225 |

1 Estimated change in pension obligation/pension liability if the assumption is increased or decreased for all three countries. If pension liability increases for all three countries, the Group's equity is reduced by about 90 percent of the increase in the pension liability after taking into account deferred tax and social insurance contributions.

**Sensitivity of plan assets to changes in estimated return and actual return**

| | Sweden | Norway | UK | Total[1] |
|---|---|---|---|---|
| Plan assets, December 31, 2021 | 6,063 | 6,843 | 13,128 | 26,034 |
| Return increase of 5% | 300 | 350 | 650 | 1,300 |
| Return decrease of 5% | -300 | -350 | -650 | -1,300 |

1 If the actual return exceeds the estimated return by 5 percent, the gain upon remeasurement is expected to amount to SEK 1,300 M. If the actual return falls below the estimated return by 5 percent, the loss upon remeasurement is expected to amount to SEK 1,300 M.

The sensitivity analyses are based on existing circumstances, assumptions and populations. Application at other levels may produce different effects of changes.

**Defined-contribution plans**

These plans mainly cover retirement pension, disability pension and family pension. The premiums are paid regularly during the year by the respective Group company to separate legal entities, for example insurance companies. The size of the premium is based on salary. The pension expenses for the period are included in the income statement.

**Total pension expenses in the income statement for defined-benefit plans and defined-contribution plans**

| | 2021 | 2020 |
|---|---|---|
| Defined-benefit pension plans vested during the year | -516 | -496 |
| Less: Funds contributed by employees | 6 | 6 |
| Interest on obligations | -400 | -485 |
| Estimated return on plan assets | 330 | 424 |
| Curtailments and settlements | 69 | 1 |
| **Pension expenses, defined-benefit plans** | **-511** | **-550** |
| Pension expenses, defined-contribution plans | -1,786 | -1,834 |
| Social insurance contributions, defined-benefit and defined-contribution plans[1] | -168 | -177 |
| **Total pension expenses** | **-2,465** | **-2,561** |

1 Refers to special payroll tax in Sweden and employer contribution in Norway.

**Allocation of pension expenses in the income statement**

| | 2021 | 2020 |
|---|---|---|
| Cost of sales | -1,915 | -2,007 |
| Selling and administrative expenses | -480 | -493 |
| Financial items | -70 | -61 |
| **Total pension expenses** | **-2,465** | **-2,561** |

## Note 29. Provisions

Provisions are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1.

Provisions are allocated in the statement of financial position between non-current liabilities and current liabilities. Provisions are both interest-bearing and non-interest-bearing. Provisions that are part of the operating cycle are recognized as current. Interest-bearing provisions that fall due within a year are treated as current.

**Current provisions**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Non-interest-bearing | 11,239 | 10,326 |
| **Total** | **11,239** | **10,326** |

The change in provisions broken down into reserve for legal disputes, provision for warranty obligations and other provisions is presented in the table below. Regarding the reserve for legal disputes, see also Note 33.

| | Reserve for legal disputes | | Provision for warranty obligations | | Other provisions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| January 1 | 1,786 | 1,501 | 3,514 | 3,076 | 5,026 | 5,444 | 10,326 | 10,021 |
| Divested provisions | | | | | -18 | | -18 | |
| Provisions for the year | 888 | 940 | 1,402 | 1,913 | 721 | 739 | 3,011 | 3,592 |
| Provisions utilized | -228 | -427 | -638 | -829 | -607 | -942 | -1,473 | -2,198 |
| Unutilized amounts that were reversed, change in value | -115 | -152 | -448 | -496 | -240 | -226 | -803 | -874 |
| Exchange rate differences | 79 | -78 | 115 | -172 | 107 | -238 | 300 | -487 |
| Reclassifications | 3 | | -53 | 22 | -54 | 249 | -104 | 272 |
| **December 31** | **2,413** | **1,786** | **3,892** | **3,514** | **4,935** | **5,026** | **11,239** | **10,326** |

**Specification of "Other provisions"**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Provisions for restructuring measures | 210 | 240 |
| Employee-related provisions | 316 | 256 |
| Environmental obligations | 124 | 124 |
| Provision for social insurance contributions for pensions and share-based payments | 1,554 | 1,663 |
| Contingent considerations[1] | 585 | 598 |
| Provisions for commitments in joint ventures | 253 | 374 |
| Provisions for losses | 678 | 694 |
| Provisions for completed projects | 662 | 649 |
| Damage restoration | 129 | 112 |
| Tax and VAT (other than corporate tax) | 121 | 93 |
| Other provisions | 303 | 223 |
| **Total** | **4,935** | **5,026** |

1 Acquisitions of current-asset properties. These are reported as financial instruments. See Note 6.

The normal cycle time for "Other provisions" is one to three years.

Provisions for legal disputes are provisions in the Construction business stream for projects that have been completed, as well as other disputes.

Provisions for warranty obligations are for expenses that may arise during the warranty period and for rent guarantees for properties sold by the Commercial Property Development business stream. Such provisions in Construction are based on individual assessments of each project or average experience-based cost, expressed as a percentage of sales during a five-year period. The expenses are charged to each project on a continuous basis. Provisions for warranty obligations in other business streams are based on individual assessments of each project. The change in 2021 was mainly related to Construction.

Provisions for the year for restructuring measures mainly consist of items related to Poland and the USA, and the discontinuation of operations in Latin America.

Employee-related provisions consist of items such as the cost of profit-sharing, certain bonus programs and other obligations to employees.

Provisions for environmental obligations include the cost of restoring gravel pits to their natural state in Swedish operations.

## Note 30. Other operating liabilities

Non-interest-bearing liabilities in business operations are recognized as "Other operating liabilities." Such liabilities are part of the Group's operating cycle and are recognized as current liabilities.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Trade accounts payable | 12,426 | 9,649 |
| Other operating liabilities to associated companies | 11 | 9 |
| Other operating liabilities[1] | 7,242 | 6,603 |
| Accrued expenses and prepaid income | 16,963 | 15,551 |
| **Total** | **36,642** | **31,812** |
| Of which financial instruments reported in Note 6 Financial instruments and financial risk management | | |
| Trade accounts payable | 12,426 | 9,649 |
| Other operating liabilities including accrued interest expense | 367 | 531 |
| | **12,794** | **10,179** |
| Of which non-financial instruments | 23,848 | 21,633 |

1 "Other operating liabilities" includes SEK 259 M (423) for checks issued but not yet cashed, mainly in the USA. See Note 1.

## **Note 31.** Specification of interest-bearing net receivables/net liabilities per asset and liability

| | Dec 31, 2021 | | | Dec 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Interest-bearing | Non-interest-bearing | Total | Interest-bearing | Non-interest-bearing | Total |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | | 7,279 | 7,279 | | 6,816 | 6,816 |
| Property, plant and equipment, right-of-use assets | | 3,314 | 3,314 | | 3,930 | 3,930 |
| Goodwill | | 3,934 | 3,934 | | 3,713 | 3,713 |
| Other intangible assets | | 676 | 676 | | 771 | 771 |
| Investments in joint ventures and associated companies | | 2,185 | 2,185 | | 1,689 | 1,689 |
| Non-current financial assets | 3,838 | 37 | 3,875 | 1,884 | 47 | 1,931 |
| Deferred tax assets | | 1,984 | 1,984 | | 1,803 | 1,803 |
| **Total non-current assets** | **3,838** | **19,409** | **23,247** | **1,884** | **18,769** | **20,653** |
| | | | | | | |
| **Current assets** | | | | | | |
| Current-asset properties | | 49,745 | 49,745 | | 44,948 | 44,948 |
| Current-asset properties, right-of-use assets | | 3,289 | 3,289 | | 2,980 | 2,980 |
| Inventories | | 1,090 | 1,090 | | 1,100 | 1,100 |
| Current financial assets | 18,747 | 63 | 18,810 | 8,300 | 192 | 8,492 |
| Tax assets | | 1,247 | 1,247 | | 950 | 950 |
| Contract assets | | 5,451 | 5,451 | | 4,599 | 4,599 |
| Other operating receivables | | 25,212 | 25,212 | | 22,402 | 22,402 |
| Cash and bank balances | 10,947 | | 10,947 | 19,508 | | 19,508 |
| **Total current assets** | **29,694** | **86,098** | **115,791** | **27,808** | **77,170** | **104,979** |
| **TOTAL ASSETS** | **33,531** | **105,507** | **139,039** | **29,692** | **95,939** | **125,631** |

*Note 31. Specification of interest-bearing net receivables/net liabilities per asset and liability, cont.*

| | Dec 31, 2021 | | | Dec 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Interest-bearing | Non-interest-bearing | Total | Interest-bearing | Non-interest-bearing | Total |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Non-current financial liabilities | 3,389 | | 3,389 | 3,241 | 6 | 3,247 |
| Lease liabilities | 6,040 | | 6,040 | 6,217 | | 6,217 |
| Pensions | 5,936 | | 5,936 | 7,360 | | 7,360 |
| Deferred tax liabilities | | 1,215 | 1,215 | | 928 | 928 |
| **Total non-current liabilities** | **15,365** | **1,215** | **16,580** | **16,818** | **934** | **17,752** |
| **Current liabilities** | | | | | | |
| Current financial liabilities | 4,649 | 131 | 4,780 | 4,578 | 85 | 4,663 |
| Lease liabilities | 920 | | 920 | 1,016 | | 1,016 |
| Tax liabilities | | 417 | 417 | | 1,884 | 1,884 |
| Current provisions | | 11,239 | 11,239 | | 10,326 | 10,326 |
| Contract liabilities | | 22,664 | 22,664 | | 19,462 | 19,462 |
| Other operating liabilities | | 36,642 | 36,642 | | 31,812 | 31,812 |
| **Total current liabilities** | **5,569** | **71,093** | **76,662** | **5,594** | **63,568** | **69,162** |
| **TOTAL LIABILITIES** | **20,933** | **72,308** | **93,242** | **22,412** | **64,502** | **86,914** |
| **Total equity** | | | **45,797** | | | **38,717** |
| **EQUITY AND LIABILITIES** | | | **139,039** | | | **125,631** |
| Interest-bearing net receivables/ net liabilities (+/-) | 12,598 | | | 7,280 | | |

## **Note 32.** Expected recovery periods for assets and liabilities

| | Dec 31, 2021 | | | Dec 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Amounts expected to be recovered** | **Within 12 months** | **After 12 months** | **Total** | **Within 12 months** | **After 12 months** | **Total** |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment[1] | 1,555 | 5,724 | 7,279 | 1,671 | 5,145 | 6,816 |
| Property, plant and equipment, right-of-use assets[1] | 908 | 2,406 | 3,314 | 1,046 | 2,884 | 3,930 |
| Goodwill | | 3,934 | 3,934 | | 3,713 | 3,713 |
| Other intangible assets[1] | 205 | 471 | 676 | 228 | 543 | 771 |
| Investments in joint ventures and associated companies[2] | | 2,185 | 2,185 | | 1,689 | 1,689 |
| Non-current financial assets | | 3,875 | 3,875 | | 1,931 | 1,931 |
| Deferred tax assets[3] | | 1,984 | 1,984 | | 1,803 | 1,803 |
| **Total non-current assets** | **2,668** | **20,579** | **23,247** | **2,945** | **17,708** | **20,653** |
| | | | | | | |
| **Current assets** | | | | | | |
| Current-asset properties[4] | 19,900 | 29,845 | 49,745 | 20,900 | 24,048 | 44,948 |
| Current-asset properties, right-of-use assets[4] | 400 | 2,889 | 3,289 | 400 | 2,580 | 2,980 |
| Inventories | 1,002 | 88 | 1,090 | 993 | 107 | 1,100 |
| Current financial assets | 18,810 | | 18,810 | 8,492 | | 8,492 |
| Tax assets | 1,247 | | 1,247 | 950 | | 950 |
| Contract assets[5] | 4,140 | 1 311 | 5,451 | 3,967 | 632 | 4,599 |
| Other operating receivables[5] | 19,570 | 5,642 | 25,212 | 17,248 | 5,153 | 22,401 |
| Cash and bank balances | 10,947 | | 10,947 | 19,508 | | 19,508 |
| **Total current assets** | **76,016** | **39,775** | **115,791** | **72,458** | **32,520** | **104,979** |
| **TOTAL ASSETS** | **78,684** | **60,354** | **139,039** | **75,403** | **50,228** | **125,631** |

1 In the case of amounts expected to be recovered within 12 months, the expected annual depreciation/amortization has been recognized.

2 The breakdown cannot be estimated.

3 Deferred tax assets are expected to be recovered in their entirety after 12 months.

4 Recovery of current-asset properties within one year is based on an historical assessment of the past three years. For right-of-use assets the assessment is based on the implementation of IFRS 16 on January 1, 2019.

5 Current receivables that fall due in more than 12 months' time are part of the operating cycle and are thus recognized as current.

*Note 32. Expected recovery periods for assets and liabilities, cont.*

| | Dec 31, 2021 | | | Dec 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Within 12 months** | **After 12 months** | **Total** | **Within 12 months** | **After 12 months** | **Total** |
| **LIABILITIES** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Non-current financial liabilities | | 3,389 | 3,389 | | 3,247 | 3,247 |
| Lease liabilities | | 6,040 | 6,040 | | 6,217 | 6,217 |
| Pensions[1] | 275 | 5,661 | 5,936 | 274 | 7,086 | 7,360 |
| Deferred tax liabilities | | 1,215 | 1,215 | | 928 | 928 |
| **Total non-current liabilities** | **275** | **16,305** | **16,580** | **274** | **17,478** | **17,752** |
| | | | | | | |
| **Current liabilities** | | | | | | |
| Current financial liabilities | 3,016 | 1,764 | 4,780 | 2,643 | 2,020 | 4,663 |
| Lease liabilities | 920 | | 920 | 1,016 | | 1,016 |
| Tax liabilities | 417 | | 417 | 1,884 | | 1,884 |
| Current provisions | 5,403 | 5,836 | 11,239 | 3,766 | 6,560 | 10,326 |
| Contract liabilities | 18,047 | 4,617 | 22,664 | 15,545 | 3,917 | 19,462 |
| Other operating liabilities | 33,715 | 2,927 | 36,642 | 28,605 | 3,207 | 31,812 |
| **Total current liabilities** | **61,518** | **15,144** | **76,662** | **53,459** | **15,704** | **69,162** |
| **TOTAL LIABILITIES** | **61,793** | **31,449** | **93,242** | **53,733** | **33,182** | **86,914** |
| **Total equity** | | | **45,797** | | | **38,717** |
| **EQUITY AND LIABILITIES** | | | **139,039** | | | **125,631** |

1 "Within 12 months" refers to expected benefit payments (payments from funded plans are not included).

# **Note 33.** Assets pledged, contingent liabilities and contingent assets

**Assets pledged**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Shares and participations | 1,424 | 741 |
| Receivables | 979 | 934 |
| **Total** | **2,402** | **1,675** |

Joint ventures within the PPP portfolio are reported as pledged assets when the holdings in the project company – which may be owned directly by Skanska or owned through intermediary holding companies – are provided as security for loans from banks or lenders other than the co-owners.

**Assets pledged for liabilities**

| | Shares and receivables | |
|---|---|---|
| | Dec 31, 2021 | Dec 31, 2020 |
| **Own obligations** | | |
| Other liabilities | 979 | 934 |
| **Total own obligations** | **979** | **934** |
| Other obligations | 1,424 | 741 |
| **Total** | **2,402** | **1,675** |

Assets pledged for other liabilities, SEK 1.0 billion (0.9), relate predominantly to financial instruments pledged as collateral to clients in conjunction with contracting work in the USA.

**Contingent liabilities**
Contingent liabilities are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1.

Contingent liabilities, excluding obligations for partners' future performance in joint operations, amounted to SEK 1,339 M (1,311). This amount is mainly related to joint ventures and tenant-owners' associations within the Commercial Property Development and Residential Development operating segments.

Skanska's obligations for partners' future performance in joint operations relate to contracting work within Construction and Project Development. If a partner does not fulfill its part of the contract the other partners have joint and several liability for ensuring that this part of the contract is also fulfilled. Partners' share of future performance in joint operations amounts to SEK 55,874) M (56,610). In the event Skanska takes over part of the completion obligation, Skanska's order backlog will increase correspondingly.

Skanska selectively forms joint operations and joint ventures when this is beneficial in view of project size and/or the type of commitments involved in the project. Combining expertise and resources with other construction companies is then a means of optimizing project planning and execution as well as managing specific project risks. External partners in these arrangements are scrutinized in accordance with the tender approval process. For more information regarding joint operations and joint ventures, see Note 20 B and Note 20 C.

In 2017 Skanska Finland was notified that the prosecutor requested a corporate fine in connection to a bribery investigation involving a former real estate manager in another company and concerning certain sports sponsorship payments that Skanska Finland made before 2013. Skanska Finland's manager was also a defendant in the case. Skanska has actively cooperated with the prosecutor and police since the start of the investigation. In 2019 the Helsinki District Court dismissed the charges against Skanska Finland and Skanska Finland's manager as well as the demand for a corporate fine. In 2020 the prosecutor appealed the decision. The main hearing in the Helsinki Court of Appeal took place in March–July 2021. A court of appeal judgment is expected by the end of March 2022.

The Brazilian competition authority, the Administrative Council of Economic Defense ("CADE"), and the Comptroller General of the Union ("CGU") initiated in 2015 administrative procedures against Skanska Brasil in relation to certain Petrobras projects. In 2016 CGU decided that Skanska Brasil shall be excluded from public tenders during no less than two years. Skanska Brasil's appeal is still pending. CADE has yet to decide on the cartel case. Other authorities in Brasil have initiated legal proceedings relating to the same transactions. In 2016 the Attorney General of the Union ("AGU") commenced a lawsuit against seven companies including Skanska Brasil. The charges focused on claims of inappropriate payments by a joint venture partner. Both courts of first and second instance rejected the claim against Skanska Brasil. AGU appealed to the Superior Court, which in 2020 decided to uphold the lower court's decision to reject the claim against Skanska Brasil. AGU has appealed to the Superior Court for reconsideration, which is pending.

The Federal Audit Court ("TCU") is an authority auditing public contracts, including those of Petrobras, and Skanska Brasil has some contracts under TCU review. In 2020 TCU decided in principle that damages for overpricing in all contracts entered into by members of the Petrobras cartel can be made in accordance with an econometric model. TCU has in an audit-report in 2020 recommended application of the model to calculate damages for overpricing in a contract with Petrobras that Skanska Brasil performed in joint venture with others. TCU decided in April 2021, based on the econometric damage calculation, to start an investigation regarding this overpricing. A final decision by TCU is expected during 2022.

In 2006 tax authorities in Argentina started investigating about 120 companies, including Skanska S.A. in Argentina, for use of fake invoices. Skanska cooperated with the authorities and corrected its tax returns. The Appeal Court found in 2011 no evidence of wrongdoings and no convictions were made. However, the Federal Criminal Court decided in 2017 to once again indict a large number of individuals including nine former Skanska employees. A trial date has not been set. Skanska sold its Argentine business in 2015, but is managing the case due to an ongoing obligation to the buyer.

**Contingent assets**
The Group has no contingent assets of significant importance in assessing the position of the Group. See Note 1.

## **Note 34.** Foreign exchange rates and effect of changes in foreign exchange rates

Exchange rates are dealt with in accordance with IAS 21 The Effect of Changes in Foreign Exchange Rates. See Note 1.

**Exchange rates**
The Swedish krona fluctuated during the year against currencies in countries in which the Group does business.

| | | Average exchange rate | | | Change, % | |
|---|---|---|---|---|---|---|
| **Currency** | **Country** | **2021** | **2020** | **2019** | **2020–2021** | **2019–2020** |
| CZK | Czech Republic | 0.396 | 0.397 | 0.412 | 0 | -4 |
| DKK | Denmark | 1.364 | 1.407 | 1.418 | -3 | -1 |
| EUR | EU | 10.146 | 10.488 | 10.584 | -3 | -1 |
| GBP | UK | 11.800 | 11.809 | 12.071 | 0 | -2 |
| NOK | Norway | 0.998 | 0.979 | 1.075 | 2 | -9 |
| PLN | Poland | 2.222 | 2.362 | 2.463 | -6 | -4 |
| USD | USA | 8.580 | 9.212 | 9.457 | -7 | -3 |

| | | Closing day exchange rate | | | Change, % | |
|---|---|---|---|---|---|---|
| **Currency** | **Country** | **2021** | **2020** | **2019** | **2020–2021** | **2019–2020** |
| CZK | Czech Republic | 0.409 | 0.384 | 0.410 | 7 | -6 |
| DKK | Denmark | 1.377 | 1.352 | 1.399 | 2 | -3 |
| EUR | EU | 10.239 | 10.054 | 10.446 | 2 | -4 |
| GBP | UK | 12.195 | 11.154 | 12.240 | 9 | -9 |
| NOK | Norway | 1.025 | 0.956 | 1.059 | 7 | -10 |
| PLN | Poland | 2.230 | 2.219 | 2.453 | 0 | -10 |
| USD | USA | 9.060 | 8.193 | 9.329 | 11 | -12 |

**Income statement**
In 2021 the average exchange rate of the SEK strengthened against all of the Group's other currencies. The total exchange rate effect on the Group's revenue was SEK -4,603 M (-3,983), equivalent to -2.9 (-2.3) percent. The total exchange rate effect on the Group's operating income was SEK -201 M (-163), equivalent to -1.6 (-2.2) percent. See the table to the right.

| **2021** | **USD** | **EUR** | **GBP** | **NOK** | **CZK** | **PLN** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Revenue | -4,195 | -455 | -10 | 289 | -13 | -218 | -1 | -4,603 |
| Operating income | -174 | -34 | -1 | 15 | -1 | -11 | 5 | -201 |
| Income after financial items | -445 | -29 | -1 | 16 | -1 | -10 | 3 | -467 |
| Profit/loss for the year | -405 | -25 | 0 | 12 | -1 | -12 | 3 | -428 |

| **2020** | **USD** | **EUR** | **GBP** | **NOK** | **CZK** | **PLN** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Revenue | -1,819 | -145 | -383 | -1,280 | -214 | -143 | 1 | -3,983 |
| Operating income | -77 | -16 | -5 | -58 | -12 | -3 | 8 | -163 |
| Income after financial items | -69 | -15 | -4 | -61 | -12 | -2 | 9 | -154 |
| Profit/loss for the year | -51 | -11 | -4 | -46 | -11 | -2 | 10 | -115 |

*Note 34. Foreign exchange rates and effect of changes in foreign exchange rates, cont.*

**Consolidated statement of financial position by functional currency**
Consolidated total assets increased by SEK 13.4 billion, from SEK 125.6 billion to SEK 139.0 billion. The effect of changes in foreign exchange rates was SEK 6.4 billion. The closing exchange rate of the Swedish krona strengthened against all currencies in countries in which the Group does business.

| Dec 31, 2021, SEK bn | USD | GBP | EUR | NOK | CZK | PLN | DKK | Other foreign currencies[1] | Hedges of foreign currency[2] | SEK | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Property, plant and equipment | 1.8 | 0.4 | 0.5 | 2.3 | 0.5 | 0.1 | 0.0 | 0.1 | | 1.6 | 7.3 |
| Property, plant and equipment, right-of-use assets | 0.7 | 0.7 | 0.4 | 0.5 | 0.2 | 0.1 | 0.0 | -0.1 | | 0.8 | 3.3 |
| Intangible assets | 0.6 | 1.4 | 0.6 | 1.2 | 0.1 | 0.0 | 0.0 | -0.1 | | 0.8 | 4.6 |
| Shares and participations | 0.7 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | | 1.2 | 2.2 |
| Interest-bearing receivables | 34.5 | 4.8 | 4.0 | 5.5 | 2.5 | 1.7 | 0.0 | -41.2 | | 10.7 | 22.5 |
| Current-asset properties | 8.3 | 2.6 | 14.4 | 4.2 | 1.6 | 1.4 | 1.5 | 0.1 | | 15.6 | 49.7 |
| Current-asset properties, right-of-use assets | 2.2 | 0.0 | 0.4 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | | 0.5 | 3.3 |
| Non-interest-bearing receivables | 16.1 | 3.0 | 3.1 | 3.8 | 1.6 | 0.9 | 0.0 | 0.0 | | 6.6 | 35.1 |
| Cash and cash equivalents | 1.6 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | | 9.1 | 11.0 |
| **Total** | **66.5** | **12.9** | **23.6** | **17.6** | **6.7** | **4.3** | **1.5** | **-41.0** | **0.0** | **46.9** | **139.0** |
| | | | | | | | | | | | |
| **Equity and liabilities** | | | | | | | | | | | |
| Equity attributable to equity holders[3] | 14.2 | 1.8 | 4.1 | 5.2 | 2.7 | 0.3 | 1.5 | 0.0 | -0.1 | 15.9 | 45.6 |
| Non-controlling interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.1 |
| Interest-bearing liabilities | 24.0 | 4.0 | 12.6 | 3.3 | 0.2 | 1.3 | 0.0 | -41.4 | 0.1 | 16.9 | 21.0 |
| Non-interest-bearing liabilities | 28.3 | 7.1 | 6.9 | 9.1 | 3.7 | 2.7 | 0.0 | 0.4 | | 14.1 | 72,3 |
| **Total** | **66.5** | **12.9** | **23.6** | **17.6** | **6.7** | **4.3** | **1.5** | **-41.0** | **0.0** | **46.9** | **139.0** |

1 Including elimination of intra-Group receivables and liabilities.

2 Amount refers to hedges before tax deduction. Net investments abroad are currency-hedged to a certain extent through foreign currency loans and forward currency contracts. See also Note 6. Hedging of net investments through foreign currency loans, mainly in GBP, amounts to SEK 85 M.

3 The respective currencies are calculated including goodwill on consolidation and the net amount of Group surpluses after deducting deferred taxes.

*Note 34. Foreign exchange rates and effect of changes in foreign exchange rates, cont.*

| Dec 31, 2020, SEK bn | USD | GBP | EUR | NOK | CZK | PLN | DKK | Other foreign currencies[1] | Hedges of foreign currency[2] | SEK | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Property, plant and equipment | 1.8 | 0.4 | 0.5 | 1.8 | 0.5 | 0.1 | | | | 1.7 | 6.8 |
| Property, plant and equipment, right-of-use assets | 0.7 | 0.9 | 0.5 | 0.5 | 0.2 | 0.1 | | | | 1.0 | 3.9 |
| Intangible assets | 0.6 | 1.2 | 0.5 | 1.1 | 0.1 | | | 0.1 | | 0.9 | 4.5 |
| Shares and participations | 0.1 | | | 0.1 | 0.1 | | | | | 1.4 | 1.7 |
| Interest-bearing receivables | 29.4 | 2.4 | 3.6 | 4.7 | 1.7 | 1.8 | 0.1 | -29.9 | | -3.6 | 10.2 |
| Current-asset properties | 6.8 | 0.1 | 10.0 | 0.8 | 1.4 | 1.4 | 2.6 | 8.6 | | 13.2 | 44.9 |
| Current-asset properties, right-of-use assets | 2.1 | 1.6 | 3.9 | 3.1 | | 0.1 | | -8.2 | | 0.4 | 3.0 |
| Non-interest-bearing receivables | 13.8 | 2.9 | 2.9 | 3.1 | 1.3 | 0.5 | | -0.1 | | 6.7 | 31.1 |
| Cash and cash equivalents | 6.8 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | | -0.1 | | 12.2 | 19.5 |
| **Total** | **62.1** | **9.6** | **22.1** | **15.3** | **5.4** | **4.1** | **2.7** | **-29.6** | **0.0** | **33.9** | **125.6** |
| **Equity and liabilities** | | | | | | | | | | | |
| Equity attributable to equity holders[3] | 13.5 | 0.8 | 4.2 | 4.8 | 2.4 | 0.1 | 0.8 | -0.5 | -0.1 | 12.2 | 38.6 |
| Non-controlling interests | | | | | 0.1 | | | | | | 0.1 |
| Interest-bearing liabilities | 22.8 | 3.4 | 11.5 | 2.9 | 0.4 | 1.5 | 1.5 | -29.3 | 0.1 | 8.0 | 22.4 |
| Non-interest-bearing liabilities | 25.8 | 5.4 | 6.4 | 7.6 | 2.5 | 2.5 | 0.4 | 0.2 | | 13.7 | 64.5 |
| **Total** | **62.1** | **9.6** | **22.1** | **15.3** | **5.4** | **4.1** | **2.7** | **-29.6** | **0.0** | **33.9** | **125.6** |

1 Including elimination of intra-Group receivables and liabilities.
2 Amount refers to hedges before tax deduction. Net investments abroad are currency-hedged to a certain extent through foreign currency loans and forward currency contracts. See also Note 6. Hedging of net investments through foreign currency loans, mainly in GBP, amounts to SEK 78 M.
3 The respective currencies are calculated including goodwill on consolidation and the net amount of Group surpluses after deducting deferred taxes.

**Effect on the Group of a change in SEK against other currencies and change in USD against SEK**
The following sensitivity analysis, based on the 2021 income statement and statement of financial position, shows the sensitivity of the Group to a unilateral 10-percent change in SEK against all currencies, as well as a unilateral 10-percent change in USD against SEK (+ indicates a weakening of the Swedish krona, - indicates a strengthening of the Swedish krona).

| SEK bn | +/-10% | of which USD +/-10% |
|---|---|---|
| Revenue | +/-10.9 | +/-5.7 |
| Operating income | +/-0.5 | +/-0.2 |
| Equity | +/-3.0 | +/-1.4 |
| Net receivables/net liabilities | +/-1.0 | +/-1.2 |

**Other**
For information on the change in the translation reserve in equity, see Note 26.

## **Note 35.** Cash flow statement

Aside from the cash flow statement prepared in accordance with IAS 7 Statement of Cash Flows, Skanska prepares a cash flow statement based on the operations carried out by the respective business streams. This cash flow statement is called the "Consolidated operating cash flow statement." The connection between the respective cash-flow statements is explained below.

**Adjustments for items not included in cash flow/items to be included in cash flow**

| | 2021 | 2020 |
|---|---|---|
| Depreciation/amortization and impairment losses/reversals of impairment losses | 2,966 | 3,277 |
| Income from divestments of non-current assets and current-asset properties | -6,057 | -9,333 |
| Profit/loss from sold subsidiaries | -686 | |
| Income after financial items from joint ventures and associated companies | -444 | 39 |
| Dividends from joint ventures and associated companies | 742 | 978 |
| Provision for the year, intra-Group profits on contracting work | 422 | 451 |
| Pensions recognized as expenses but not related to payments | 441 | 490 |
| Pensions paid | -699 | -690 |
| Cost of Seop, employee ownership programs | 388 | 300 |
| Gain/loss on joint ventures divested | -4 | -4,114 |
| Other items that have not affected cash flow from operating activities | -48 | 73 |
| **Total** | **-2,979** | **-8,529** |

**Taxes paid**
Taxes paid are divided into operating activities, investing activities and financing activities. Total taxes paid for the Group during the year amounted to SEK -3,596 M (-1,081).

**Information about interest and dividends**

| | 2021 | 2020 |
|---|---|---|
| Interest income received during the year | 68 | 114 |
| Interest paid during the year | 281 | 289 |
| Dividend received during the year | 742 | 1,010 |

*Note 35. Cash flow statement, cont.*

**Cash and cash equivalents**
Cash and cash equivalents in the cash flow statement consist of cash and bank balances as well as short-term investments. The definition of cash and bank balances in the statement of financial position can be found in Note 1.

The same rule that was used to determine cash and cash equivalents in the statement of financial position has been used to determine cash and cash equivalents according to the cash flow statement. Only amounts that can be used without restrictions are recognized as cash and bank balances.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Cash and bank balances | 10,947 | 19,508 |
| **Total** | **10,947** | **19,508** |

**Other**
At year-end, the Group's unutilized credit facilities amounted to SEK 6,591 M (8,812).

**Relationship between the consolidated operating cash flow statement and the consolidated cash flow statement**
The difference between the consolidated operating cash flow statement and the consolidated cash flow statement in accordance with IAS 7 Statement of Cash Flows is presented below.

The consolidated cash flow statement prepared in accordance with IAS 7 recognizes cash flow divided into:
Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities
The consolidated operating cash flow statement recognizes cash flow divided into:
Cash flow from business operations
Cash flow from financing activities
Cash flow from strategic investments
Dividend etc.
Change in interest-bearing receivables and liabilities

The consolidated operating cash flow statement refers to operating activities as "business operations." Unlike the cash flow statement in accordance with IAS 7, "business operations" also includes net investments, which are regarded as an element of business operations, together with tax payments on these. Such net investments are net investments in property, plant and equipment and intangible non-current assets, as well as net investments in the PPP-portfolio.

Investments of a strategic nature are recognized under cash flow from strategic investments.

Under cash flow from financing activities, the operating cash flow statement recognizes only interest and other financial items as well as taxes paid on these. Dividends are recognized separately. Loans provided and repayment of loans are also recognized separately along with changes in interest-bearing receivables at the bottom of the operating cash flow statement, resulting in a subtotal in that statement that shows cash flow before changes in interest-bearing receivables and liabilities.

**Cash flow for the year**

| | 2021 | 2020 |
|---|---|---|
| Cash flow from business operations including taxes paid according to operating cash flow | 5,070 | 15,384 |
| Less net investments in property, plant and equipment and intangible assets | 2,336 | -4,129 |
| Less tax payments on property, plant and equipment and intangible assets divested | 30 | 29 |
| **Cash flow from operating activities** | **7,436** | **11,284** |
| Cash flow from strategic investments according to operating cash flow | 732 | |
| Net investments in property, plant and equipment and intangible assets | -2,336 | 4,129 |
| Increase and decrease in interest-bearing receivables | -9,734 | -2,529 |
| Taxes paid on property, plant and equipment and intangible assets | -30 | -29 |
| **Cash flow from investing activities** | **-11,368** | **1,571** |
| Cash flow from financing activities according to operating cash flow statement, including change in interest-bearing receivables and liabilities excluding lease liabilities | -10,614 | -2,270 |
| Increase and decrease in interest-bearing liabilities | 9,734 | 2,529 |
| Dividend etc.[1] | -4,172 | -1,443 |
| **Cash flow from financing activities** | **-5,053** | **-1,183** |
| **Cash flow for the year** | **-8,984** | **11,672** |
| 1 Of which shares repurchased. | 242 | 88 |

**Relationship between the Group's investments in the cash flow statement and investments in the operating cash flow statement.**
Total net investments are recognized in the cash flow statement divided into operating activities and investing activities, taking into account the settlement of payments for investments and divestments.

Purchases and sales of current-asset properties are recognized under operating activities, while other net investments are recognized under investing activities.

| | 2021 | 2020 |
|---|---|---|
| Net investments in operating activities | 2,014 | 8,734 |
| Net investments in investing activities | -1,604 | 4,129 |
| | **409** | **12,863** |
| Less accrual adjustments, cash flow effect of investments | -23 | -355 |
| **Total net divestments(+)/investments(-)** | **386** | **12,508** |

The consolidated operating cash flow statement recognizes net investments divided into net investments in operations and strategic net investments as follows.

**Investments/divestments**

| | 2021 | 2020 |
|---|---|---|
| **Operations – investments** | | |
| Intangible assets | -103 | -132 |
| Property, plant and equipment | -1,834 | -1,487 |
| Shares | -731 | -19 |
| Current-asset properties | -18,277 | -20,047 |
| of which Residential Development | -11,013 | -10,299 |
| of which Commercial Property Development | -7,264 | -9,748 |
| | **-20,945** | **-21,685** |
| **Operations – divestments** | | |
| Intangible assets | 5 | 8 |
| Property, plant and equipment | 307 | 289 |
| Shares | 20 | 5,470 |
| Current-asset properties | 20,268 | 28,426 |
| of which Residential Development | 10,766 | 11,548 |
| of which Commercial Property Development | 9,502 | 16,878 |
| | **20,600** | **34,193** |
| Net divestments(+)/investments(-) in operations | -345 | 12,508 |
| **Strategic divestments** | | |
| Divestments of businesses | 732 | |
| **Net strategic divestments** | 732 | |
| **Total net divestments(+)/investments(-)** | **386** | **12,508** |

The change in interest-bearing liabilities belonging to financing activities is presented in the following table.

**Interest-bearing liabilities**

| | 2021 | 2020 |
|---|---|---|
| January 1 | 15,052 | 16,051 |
| Items affecting cash flow from financing activities | 1,436 | -3,820 |
| Other change in leases | 347 | 185 |
| Reclassification | | 231 |
| Exchange rate differences | -1,839 | 2,405 |
| **December 31** | **14,996** | **15,052** |

## **Note 36.** Personnel

**Wages, salaries, other remuneration and social insurance contributions**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| **Wages, salaries and other remuneration** | | |
| Board members, CEOs, Executive Vice Presidents and other executive team members[1,2] | 587 | 618 |
| Other employees | 20,398 | 21,607 |
| **Total wages, salaries and other remuneration** | **20,985** | **22,225** |
| Social insurance contributions[3] | 5,637 | 5,979 |
| **Non-monetary remuneration**[4] | **942** | **938** |
| **Share-based payments** | **388** | **300** |
| **Total** | **27,952** | **29,442** |

1 This amount is for the Board, CEOs, Executive Vice Presidents and other executive team members in all Group companies.
The amount includes remuneration to former board members, CEOs and Executive Vice Presidents.

2 Of which SEK 222 M (293) in variable remuneration.

3 Of which SEK 2,395 M (2,500) in pension expenses. Of the Group's total pension expenses, SEK 56 M (52) relates to board members, CEOs, Executive Vice Presidents and other executive team members in all Group companies. The amount includes pension expenses for former board members, CEOs and Executive Vice Presidents.

4 The item "non-monetary remuneration" includes heath insurance expenses.

**Average number of employees**

Personnel is calculated as the average number of employees. See Note 1.

| | 2021 | of which men | % | of which women | % | 2020 | of which men | % | of which women | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Sweden | 8,077 | 6,168 | 76 | 1,909 | 24 | 8,778 | 6,848 | 78 | 1,930 | 22 |
| Norway | 3,780 | 3,396 | 90 | 384 | 10 | 3,783 | 3,402 | 90 | 381 | 10 |
| Denmark | 21 | 14 | 67 | 7 | 33 | 24 | 15 | 63 | 9 | 37 |
| Finland | 2,164 | 1,792 | 83 | 372 | 17 | 2,211 | 1,851 | 84 | 360 | 16 |
| UK | 4,231 | 3,173 | 75 | 1,058 | 25 | 5,294 | 4,030 | 76 | 1,264 | 24 |
| Poland | 1,642 | 1,062 | 65 | 580 | 35 | 1,921 | 1,279 | 67 | 642 | 33 |
| Czech Republic | 2,133 | 1,799 | 84 | 334 | 16 | 2,219 | 1,872 | 84 | 347 | 16 |
| Slovakia | 567 | 501 | 88 | 66 | 12 | 522 | 450 | 86 | 72 | 14 |
| USA | 7,323 | 6,134 | 84 | 1,189 | 16 | 7,575 | 6,354 | 84 | 1,221 | 16 |
| Other countries | 114 | 64 | 56 | 50 | 44 | 136 | 78 | 57 | 58 | 43 |
| **Total** | **30,051** | **24,102** | **80** | **5,949** | **20** | **32,463** | **26,179** | **81** | **6,284** | **19** |

The number of employees at the end of the year was 28,699 (31,517).

**Men and women on Boards of Directors and in executive teams on the closing day**

| | Dec 31, 2021 | | Dec 31, 2020 | |
|---|---|---|---|---|
| | **of which men, %** | **of which women, %** | **of which men, %** | **of which women, %** |
| Number of board members | 59 | 41 | 75 | 25 |
| Number of CEOs and members of executive teams of business units | 72 | 28 | 73 | 27 |

**Other**

No loans, assets pledged or contingent liabilities have been provided for the benefit of any board member or CEO within the Group.

## **Note 37.** Remuneration to senior executives and board members

Senior executives include the President and CEO and the other members of the Group Leadership Team. The Group Leadership Team consisted at the end of 2021 of seven persons, including the President and CEO, of which three women and four men. Information on the President and CEO and the other members of the Group Leadership Team can be found on pages 50-51.

**Preparation and decision-making processes**
The Board's Compensation Committee prepares proposals for resolution by the Annual General Meeting on guidelines for salary and other remuneration to senior executives when significant modifications of the guidelines become necessary, however at least every fourth year. Salary and other benefits for the President and CEO are established by the Board of Directors (the "Board") following proposals from the Compensation Committee. The Compensation Committee sets salaries, variable remuneration and other benefits for the Group Leadership Team. The President and CEO regularly informs the Compensation Committee about the salaries, variable remuneration and other benefits of the heads of Group Functions and business units. In 2021 the Compensation Committee consisted of the Chairman of the Board, Hans Biörck, and the board members Pär Boman, Jayne McGivern[1] and Jan Gurander[2]. The Compensation Committee held six meetings in 2021. The Annual General Meeting resolves on fees to the Board and remuneration for work in the committees of the Board following proposals submitted by the Nomination Committee.

**Senior executive remuneration**
*Guidelines for salary and other remuneration to senior executives*
The Annual General Meeting on March 26, 2020, adopted the Board's proposal on guidelines for salary and other remuneration to senior executives. The guidelines are intended to remain valid for a period of four years until the Annual General Meeting 2024.

Senior executives include the President and CEO and other members of the Group Leadership Team. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. The guidelines do not apply to any remuneration decided by the Annual General Meeting, including any long-term share related incentive plans.

**The guidelines' promotion of the company's business strategy, long-term interests and sustainability**
A prerequisite for the successful implementation of Skanska AB's (the "company") business strategy and safeguarding of its long-term interests, including sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the senior executives a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including sustainability. This is accomplished through the financial and non-financial targets that determine the outcome of the variable cash remuneration and are clearly linked to the business strategy and the company's sustainability agenda. The variable cash remuneration is further described in the section "Variable cash remuneration".

1 Until August 31, 2021.
2 From September 15, 2021.

The company's objectives for having a variable cash remuneration program and a long-term share related incentive plan are to (i) drive behaviors that will support the company's long and short term business success and create shareholder value, (ii) make the company attractive as an employer for top talents, (ii) retain key individuals within the company, and (iv) increase the employees' interest and involvement in the company's business and development.

For information regarding the company's business strategy, see the company's website: group.skanska.com/about-us/strategy/.

*Total remuneration*
The combined remuneration for each senior executive shall be market-related and competitive in the labor market in which the senior executive is placed, and distinguished performance should be reflected in the total remuneration. The remuneration may consist of the following components: fixed cash salary, variable cash remuneration, pension and insurance benefits and other benefits. Additionally, the Annual General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration. Fixed salary and variable remuneration shall be related to the senior executive's responsibility and authority.

*Variable cash remuneration*
The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one or several years. The variable cash remuneration shall be capped and related to the fixed salary, and may amount to not more than 100 percent of the fixed annual cash salary.

The variable cash remuneration shall take into account both financial and non-financial performance. The outcome in relation to predetermined and measurable financial targets shall determine the total (financial) bonus potential, i.e., the financial targets shall be the basis of the total bonus potential. This outcome may be reduced depending on the outcomes of the non-financial targets. The variable cash remuneration must be based on results in relation to established targets and be designed to increase the alignment between the shareholders and senior executives of the company.

The financial targets for variable cash remuneration may be related to the Group's earnings before taxes, to relevant business unit's earnings before interest and taxes, etc.

The non-financial targets shall be set to support the business strategy and long term interests, including sustainability, by for example being clearly linked to the business strategy or sustainability. The non-financial targets should together represent 50 percent of the total bonus which means that the total bonus outcome may be reduced with up to 50 percent if the non-financial targets are not met.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable remuneration to the President and CEO. For variable cash remuneration to other senior executives, the Compensation Committee is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The terms for variable cash remuneration shall be structured so that the Board, if exceptional economic conditions prevail, has the possibility to limit or refrain from paying variable remuneration, if such payment is considered unreasonable and incompatible with the company's responsibility in general to the shareholders, employees and other stakeholders. There shall also be a possibility to limit or refrain from paying variable remuneration if the Board considers that this is appropriate for other reasons. Further, the Board shall have the possibility to reclaim paid out variable cash remuneration if it is discovered after the payment that the senior executive has violated Skanska's Code of Conduct or other Skanska values, policies, standards or procedures.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration for the President and CEO shall be made by the Board based on a proposal from the Compensation Committee. Any resolution on such remuneration for other senior executives shall be made by the Compensation Committee based on a proposal from the President and CEO.

*Pension and insurance*
For the President and CEO, pension benefits, including health insurance, shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits. The pension premiums to defined-contribution schemes shall amount to not more than 35 percent of the fixed annual cash salary. For other senior executives, pension benefits, including health insurance, shall be defined-contribution schemes. Variable cash remuneration shall not qualify for pension benefits, except when it follows from rules under a general pension plan (like the Swedish ITP plan). The pension premiums for defined-contribution pension shall amount to not more than 30 percent of the fixed annual cash salary. If the variable cash remuneration qualify for pension benefits, the pension premiums for defined-contribution pension on the variable cash remuneration shall amount to not more than 30 percent of the fixed annual cash salary.

*Other benefits*
Other benefits may include, for example, medical insurance, housing, home travel, tax compensation, parking and company cars. Such benefits may amount to not more than 15 percent of the fixed annual cash salary.

For employments governed by rules other than Swedish rules, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Senior executives who are expatriates, i.e., based in another country than their home country, may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expat arrangement, taking into account, to the extent possible, the overall purpose of these guidelines. Such benefits may not in total exceed 50 percent of the fixed annual cash salary.

*Note 37. Remuneration to senior executives and board members cont.*

*Long-term share saving programs*
Long-term share saving programs, Skanska Employee Ownership Programs ("Seop 4" and "Seop 5") have been implemented in the company. Such plans have been resolved by the Annual General Meeting and are therefore excluded from these guidelines. New plans may also be resolved by the Annual General Meeting. Seop 4 and Seop 5 give present and future employees the opportunity of becoming shareholders of Skanska and include permanent employees in the Skanska Group. The performance criteria used to assess the outcome of the plans are clearly linked to the business strategy and thereby to the company's long-term value creation, including sustainability. The performance criteria consist of financial targets at Group, Business Unit and/or Business Unit Cluster level. At present, the financial target applicable at Group level is growth in earning per share ("EPS"). The financial targets applicable at Business Unit and/or Business Unit Cluster level vary depending on which business stream the relevant Business Unit or Business Unit Cluster belongs to, as set out in the table below.

| Construction | Residential Development | Commercial Property Development |
|---|---|---|
| EBIT[1] | EBIT | EBIT |
| – | ROCE[2] | Leasing square meters |

1 Earnings before interest and taxes.
2 Return on capital employed.

Seop 4 and Seop 5 are further conditional upon the participant's own investment and three-year holding and employment period. For more information on Seop 4 and Seop 5, including the criteria which the outcome depends on, please see the company's website: group.skanska.com/4922a2/siteassets/corporate-governance/annual-general-meeting/2019/item-17-the-board-of-directors-proposal-on-a-long-term-employee-ownership-program-seop-5-.pdf

*Termination of employment*
In the event of employment termination by the company, the normal period of notice is six months, combined with severance pay corresponding to a maximum of 18 months fixed cash salary, or, alternatively, a period of notice of maximum 12 months, combined with severance pay corresponding to a maximum of 12 months fixed cash salary. Fixed cash salary during the notice period and severance pay may not together exceed an amount corresponding to the fixed cash salary for two years. When termination is made by the senior executive, the notice period may not exceed 12 months, without any right to severance pay.

*Remuneration to board members in addition to board fees*
To the extent that a non-employed board member elected by the Annual General Meeting performs work for the company, besides the board membership, consultant fee and other remuneration may be granted for such work. Decisions on consultant fees and other remuneration to non-employed board members elected by the Annual General Meeting are made by the Compensation Committee.

*Salary and employment conditions for employees*
In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Compensation Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to senior executives and remuneration to other employees will be disclosed in the remuneration report.

*The decision-making process to determine, review and implement the guidelines*
The Board has established a Compensation Committee. The Compensation Committee's tasks include preparing the Board's decision to propose guidelines for senior executive remuneration. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the Annual General Meeting. The Compensation Committee shall also monitor and evaluate programs for variable remuneration to senior executives, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the Compensation Committee are independent of the company and its senior executives. The President and CEO and other members of the senior executives do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

*Derogation from the guidelines*
The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Compensation Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

**Targets and performance relating to variable remuneration**
Variable remuneration consist of two parts: annual variable cash remuneration and the long-term share program, which provides compensation in the form of shares. The long-term share programs are described in the sections under the headings "Long-term share programs" and "Previous long-term share programs" in this note.

The table below presents, by business stream, the starting point and outperform targets for the financial targets for the 2021 variable cash remuneration. In addition to the financial targets, the members of the Group Leadership Team have non-financial targets that may reduce the outcome measured only according to the financial targets. The non-financial targets are set to support the business strategy and long-term interests, including sustainability, by for example being linked to the business strategy or sustainability. The outcome is reduced in cases where the non-financial targets have not been reached.

Annual variable cash remuneration for the Group Leadership Team, excluding the President and CEO, is based on the Group targets and/or to the business units they are directly responsible for. The preliminary outcome for other members of the Group Leadership Team averaged 77 percent (79) of fixed annual salary. The Board will determine the final outcome of variable cash remuneration after reviewing the operational performance in the first quarter of 2022. The calculation is further preliminary insofar as any deductions as a consequence of the non-financial targets have not yet been taken into account.

**Targets and performance related to variable cash remuneration for the President and CEO**
For the President and CEO, the variable cash remuneration is maximized at 75 percent of fixed annual salary. The financial targets were the same as the Group targets presented in the table below. The Board has the option of reducing the final outcome of variable cash remuneration measured solely on the financial targets by a maximum of 50 percent, based on the outcome of the non-financial targets. The preliminary outcome for the President and CEO's variable cash remuneration (i.e., excluding the employee ownership program) shows an outcome of 75 percent (75) of fixed annual salary, based on financial targets with a preliminary target fulfillment of 100 percent (100). The Board will determine the final outcome after reviewing the operational performance in the first quarter of 2022. The calculation is further preliminary insofar as any deductions as a consequence of the non-financial targets have not yet been taken into account.

**Financial targets for variable cash remuneration 2021**

| | Measure of earnings | Starting point | Outperform | Outcome | Percentage fulfilled[2] |
|---|---|---|---|---|---|
| **Group** | Income after financial items, SEK bn[1] | 4.8 | 7.0 | 9.4 | 100% |
| **Construction** | Operating income, SEK bn | 3.1 | 4.2 | 5.0 | 98% |
| | Operating margin, % | 2.3 | 3.1 | 3.5 | 99% |
| **Residential Development** | Operating income, SEK bn | 0.9 | 1.3 | 2.0 | 100% |
| | Return on capital employed, % | 7 | 10 | 14 | 98% |
| | Units sold, thousands | 2.8 | 4.4 | 4.1 | 67% |
| **Commercial Property Development** | Operating income, SEK bn | 1.0 | 2.1 | 3.3 | 100% |
| | Return on capital employed, %[3] | 5 | 7 | 11 | 100% |
| | Leasing, thousands of sqm[3] | 69 | 237 | 199 | 78% |

1 The income excludes eliminations at the Group level and the operating unit Asset Management (portfolio of PPP-assets). The outperform target at the Group level constitutes 95 percent of the business streams' total outperform target and the starting point target constitutes 105 percent of the business streams' total starting point target.
2 Percentage fulfilled is based on the outcomes for the respective business units, which are weighed together. As the amount fulfilled per business unit cannot be less than 0 percent, negative earnings from the business units may affect the comparison with the business stream's total outcome.
3 Encompasses the Commercial Property Development business units in the Nordic region, Europe and USA.

*Note 37. Remuneration to senior executives and board members cont.*

**Pension benefits**
The retirement age for members of the Group Leadership Team is 65 years. Employees in Sweden are entitled to pension benefits according to the ITP occupational pension plan. Employees outside Sweden are covered by local pension plans. The contribution to the defined contribution ITP 1 pension plan is 4.5 percent of gross cash salary up to 7.5 base amounts of income per year and 30 percent of gross cash salary above that.

The President and CEO is covered by an individual occupational pension insurance scheme. The occupational pension insurance scheme is a defined contribution scheme and the total premiums for the occupational pension insurance scheme amount to 35 percent of the fixed annual cash salary.

**Severance pay**
The notice period for the members of the Group Leadership Team, in the case of termination by the company, is six months with retention of fixed salary and benefits, excluding variable cash remuneration. After the notice period, severance pay is disbursed for 12 to 18 months. When payments are disbursed after the notice period other income must normally be deducted from the amount payable. A mutual notice period of 12 months applies between Skanska and the President and CEO, with retention of fixed salary and benefits, excluding variable cash remuneration. After the notice period, severance pay is disbursed for 12 months. When payments are disbursed after the notice period other income must normally be deducted from the amount payable.

**Board of Directors**

| | Director's fee | | Audit Committee | | Compensation Committee | | Project Review Committee | | Total fees | |
|---|---|---|---|---|---|---|---|---|---|---|
| **kSEK** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Chairman of the Board** | | | | | | | | | | |
| Hans Biörck | 2,175 | 2,100 | 185 | 165 | 112 | 110 | 215 | 210 | 2,687 | 2,585 |
| **Other board members** | | | | | | | | | | |
| Fredrik Lundberg | 725 | 700 | 0 | 0 | 0 | 0 | 215 | 210 | 940 | 910 |
| Pär Boman | 725 | 700 | 260 | 230 | 107 | 105 | 215 | 210 | 1,307 | 1,245 |
| Jayne McGivern | 363 | 700 | 0 | 0 | 54 | 105 | 108 | 210 | 524 | 1,015 |
| Catherine Marcus | 725 | 700 | 0 | 0 | 0 | 0 | 215 | 210 | 940 | 910 |
| Jan Gurander | 725 | 700 | 185 | 165 | 54 | 0 | 215 | 210 | 1,179 | 1,075 |
| Åsa Söderström Winberg | 725 | 700 | 185 | 165 | 0 | 0 | 215 | 210 | 1,125 | 1,075 |
| **Total** | **6,163** | **6,300** | **815** | **725** | **326** | **320** | **1,398** | **1,470** | **8,701** | **8,815** |

**Group Leadership Team**

| | Base salary | | Variable cash remuneration[1] | | Awarded value, employee ownership programs[2] | | Other remuneration and benefits | | Pension expense | | Total remuneration | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **kSEK** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **President and CEO** | | | | | | | | | | | | |
| Anders Danielsson | 13,125 | 12,500 | 9,844 | 9,375 | 8,050 | 8,027 | 160 | 123 | 4,594 | 4,375 | 35,772 | 34,399 |
| Other members of the Group Leadership Team (6 individuals)[3] | 29,840 | 29,606 | 23,355 | 23,150 | 18,589 | 18,989 | 1,263 | 1,228 | 9,263 | 8,561 | 82,308 | 81,534 |
| **Total** | **42,965** | **42,106** | **33,198** | **32,525** | **26,639** | **27,015** | **1,422** | **1,351** | **13,856** | **12,936** | **118,080** | **115,934** |

1 Variable cash remuneration relating to the 2021 financial year is preliminary and will be finally determined and disbursed after the outcome is established for the first quarter of 2022. The variable cash remuneration agreements include a general clause stipulating that the Board and the Compensation Committee are entitled to wholly or partly reduce variable cash remuneration. The amounts included under the heading "Variable cash remuneration" for 2020 in the table above refer to actual disbursements for the 2020 financial year.

2 The value stated refers to a preliminary award of performance shares for the 2021 invested shares, at the share price on December 30, 2021 (SEK 234.2). The Group Leadership Team will receive an estimated 113,743 (128,829) performance shares. The Board will determine the final outcome after reviewing the operational performance in the first quarter of 2022. In order to receive performance shares, an additional three years of service are required. The total cost has not yet been expensed as the cost is distributed over three years in accordance with IFRS 2. See the section under the heading "Long-term share programs." For 2021, the Group Leadership Team invested in 18,957 (21,471) saving shares, equivalent to kSEK 4,440 (4,503), calculated based on the share price on December 30, 2021 (SEK 234.2). No shares related to saving shares invested under Seop 4 during 2018 has been transferred to the President and CEO as the fulfillment of the 2018 Group outperform target for Seop 4 was 0 percent and no matching shares were awarded to the President and CEO for the financial year 2018. The other members of the Group Leadership Team have, after a three-year lock-up period as part of the previous employee ownership program Seop 4, received 3,886 (13,428) shares, equivalent to kSEK 910 (2,816), calculated based on the share price on December 30, 2021 (SEK 234.2), for shares awarded during the 2018 financial year. Shares transferred to the other members of the Group Leadership Team are matching shares. No performance shares have been awarded to the other members of the Group Leadership Team related to the financial year 2018.

3 During the period January 1-October 31 2021, and during 2020, other members of the Group Leadership Team consisted of five individuals.

**Remuneration and benefits recognized as expenses in 2021**
*Directors' fees*
The Annual General Meeting 2021 resolved, in accordance with the Nomination Committee's proposal, that fees to the Chairman of the Board and to the other board members elected by the Annual General Meeting not employed by Skanska should be paid in the total amount of kSEK 9,171 (8,815) including fees for work in the committees of the Board.

As communicated by Skanska in a press release on August 31, 2021, Jayne McGivern resigned as a member of the Board effective as of that day. In light of that Jayne MacGivern resigned as a member of the Board, and thus also as a member of the Board's Compensation Committee, Jan Gurander was appointed as a new member of the Compensation Committee at a board meeting on September 15, 2021, effective as of that date. This implies that the total board remuneration for 2021 has been revised downwards to kSEK 8,701. For more detailed information on board fees, see table to the left.

*Chairman of the Board*
During the financial year the Chairman of the Board, Hans Biörck, received a director's fee totaling kSEK 2,687 (2,585), of which kSEK 512 (485) was for committee work.

*Board members*
Members of the Board did not receive any remuneration for their role as board members beyond their regular directors' fees and remuneration for committee work. For board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions as they do not receive these in their capacity as board members. For board members who were employees of the company before the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

*President and CEO*
In 2021 the President and CEO, Anders Danielsson, received a fixed salary of kSEK 13,125 (12,500) plus estimated variable cash remuneration of kSEK 9,844 (9,375). The President and CEO is also participating in the Group's ongoing employee ownership program, Seop 5, which involves allotment of performance shares. See the section under the heading "Long-term share programs" in this note. Within the framework of Seop 5, Anders Danielsson acquired 5,729 (6,379) Skanska Series B shares, which is expected to result in the allotment of 34,372 (38,277) performance shares with a value of kSEK 8,050 (8,027) as the outperform targets were preliminarily 100 percent (100) fulfilled. The amount stated is based on the share price on December 30, 2021 (SEK 234.2). Variable cash remuneration and the outcome of performance shares for 2021 are preliminary. The final outcome will be established after a review of the operational performance in the first quarter of 2022. Disbursement of the variable cash remuneration normally occurs in May of the year following the performance year. The pension premiums for 2021 amounted to kSEK 4,594 (4,375).

*Other members of the Group Leadership Team*
At the end of 2021 the other members of the Group Leadership Team consisted of six individuals.

Note 37. Remuneration to senior executives and board members cont.

The Group Leadership Team have a fixed salary and estimated variable cash remuneration. In addition, the Group Leadership Team were covered by the Group's ongoing employee ownership program, Seop 5, involving allotment of performance shares. See the section under the heading "Long-term share programs" in this note. Within the framework of Seop 5, other members of the Group Leadership Team acquired 13,229 (15,092) Skanska Series B shares, which is expected to result in the allotment of 79,372 (90,552) performance shares with a value of kSEK 18,589 (18,989) as the outperform targets were preliminarily 100 percent (100) fulfilled. The amount stated is based on the share price on December 30, 2021 (SEK 234.2). Variable cash remuneration and the outcome of performance shares for 2021 are preliminary. The final outcome will be established after a review of the operational performance in the first quarter of 2022. Disbursement of the variable cash remuneration normally occurs in May of the year following the performance year. The pension cost for 2021 for other members of the Group Leadership Team amounted to kSEK 9,263 (8,561).

All above-mentioned remuneration and benefits were charged to Skanska AB, except for kSEK 26,285 (28,394) for other members of the Group Leadership Team, which was charged to other Group companies.

*Pension obligations to current and former senior executives*
Outstanding pension obligations in 2021 for the President and CEO and former CEOs amount to kSEK 165,893 (155,150). Outstanding obligations to other current and former members of the Group Leadership Team amount to kSEK 119,117 (118,999).

**Long-term share programs**
*Share saving program – Skanska employee ownership program, Seop 5 (2020–2022)*
The Annual General Meeting on March 28, 2019, resolved in accordance with the Board's proposal on the Seop 5 long-term employee ownership program for employees of the Group. This is essentially an extension of the earlier Seop 4 employee ownership program that ran from 2017 to 2019. The terms and conditions are the same in all material respects as those of the earlier Seop 4 program. Under the terms of Seop 5, however, executives cannot receive any matching shares. The maximum number of performance shares that may be awarded to the participants in each subcategory of executives has instead been increased by one 1 share to 16, 20 and 24 respectively for each four saving shares acquired.

The program is aimed at about 32,000 permanent employees of the Skanska Group, of whom approximately 2,000 are key employees and about 300 are executives, including the President and CEO and other members of the Group Leadership Team.

The program offers employees, key employees and executives the opportunity – provided they have made their own investment in Skanska Series B shares during a given financial year – to receive Skanska Series B shares from Skanska free of charge. For each four Series B saving shares purchased, the employees and key employees will be entitled, after a three-year lock-up period, to receive one Skanska Series B shares share free of charge ("matching share"). In addition, after the lock-up period, the employees, key employees and executives will be able to receive additional Skanska Series B shares free of charge contingent upon the fulfillment of certain result-related performance conditions during the acquisition period ("performance shares").

The acquisition period covers the years 2020–2022 and the lock-up period runs for three years from the month in which the saving shares are acquired. For each four saving shares purchased, employees may, in addition to one matching share, receive a maximum of three performance shares. For each four saving shares, key employees may, in addition to one matching share, receive a maximum of seven performance shares. For each four saving shares, executives (split into three subcategories) may receive a maximum of 16, 20 or 24 performance shares. The maximum number of saving shares that each employee participating in the program may acquire, through monthly saving, depends on the employee's salary and whether the employee is participating in the program as an employee, a key employee or an executive.

To qualify to receive matching and/or performance shares, a participant must be employed within the Group throughout the lock-up period and must have retained his or her saving shares during this lock-up period.

The program has two cost ceilings. The first ceiling depends on the extent to which financial Seop-specific outperform targets are met, which limits Skanska's total cost per year to SEK 225–700 M, related to fulfillment of the financial Seop-specific outperform targets at the Group level. The first cost ceiling is adjusted in accordance with the Consumer Price Index, with 2019 as the base year for Seop 5. The other cost ceiling is that Skanska's total cost per year may not exceed 15 percent of EBIT at the Group level. The actual cost ceiling will be the lower of these two cost ceilings. The cost for the outcomes of stock purchase programs from previous years is included in annually established performance targets. In addition to the cost ceilings, the number of shares that may be repurchased as part of the three-year program is also limited to 12,000,000 shares. The number of issued shares will not change; instead the matching and performance shares will be allotted from repurchased shares.

The table below shows the preliminary Seop 5 target fulfillment in 2021 for each business stream.

In the Skanska Group, a total of around 41 percent (37) of permanent employees participated in Seop 5 in 2021.

Excluding social insurance contributions, the total cost of Seop 5 for investments in 2021 is preliminarily estimated to be around SEK 973 M, of which SEK 81 M was expensed in 2020 while the cost for 2021 amounts to around SEK 258 M. The remaining cost of Seop 5 up to and including 2025 is estimated at about SEK 634 M.

The dilution effect through 2021 of Seop 5 for the 2021 program is estimated at 1,369,457 shares or 0.33 percent of the number of Skanska Series B shares outstanding. Maximum dilution for the program in 2021 is expected to be 3,832,029 shares or 0.92 percent.

The number of issued shares will not change; instead the matching and performance shares will be distributed from repurchased shares. Repurchasing will be evenly distributed over time. There will therefore be essentially no dilution effect.

**Previous long-term share programs**
*Share saving program – Skanska employee ownership program, Seop 4 (2017–2019)*
Shares for the previous Skanska employee ownership program, which ran from 2017 to 2019, were distributed in 2021. These were shares that were related to 2018, which, after a three-year lock-up period, were distributed to those who had been employed by the Group throughout the lock-up period and who had retained their saving shares during this lock-up period. Excluding social insurance contributions, the cost of Seop 4 is estimated to amount to around SEK 779 M, of which SEK 601 M was expensed in 2017–2020, while the cost for 2021 amounts to around SEK 130 M. The remaining cost of Seop 4 up to and including 2022 is estimated at about SEK 48 M.

The dilution effect through 2021 for Seop 4 is estimated at 1,735,261 shares or 0.42 percent of the number of Skanska Series B shares outstanding. The maximum dilution for the program at the end of the vesting period in 2022 is expected to be 2,114,038 shares or 0.51 percent.

*Local incentive programs*
Salaries and other remuneration are established taking into account conditions prevailing in the rest of the construction industry and customary practices in each local market. The Skanska Group applies a remuneration model for the relevant executives and managers that consists of a fixed annual salary plus variable remuneration based on financial targets reached.

**Financial targets for the employee ownership program, Seop 5, 2021**[1]

| | Measure of earnings | Starting point | Outperform | Outcome | Percentage fulfilled[2] |
|---|---|---|---|---|---|
| **Group** | Earnings per share, SEK[3] | 15.6 | 16.3 | 19.8 | 100% |
| **Construction** | Operating income, SEK bn | 3.8 | 4.7 | 5.0 | 70% |
| **Residential Development** | Operating income, SEK bn | 1.2 | 1.4 | 2.0 | 100% |
| | Return on capital employed, %[4] | 6 | 10 | 17 | 100% |
| **Commercial Property Development** | Operating income, SEK bn | 2.1 | 2.6 | 3.3 | 100% |
| | Leasing, thousands of sqm[5] | 69 | 237 | 199 | 78% |

1 For further information, see the table "Financial targets for variable cash remuneration 2021" in Note 37 on page 169.
2 Percentage fulfilled is based on the outcomes for the respective business units, which are weighed together. As the amount fulfilled per business unit cannot be less than 0 percent, negative earnings from the business units may affect the comparison with the business stream's total outcome.
3 Profit for the period attributable to equity holders divided by the average number of outstanding shares during the year.
4 Encompasses the Residential Development business units in Central Europe and BoKlok.
5 Encompasses the Commercial Property Development business units in the Nordic region, Europe and USA.

## **Note 38.** Fees and other remuneration to auditors

| EY | 2021 | 2020 |
|---|---|---|
| Audit assignments | 54 | 54 |
| Audit work in addition to the audit assignment | 1 | |
| Tax advisory services | 5 | 3 |
| Other services | 1 | 1 |
| **Total** | **61** | **58** |

For the Parent Company, fees for audit assignments during the year amounted to SEK 5 M and audit work in addition to the audit assignment amounted to SEK 1 M.

"Audit assignments" refers to the statutory audit of the annual accounts and accounting documents as well as of the administration of the company by the Board of Directors and the CEO, and audit and other review work conducted according to agreements or contracts. This includes other tasks that are incumbent upon the company's auditors as well as advisory services or other assistance required as a result of observations made during such review work or the completion of such other tasks.

"Other services" refers to advisory services relating to accounting issues, advisory services concerning the divestment and acquisition of businesses, and advisory services relating to processes and internal control.

## **Note 39.** Related party transaction disclosures

Disclosures on related parties, transactions with related parties and outstanding balances are provided according to IAS 24. See Note 1. For information on investments in Skanska's joint ventures and associated companies, see Note 20 B. Transactions with these related parties are reported below.

| **Transactions with joint ventures** | **2021** | **2020** |
|---|---|---|
| Sales to joint ventures | 976 | 4,700 |
| Purchases from joint ventures | 112 | 58 |
| Dividends from joint ventures | 742 | 978 |
| Receivables from joint ventures | 50 | 31 |

| **Transactions with associated companies** | **2021** | **2020** |
|---|---|---|
| Receivables from associated companies | 37 | 1 |
| Liabilities to associated companies | 11 | 9 |

For information on remuneration and transactions with senior executives, see Note 37. Other than the information provided in Note 37, no transactions with related party physical persons have taken place.

Fredrik Lundberg, including companies and spouse, has a controlling interest in L E Lundbergföretagen AB, the parent company of the Lundberg Group. Skanska Fastigheter Göteborg AB, a wholly owned subsidiary of the Parent Company, has acquired a block of development properties in Gårda, Gothenburg, for around SEK 220 M from Fastighets AB L E Lundberg.

In 2021, L E Lundbergföretagen AB gave Skanska construction contracts amounting to SEK 3 M (0). Sales in 2021 amounted to SEK 1 M (0) and the total order backlog on the closing day was SEK 2 M (0).

Skanska's pension funds own 0 (0) shares in Skanska directly. There is an insignificant percentage of indirectly owned shares via investments in various mutual funds. In 2021, no transactions took place with Skanska's pension funds.

Skanska has received reimbursements from the pension funds, and other services performed by Skanska were charged for. For information on Skanska's pension funds, see Note 28.

All transactions were completed on market terms.

## **Note 40.** Leases

Leases are managed in accordance with IFRS 16 Leases. See Note 1.

When Skanska is a lessee, the lease assets are recognized as a right-of-use asset in the statement of financial position, while the future obligation to the lessor is recognized as a liability in the statement of financial position.

As a lessor Skanska has both finance and operating leases.

Skanska is a lessor of finance leases via subleases for external office space.

As an operating lessor, Skanska leases properties to tenants via its Commercial Property Development business stream.

**A. Skanska as a lessee**

**Right-of-use assets by asset class**

| | **Dec 31, 2021** | **Dec 31, 2020** |
|---|---|---|
| Property (buildings and land) | 97 | 99 |
| Offices | 2,782 | 3,132 |
| Cars | 287 | 331 |
| Machinery | 99 | 286 |
| Other | 48 | 82 |
| **Total right-of-use assets, non-current**[1] | **3,314** | **3,930** |
| | | |
| Right-of-use assets, ground leases | 3,289 | 2,980 |
| **Total right-of-use assets, current**[1] | **3,289** | **2,980** |

1 Short-term leases and leasing of assets of low value are not included as these are expensed immediately.

The cost of short-term leases amounts to SEK 556 M (492) and the cost of leasing assets of low value amounts to SEK 796 M (669).

For information on depreciation/amortization, see Note 12.

*Note 40. Leases, cont.*

**Impairment losses/reversals of impairment losses on right-of-use assets**
In 2021 impairment losses/reversals of impairment losses in the net amount of SEK -20 M (-24) were recognized. Impairment losses/reversals of impairment losses were recognized in Poland and the UK during the year. In the comparative year, impairment losses were recognized in Poland and the USA.

Impairment losses/reversals of impairment losses were recognized within cost of sales and selling and administrative expenses.

| | Impairment losses | | Reversals of impairment losses | | Total | |
|---|---|---|---|---|---|---|
| **Impairment losses/reversals of impairment losses** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Property (buildings and land) | | | | | | |
| Offices | -20 | -33 | | 9 | -20 | -24 |
| Cars | | | | | | |
| Machinery | | | | | | |
| Other | | | | | | |
| **Total right-of-use assets, non-current** | **-20** | **-33** | **0** | **9** | **-20** | **-24** |
| Right-of-use assets, ground leases | | | | | | |
| **Total right-of-use assets, current** | **0** | **0** | **0** | **0** | **0** | **0** |

**Carrying amount**

| | Property (buildings and land) | | Offices | | Cars | | Machinery | | Other right-of-use assets, non-current | | Right-of-use assets, current | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| January 1 | 99 | 119 | 3,132 | 3,596 | 331 | 405 | 286 | 386 | 82 | 110 | 2,980 | 3,980 |
| New leases | 13 | 10 | 194 | 408 | 175 | 180 | 76 | 79 | 9 | 29 | 85 | 37 |
| Remeasurement | 3 | -9 | 66 | 54 | -41 | -53 | -1 | 1 | 1 | 4 | 283 | 12 |
| Leases sold | | | -41 | -2 | -9 | -7 | -9 | -20 | | | -285 | -728 |
| Acquisitions of companies | | | | | | | | | | | | |
| Divestments | | | -91 | | -18 | | -170 | | | | | |
| Depreciation | -20 | -20 | -585 | -650 | -161 | -180 | -96 | -135 | -46 | -62 | | |
| Impairment losses | | | -20 | -33 | | | | | | | | |
| Reversals of impairment losses | | | | 9 | | | | | | | | |
| Reclassifications | | | -45 | -2 | | | | | | 2 | | |
| Exchange rate differences for the year | 1 | -2 | 173 | -249 | 10 | -15 | 13 | -25 | 2 | -2 | 225 | -321 |
| **December 31** | **97** | **99** | **2,782** | **3,132** | **287** | **331** | **99** | **286** | **48** | **82** | **3,289** | **2,980** |

**Lease liabilities**
Lease liabilities amount to SEK 6,960 M (7,233). For a maturity analysis of the undiscounted liabilities, see Note 6.

For information on interest expense, see Note 14.

The cost of variable lease payments that are not included in the measurement of the lease liability amounts to SEK 0 M (0).

For total lease payment cash flow, see the consolidated cash flow statement.

Future undiscounted cash flows not reflected in lease liabilities amount to SEK 874 M (755). These relate to options to extend and cancel, and to leases that have not yet started but that Skanska has committed to.

**Other**
Revenue from subleasing of right-of-use assets consists mainly of leasing of offices and amounts to SEK 7 M (8).

There were no sale and leaseback transactions in 2021. In 2020 Skanska CDUS sold 95 percent of the property 2+U to Hana Alternative Asset Management and Hana Financial Group. Skanska is leasing back a small part of the office area for seven years starting from December 2020. Profit after elimination of these sale and leaseback transactions amounted to SEK 1,706 M. The effect on cash flow amounted to SEK 5,808 M.

There are no leases containing special restrictions or special terms and conditions.

*Note 40. Leases, cont.*

**B. Skanska as lessor**

*Finance leases*

Skanska USA Civil and Skanska Central Europe have external leases that are subleased. These are recognized as a financial receivable of SEK 47 M (16).

*Operating leases*

Operating leases in the form of property leases are mainly entered into by the Commercial Property Development business stream. These properties are recognized as current assets in the statement of financial position. See Note 22.

Lease income for Commercial Property Development in 2021 amounted to SEK 795 M (941).

The Group's variable lease income for operating leases for the year amounts to SEK 198 M (222), which is not dependent on an index or an interest rate.

The due dates of future undiscounted payments relating to operating leases break down as follows:

| Income, due | 2021 | 2020 |
|---|---|---|
| Within one year | 743 | 772 |
| Later than one year but within five years | 2,709 | 3,299 |
| Later than five years | 2,066 | 2,910 |
| **Total** | **5,519** | **6,982** |

## **Note 41.** Events after the reporting period

There were no events after the end of the reporting period.

## **Note 42.** Five-year Group financial summary

**Income statements, in accordance with IFRS**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Revenue | 143,865 | 160,344 | 172,846 | 171,730 | 157,877 |
| Cost of sales | -128,156 | -143,457 | -156,540 | -157,465 | -145,103 |
| **Gross income** | **15,709** | **16,887** | **16,306** | **14,265** | **12,774** |
| Selling and administrative expenses | -7,865 | -8,269 | -9,469 | -9,473 | -9,851 |
| Income from joint ventures and associated companies | 449 | 4,015 | 591 | 855 | 1,655 |
| **Operating income** | **8,293** | **12,633** | **7,428** | **5,647** | **4,578** |
| Financial items | -168 | -229 | -88 | 39 | 45 |
| **Income after financial items** | **8,125** | **12,404** | **7,340** | **5,686** | **4,623** |
| Taxes | -1,238 | -2,507 | -1,286 | -1,092 | -512 |
| **Profit for the year** | **6,887** | **9,897** | **6,054** | **4,594** | **4,111** |
| | | | | | |
| Profit for the year attributable to | | | | | |
| Equity holders | 6,864 | 9,875 | 6,031 | 4,571 | 4,095 |
| Non-controlling interests | 23 | 22 | 23 | 23 | 16 |
| | | | | | |
| **Other comprehensive income** | | | | | |
| **Items that will not be reclassified to profit or loss for the period** | | | | | |
| Remeasurement of defined-benefit pension plans | 2,585 | -1,003 | -895 | -478 | -399 |
| Tax on items that will not be reclassified to profit or loss for the period | -575 | 211 | 166 | 59 | 69 |
| | **2,010** | **-792** | **-729** | **-419** | **-330** |

*Note 42. Five-year Group financial summary, cont.*

**Income statements, in accordance with IFRS, cont.**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Items that have been or will be reclassified to profit or loss for the period** | | | | | |
| Translation differences attributable to equity holders | 1,808 | -2,120 | 672 | 1,299 | -599 |
| Translation differences attributable to non-controlling interests | 7 | -7 | 3 | 3 | 8 |
| Hedging of exchange rate risk in foreign operations | 40 | -19 | 4 | -183 | -125 |
| Effect of cash flow hedges | 2 | 35 | 31 | -30 | 138 |
| Share of other comprehensive income of joint ventures and associated companies | 113 | -176 | -41 | 272 | 83 |
| Tax on items that have been or will be reclassified to profit or loss for the period | -3 | 21 | -10 | 7 | -25 |
| | **1,966** | **-2,266** | **659** | **1,368** | **-520** |
| **Other comprehensive income after tax** | **3,977** | **-3,058** | **-70** | **949** | **-850** |
| **Comprehensive income for the year** | **10,863** | **6,839** | **5,984** | **5,543** | **3,261** |
| Comprehensive income for the year attributable to | | | | | |
| Equity holders | 10,834 | 6,824 | 5,958 | 5,517 | 3,237 |
| Non-controlling interests | 30 | 15 | 26 | 26 | 24 |
| **Cash flow** | | | | | |
| Cash flow from operating activities | 7,436 | 11,284 | 6,038 | 9,454 | 2,846 |
| Cash flow from investing activities | -11,368 | 1,571 | -1,214 | -2,367 | 1,590 |
| Cash flow from financing activities | -5,053 | -1,183 | -6,898 | -3,509 | -2,817 |
| **Cash flow for the year** | **-8,984** | **11,672** | **-2,074** | **3,578** | **1,619** |

*Note 42. Five-year Group financial summary, cont.*

**Income statement, in accordance with Segment Reporting**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Construction | 132,587 | 140,483 | 159,579 | 157,894 | 150,050 |
| Residential Development | 14,377 | 13,070 | 12,483 | 10,739 | 13,237 |
| Commercial Property Development | 11,102 | 14,983 | 17,850 | 16,271 | 11,440 |
| Central and Eliminations | -10,490 | -9,931 | -13,130 | -14,410 | -13,904 |
| **Group** | **147,576** | **158,606** | **176,782** | **170,494** | **160,823** |
| | | | | | |
| **Operating income** | | | | | |
| Construction | 5,013 | 3,528 | 3,772 | 1,099 | 1,205 |
| Residential Development | 1,980 | 1,543 | 1,195 | 1,505 | 1,716 |
| Commercial Property Development | 3,264 | 3,897 | 3,287 | 3,069 | 2,714 |
| Central | -415 | 2,830 | -388 | -780 | -19 |
| Eliminations | -9 | 62 | -38 | -66 | -112 |
| **Operating income** | **9,832** | **11,860** | **7,828** | **4,827** | **5,504** |
| Financial items | -172 | -236 | -103 | 36 | 45 |
| **Income after financial items** | **9,660** | **11,624** | **7,725** | **4,863** | **5,549** |
| Taxes | -1,472 | -2,349 | -1,353 | -934 | -615 |
| **Profit for the year** | **8,188** | **9,274** | **6,372** | **3,929** | **4,934** |
| | | | | | |
| Earnings per share, segment, SEK | 19.80 | 22.46 | 15.46 | 9.55 | 12.01 |
| Earnings per share after dilution, segment, SEK | 19.65 | 22.33 | 15.39 | 9.49 | 11.94 |

*Note 42. Five-year Group financial summary, cont.*

**Statement of financial position**

| | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2019 | Restated Jan 1, 2019[4] | Dec 31, 2018 | Restated Jan 1, 2018[5] | Restated Dec 31, 2017[6] |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 7,279 | 6,816 | 7,742 | 7,363 | 7,645 | 6,874 | 6,874 |
| Property, plant and equipment, right-of-use assets | 3,314 | 3,930 | 4,616 | 4,762 | | | |
| Goodwill | 3,934 | 3,713 | 4,057 | 4,324 | 4,324 | 4,554 | 4,554 |
| Intangible assets | 676 | 771 | 865 | 975 | 975 | 962 | 962 |
| Investments in joint ventures and associated companies | 2,185 | 1,689 | 3,442 | 3,288 | 3,288 | 3,314 | 3,314 |
| Non-current financial assets[1, 3] | 3,875 | 1,931 | 2,528 | 2,345 | 2,345 | 2,276 | 2,276 |
| Deferred tax assets | 1,984 | 1,803 | 1,862 | 1,948 | 1,933 | 1,797 | 1,757 |
| **Total non-current assets** | **23,247** | **20,653** | **25,112** | **25,005** | **20,510** | **19,777** | **19,737** |
| **Current assets** | | | | | | | |
| Current-asset properties[2] | 49,745 | 44,948 | 46,373 | 42,391 | 42,391 | 39,010 | 39,010 |
| Current-asset properties, right-of-use assets | 3,289 | 2,980 | 3,980 | 2,865 | | | |
| Inventories | 1,090 | 1,100 | 1,128 | 1,256 | 1,256 | 1,058 | 1,058 |
| Current financial assets[3] | 18,810 | 8,492 | 6,899 | 7,135 | 7,117 | 6,641 | 6,671 |
| Tax assets | 1,247 | 950 | 670 | 396 | 396 | 1,188 | 1,188 |
| Contract assets | 5,451 | 4,599 | 5,898 | 6,661 | 6,661 | 6,997 | 6,997 |
| Other operating receivables | 25,212 | 22,401 | 27,213 | 27,194 | 27,243 | 27,628 | 27,778 |
| Cash and bank balances | 10,947 | 19,508 | 8,745 | 10,722 | 10,722 | 6,998 | 6,998 |
| **Total current assets** | **115,791** | **104,979** | **100,906** | **98,620** | **95,786** | **89,520** | **89,700** |
| **TOTAL ASSETS** | **139,039** | **125,631** | **126,018** | **123,625** | **116,296** | **109,297** | **109,437** |
| of which interest-bearing | 33,531 | 29,692 | 18,000 | 20,089 | 20,071 | 15,770 | 20,071 |
| 1 Of which shares | 37 | 43 | 44 | 41 | 41 | 42 | 42 |
| 2 Current-asset properties | | | | | | | |
| Commercial Property Development | 29,691 | 27,906 | 29,708 | 25,829 | 25,829 | 23,615 | 23,615 |
| Residential Development | 20,054 | 17,041 | 16,665 | 16,562 | 16,562 | 15,395 | 15,395 |
| | **49,745** | **44,948** | **46,373** | **42,391** | **42,391** | **39,010** | **39,010** |
| 3 Items related to non-interest-bearing unrealized changes in the value of derivatives/securities are included as follows: | | | | | | | |
| Non-current financial assets | | 4 | 1 | 2 | 2 | 6 | 6 |
| Current financial assets | 63 | 193 | 127 | 70 | 70 | 97 | 97 |

4 Restated due to implementation of IFRS 16.
5 Restated due to implementation of IFRS 9.
6 Restated due to implementation of IFRS 15.

*Note 42. Five-year Group financial summary, cont.*

**Statement of financial position, cont.**

| | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2019 | Restated Jan 1, 2019[2] | Dec 31, 2018 | Restated Jan 1, 2018[3] | Restated Dec 31, 2017[4] |
|---|---|---|---|---|---|---|---|
| **EQUITY** | | | | | | | |
| Equity attributable to equity holders | 45,682 | 38,620 | 32,924 | 29,183 | 29,250 | 26,924 | 27,064 |
| Non-controlling interests | 114 | 97 | 97 | 97 | 97 | 121 | 121 |
| **TOTAL EQUITY** | **45,797** | **38,717** | **33,021** | **29,280** | **29,347** | **27,045** | **27,185** |
| | | | | | | | |
| **LIABILITIES** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Non-current financial liabilities[1] | 3,389 | 3,247 | 2,565 | 3,632 | 3,912 | 3,857 | 3,857 |
| Lease liabilities | 6,040 | 6,217 | 7,843 | 6,953 | | | |
| Pensions | 5,936 | 7,360 | 6,866 | 5,669 | 5,669 | 5,603 | 5,603 |
| Deferred tax liabilities | 1,215 | 928 | 1,045 | 711 | 711 | 1,235 | 1,235 |
| **Total non-current liabilities** | **16,580** | **17,752** | **18,319** | **16,965** | **10,292** | **10,695** | **10,695** |
| | | | | | | | |
| **Current liabilities** | | | | | | | |
| Current financial liabilities[1] | 4,780 | 4,663 | 4,617 | 7,308 | 7,310 | 7,624 | 7,624 |
| Lease liabilities | 920 | 1,016 | 1,078 | 816 | | | |
| Tax liabilities | 417 | 1,883 | 564 | 615 | 615 | 312 | 312 |
| Current provisions | 11,239 | 10,326 | 10,021 | 9,922 | 9,922 | 9,131 | 9,131 |
| Contract liabilities | 22,664 | 19,462 | 20,419 | 20,738 | 20,738 | 16,266 | 16,266 |
| Other operating liabilities | 36,642 | 31,812 | 37,979 | 37,981 | 38,072 | 38,224 | 38,224 |
| **Total current liabilities** | **76,662** | **69,162** | **74,678** | **77,380** | **76,657** | **71,557** | **71,557** |
| | | | | | | | |
| **TOTAL EQUITY AND LIABILITIES** | **139,039** | **125,631** | **126,018** | **123,625** | **116,296** | **109,297** | **109,437** |
| of which interest-bearing | 20,933 | 22,412 | 22,917 | 24,327 | 16,840 | 16,926 | 16,296 |
| | | | | | | | |
| 1 Items related to non-interest-bearing unrealized changes in the value of derivatives/securities are included as follows: | | | | | | | |
| Non-current financial liabilities | | 6 | 2 | 3 | 3 | 21 | 21 |
| Current financial liabilities | 131 | 85 | 50 | 48 | 48 | 137 | 137 |

2 Restated due to implementation of IFRS 16.
3 Restated due to implementation of IFRS 9.
4 Restated due to implementation of IFRS 15.

*Note 42. Five-year Group financial summary, cont.*

**Financial ratios**[1]

| | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2019 | Restated Jan 1, 2019[4] | Dec 31, 2018 | Restated Jan 1, 2018[5] | Restated Dec 31, 2017[6] |
|---|---|---|---|---|---|---|---|
| Order bookings[2] | 153,590 | 149,802 | 145,818 | | 151,719 | | 151,811 |
| Order backlog[2] | 207,031 | 178,924 | 185,370 | | 192,042 | | 188,411 |
| Average number of employees | 30,051 | 32,463 | 34,756 | | 38,650 | | 40,759 |
| Regular dividend per share, SEK[3] | 7.00 | 6.50 | 3.25 | | 6.00 | | 8.25 |
| Extra dividend per share, SEK[3] | 3.00 | 3.00 | | | | | |
| Earnings per share, SEK | 16.64 | 23.97 | 14.68 | 11.17 | 11.17 | 10.00 | 10.00 |
| Earnings per share after dilution, SEK | 16.52 | 23.84 | 14.62 | 11.11 | 11.11 | 9.94 | 9.94 |
| Capital employed | 66,729 | 61,129 | 55,938 | 53,607 | 46,187 | 43,971 | 44,111 |
| Interest-bearing net receivables/net liabilities | 12,598 | 7,280 | -4,917 | -4,238 | 3,231 | -1,156 | -1,126 |
| Equity per share, SEK | 110.81 | 93.67 | 80.01 | | 71.40 | | 66.22 |
| Equity/assets ratio, % | 32.9 | 30.8 | 26.2 | 23.7 | 25.2 | | 24.8 |
| Debt/equity ratio | -0.3 | -0.2 | 0.1 | 0.1 | -0.1 | | 0.0 |
| Interest cover | 71.4 | 84.4 | 100.6 | | -245.8 | | 288 |
| Return on equity, % | 16.8 | 27.8 | 20.3 | 16.5 | 16.4 | | 15.5 |
| Return on capital employed, % | 13.4 | 21.5 | 14.3 | 12.7 | 13.0 | | 11.1 |
| Return on equity, segment, % | 20.0 | 26.0 | 21.4 | 14.1 | 14.1 | | 18.6 |
| Return on capital employed in Project Development units, segment, % | 11.8 | 12.2 | 10.3 | 11.9 | 12.0 | | 13.6 |
| Operating margin, % | 5.8 | 7.9 | 4.3 | | 3.3 | | 2.9 |
| Operating margin, Construction, % | 3.8 | 2.5 | 2.4 | | 0.7 | | 0.8 |
| Cash flow per share, SEK | 1.81 | 31.57 | 3.26 | | 9.51 | | -2.44 |
| Number of shares at year-end | 419,903,072 | 419,903,072 | 419,903,072 | | 419,903,072 | | 419,903,072 |
| of which Series A shares | 19,661,632 | 19,684,564 | 19,704,715 | | 19,725,759 | | 19,755,414 |
| of which Series B shares | 400,241,440 | 400,218,508 | 400,198,357 | | 400,177,313 | | 400,147,658 |
| Average price, repurchased shares | 141.85 | 138.45 | 137.54 | | 137.54 | | 137,31 |
| Number of Series B shares repurchased during the year | 1,048,500 | 460,000 | | | 435,000 | | 2,350,000 |
| Number of Series B treasury shares, December 31 | 7,655,488 | 7,616,674 | 8,394,479 | | 10,224,634 | | 11,190,028 |
| Number of shares outstanding, December 31 | 412,247,584 | 412,286,398 | 411,508,593 | | 409,678,438 | | 408,713,044 |
| Average number of shares outstanding | 412,387,142 | 411,993,869 | 410,720,937 | | 409,130,770 | | 409,447,407 |
| Average number of shares outstanding after dilution | 415,491,861 | 414,304,017 | 412,585,074 | | 411,415,278 | | 411,905,245 |
| Average dilution, % | 0.75 | 0.56 | 0.45 | | 0.56 | | 0.60 |

1 For definitions, see Note 43.
2 Refers to Construction.
3 Proposed by the Board of Directors: Regular dividend of SEK 7.00 per share and an extra dividend of SEK 3.00 per share.
4 Restated due to implementation of IFRS 16.
5 Restated due to implementation of IFRS 9.
6 Restated due to implementation of IFRS 15.

## Note 43. Definitions

**Return on equity**
Profit attributable to equity holders as a percentage of average visible equity attributable to equity holders.

**Return on equity, segment, SEK M**
Profit attributable to equity holders as a percentage of average equity attributable to equity holders. 8,165 / 40,928 = 20.0%

**Return on capital employed, consolidated**
Operating income plus financial income as a percentage of average capital employed.

**Return on capital employed, business streams, markets and business/reporting units**
Operating income, financial income minus interest income from Skanska's treasury unit (internal bank) and other financial items as a percentage of average capital employed. For the Residential Development and Commercial Property Development segments, capitalized interest is removed from operating income so that the return reflects the return before mortgages.

**Return on capital employed in Residential Development segment, SEK M**

| | |
|---|---|
| Operating income | 1,980 |
| + capitalized interest expense | 83 |
| +/- financial income and other financial items | |
| - interest income from internal bank | |
| Adjusted profit | 2,063 |
| Average capital employed[1] | 14,678 |
| Return on capital employed in Residential Development | 14.1% |

1 Average capital employed

| | | | | |
|---|---|---|---|---|
| Q4 2021 | 14,385 | x 0.5 | 7,192 | |
| Q3 2021 | 14,503 | | 14,503 | |
| Q2 2021 | 14,862 | | 14,862 | |
| Q1 2021 | 15,350 | | 15,350 | |
| Q4 2020 | 13,608 | x 0.5 | 6,804 | |
| | | | **58,711 / 4** | **14,678** |

**Return on capital employed in Commercial Property Development segment, SEK M**

| | |
|---|---|
| Operating income | 3,264 |
| + capitalized interest expense | 71 |
| +/- financial income and other financial items | 16 |
| - interest income from internal bank | 0 |
| Adjusted profit | 3,351 |
| Average capital employed [1] | 31,139 |
| Return on capital employed in Residential Development | 10.8% |

1 Average capital employed

| | | | | |
|---|---|---|---|---|
| Q4 2021 | 32,721 | x 0.5 | 16,360 | |
| Q3 2021 | 31,585 | | 31,585 | |
| Q2 2021 | 30,056 | | 30,056 | |
| Q1 2021 | 31,100 | | 31,100 | |
| Q4 2020 | 30,906 | x 0.5 | 15,453 | |
| | | | **124,555 / 4** | **31,139** |

**Return on capital employed in Project Development units, segment, SEK M**
Calculated as the sum of the adjusted profit in Residential Development and Commercial Property Development divided by the aggregate amount of capital employed, average, for Residential Development and Commercial Property Development.

Total return on capital employed in Residential Development and Commercial Property Development

| | Adjusted profit | Capital employed, average | Return on capital employed |
|---|---|---|---|
| Residential Development | 2,063 | 14,678 | 14.1% |
| Commercial Property Development | 3,351 | 31,139 | 10.8% |
| | **5,414** | **45,817** | **11.8%** |

**Gross income**
Revenue minus cost of sales.

**Gross margin**
Gross income divided by revenue.

**Equity per share**
Visible equity attributable to equity holders divided by the number of shares outstanding at year-end.

**Financial items**
The net of interest income, financial net pension cost, interest expense, capitalized interest expense, change in fair value and other financial items.

**Free working capital**
Non-interest-bearing receivables less non-interest-bearing liabilities excluding taxes.

**Free working capital in Construction, average, SEK M**
Calculated on the basis of five measurement points.

| | | | | |
|---|---|---|---|---|
| Q4 2021 | -29,086 | x 0.5 | -14,543 | |
| Q3 2021 | -26,337 | | -26,337 | |
| Q2 2021 | -26,215 | | -26,215 | |
| Q1 2021 | -25,388 | | -25,388 | |
| Q4 2020 | -25,748 | x 0.5 | -12,874 | |
| | | | **-105,357 / 4** | **-26,339** |

**Selling and administrative expenses, %**
Selling and administrative expenses divided by revenue.

**Average equity attributable to equity holders, SEK M**
Calculated on the basis of five measurement points.

| | | | | |
|---|---|---|---|---|
| Q4 2021 | 45,682 | x 0.5 | 22,841 | |
| Q3 2021 | 42,116 | | 42,116 | |
| Q2 2021 | 41,031 | | 41,031 | |
| Q1 2021 | 38,416 | | 38,416 | |
| Q4 2020 | 38,620 | x 0.5 | 19,310 | |
| | | | **163,714 / 4** | **40,928** |

**Revenue, segment**
Revenue, segment is the same as Revenue, IFRS in all business streams except for Residential Development and Commercial Property Development, where revenue is recognized when a binding agreement is signed for the sale of homes and properties. As segment reporting of joint ventures in Residential Development applies the proportional method, this also affects Revenue, segment.

**Adjusted equity attributable to equity holders, SEK bn**

| | |
|---|---|
| Equity attributable to equity holders | 45.7 |
| Unrealized surplus value in land, Residential Development | 4.0 |
| Unrealized development gains, Commercial Property Development | 11.8 |
| Effect on unrealized equity in PPP-portfolio | 0.7 |
| Less standard corporate tax, 10% | -1.6 |
| **Adjusted equity** | **60.6** |

*Note 43. Definitions, cont.*

**Cash flow per share**
Cash flow before change in interest-bearing receivables and liabilities divided by the average number of shares outstanding.

**Market appraisal**
*Commercial Property Development*
Note 22 provides the estimated market value of Skanska's current-asset properties. For completed commercial properties and for development properties, the market value for the majority of properties has been calculated in cooperation with external appraisers. The value of ongoing projects is measured internally. The calculated market value of ongoing projects refers to each property once it is completed and fully occupied.

*Residential Development*
In appraising properties in Residential Development, market value is calculated taking into account the value that can be obtained within the usual economic cycle and refers to properties once they are completed.

*PPP-portfolio*
Skanska obtains an estimated value for the PPP-portfolio by discounting estimated future cash flows in the form of dividends and repayments of loans and equity by a discount rate based on country, risk model and project phase for the various projects. The discount rate chosen is applied to all future cash flows starting on the appraisal date. This is based on the most recently updated financial model. This financial model describes all cash flows in the project and serves as the ultimate basis for financing, which is carried out with full project risk and without guarantees from Skanska.

An estimated value is stated solely for projects that have reached contractual and financial close. All flows are appraised: investments in the project (equity and subordinated debenture loans), interest on repayments of subordinated loans, as well as dividends to and from the project company. Today all investments except New Karolinska Solna are denominated in currencies other than Swedish kronor, and there is thus also an exchange rate risk.

Estimated values have in part been calculated in cooperation with external appraisers and are stated in Note 20 B.

**Net divestments/investments**
Total investments minus total divestments.

**Cash flow from operations**
Cash flow from business operations including taxes paid and cash flow from financing operations. See also Note 35.

**Order bookings**
Contracting assignments: Upon written order confirmation or signed contract, where financing has been arranged and construction is expected to begin within 12 months. If a previously received order is canceled in a subsequent quarter, the cancellation is recognized as a negative item when reporting order bookings for the quarter when the cancellation occurs. Reported order bookings also include orders from Residential Development and Commercial Property Development, which assumes that a building permit has been obtained and construction is expected to begin within three months.

Services: For fixed-price assignments, upon signing of contract. For cost-plus assignments, order bookings coincide with revenue. For service agreements, a maximum of 24 months of future revenue is included.

No order bookings are reported in Residential Development and Commercial Property Development.

**Order bookings in relation to revenue in Construction, rolling 12-month basis**
Order bookings divided by revenue in Construction, rolling 12-month basis.

**Unrealized development gains, Commercial Property Development**
Market value minus investment value upon completion for ongoing projects, completed projects, and undeveloped land and development properties. Excludes projects sold according to segment reporting.

**Order backlog**
Contracting assignments: The difference between order bookings for the period and accrued revenue (accrued project costs plus accrued project income adjusted for loss provisions) plus order backlog at the beginning of the period.

Services: The difference between order bookings and accrued revenue plus order backlog at the beginning of the period.

The order backlog in the accounts of acquired subsidiaries on the date of acquisition is not reported as order bookings, but is included in order backlog amounts.

**Income after financial items**
Operating income minus financial items.

**Earnings per share, segment**
Profit for the period, segment, attributable to equity holders divided by the average number of shares outstanding.

**Earnings per share**
Profit for the period attributable to equity holders divided by the average number of shares outstanding.

**Earnings per share after dilution**
Profit for the period attributable to equity holders divided by the average number of shares outstanding after dilution.

**Interest-bearing net receivables/net liabilities**
Interest-bearing assets minus interest-bearing liabilities.

**Interest-bearing net receivables/net liabilities, adjusted**
Interest-bearing net receivables/liabilities excluding cash and cash equivalents with restrictions, lease liabilities and interest-bearing net pension liabilities.

**Interest cover**
Operating income and financial income plus depreciation/amortization divided by net interest.

**Operating income**
Revenue minus cost of sales, selling and administrative expenses and income from joint ventures and associated companies.

**Operating income, segment**
Revenue minus cost of sales, selling and administrative expenses and income from joint ventures and associated companies, according to segment reporting and where Residential Development uses the proportional method for joint ventures.

**Operating income, rolling 12-month basis**
Revenue minus cost of sales, selling and administrative expenses and income from joint ventures and associated companies, on a rolling 12-month basis.

**Operating margin**
Operating income divided by revenue.

**Debt/equity ratio**
Interest-bearing net liabilities divided by equity including non-controlling interests.

**Equity/assets ratio**
Equity including non-controlling interests as a percentage of total assets.

**Capital employed, average**
Calculated on the basis of five measurement points – see Return on capital employed.

**Capital employed, consolidated**
Total assets minus non-interest-bearing liabilities.

*Note 43. Definitions, cont.*

**Capital employed, markets, business streams and business/ reporting units**
Total assets less tax assets, deposits in Skanska's treasury unit (internal bank) and pension receivables, minus non-interest-bearing liabilities excluding tax liabilities. Capitalized interest expense is also deducted from total assets for the Residential Development and Commercial Property Development business streams.

**Capital employed Residential Development, SEK M**

| | |
|---|---|
| Total assets | 23,027 |
| – tax assets | -335 |
| – deposits in internal bank | -34 |
| – pension receivables | -28 |
| – non-interest-bearing liabilities (excluding tax liabilities) | -8,151 |
| – capitalized interest expense | **-94** |
| | **14,385** |

**Capital employed Commercial Property Development, SEK M**

| | |
|---|---|
| Total assets | 36,705 |
| – tax assets | -699 |
| – deposits in internal bank | -110 |
| – pension receivables | 0 |
| – non-interest-bearing liabilities (excluding tax liabilities) | -2,895 |
| – capitalized interest expense | **-281** |
| | **32,721** |

**Comprehensive income**
Change in equity not attributable to transactions with owners.

**Other comprehensive income**
Comprehensive income minus profit according to the income statement. The item includes translation differences, hedging of exchange rate risk in foreign operations, remeasurements of defined-benefit pension plans, effects of cash flow hedges and tax attributable to other comprehensive income.

# Parent Company's notes including accounting and valuation principles

The Parent Company has prepared its annual accounts in compliance with the Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, "Accounting for Legal Entities." Accordingly, the Parent Company applies IFRS/IAS as far as this is possible within the framework of the Annual Accounts Act. See Note 1 Parent Company accounting and valuation principles.

## **Note 44.** Financial instruments, Parent Company

Financial instruments are presented in accordance with IFRS 7 Financial Instruments: Disclosures. This note contains figures for the Parent Company's financial instruments. See also the notes to the consolidated financial statements: Note 1, Note 6 and financial risk management.

| Financial instruments in the balance sheet | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| **Assets** | | |
| Non-current receivables in Group companies | 5,669 | 384 |
| Current receivables in Group companies | 42 | 34 |
| **Total financial instruments, assets** | **5,711** | **418** |
| | | |
| **Liabilities** | | |
| Non-current liabilities to Group companies | 134 | 1,211 |
| Trade accounts payable and current liabilities to Group companies | 26 | 18 |
| **Total financial instruments, liabilities** | **160** | **1,229** |

The fair value of the Parent Company's financial instruments does not deviate significantly in any case from the carrying amount. All assets belong to the category "Carried at amortized cost." No assets have been carried at fair value through profit or loss. All financial liabilities belong to the category "Carried at amortized cost."

| Reconciliation with the balance sheet | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| **Assets** | | |
| Financial instruments | 5,711 | 418 |
| **Other assets** | | |
| Property, plant and equipment and intangible assets | 3 | 8 |
| Holdings in Group companies, joint ventures and other securities | 11,786 | 11,480 |
| Other non-current receivables | 107 | 107 |
| Tax assets | 75 | 73 |
| Other current receivables and accrued receivables | 134 | 117 |
| **Total assets** | **17,816** | **12,203** |
| | | |
| **Equity and liabilities** | | |
| Financial instruments | 160 | 1,229 |
| **Other liabilities** | | |
| Equity | 17,326 | 10,652 |
| Provisions | 251 | 240 |
| Other current liabilities and accrued liabilities | 79 | 82 |
| **Total equity and liabilities** | **17,816** | **12,203** |

**Impact of financial instruments on the Parent Company income statement**

| Financial income and expense recognized in financial items | 2021 | 2020 |
|---|---|---|
| Interest income on receivables | 4 | 2 |
| Interest expense on financial liabilities measured at amortized cost | -26 | -30 |
| **Total** | **-22** | **-28** |

The Parent Company has no income or expense from financial instruments that is recognized directly in equity.

**Risks attributable to financial instruments**
The Parent Company holds financial instruments almost exclusively in the form of intra-Group receivables and liabilities. All external management of lending, borrowing, interest and currencies is handled by the Group's treasury unit (internal bank), the subsidiary Skanska Financial Services AB. See also Note 6.

**Credit risk**
The carrying amount of financial instruments, assets, corresponds to the maximum credit exposure on the closing day.

There were no impairment losses on financial instruments as of the closing day. No reserves for future credit losses under IFRS 9 are made, as the Parent Company's trade accounts receivable – with only one small exception – are Group company receivables over which Skanska AB exercises control. The credit risk is therefore minimal.

## **Note 45.** Revenue, Parent Company

The Parent Company's revenue consists mainly of amounts billed to Group companies.

The amount includes SEK 635 M (660) in sales to subsidiaries. For other transactions with related parties, see Note 62.

## **Note 46.** Financial items, Parent Company

| 2021 | Income from holdings in Group companies | Interest expense and similar items | Total |
|---|---|---|---|
| Dividend | 10,330 | | 10,330 |
| Interest income | | 4 | 4 |
| Interest expense | | -26 | -26 |
| **Total** | **10,330** | **-22** | **10,308** |

| 2020 | Income from holdings in Group companies | Interest expense and similar items | Total |
|---|---|---|---|
| Dividend | 2,857 | | 2,857 |
| Interest income | | 2 | 2 |
| Interest expense | | -30 | -30 |
| **Total** | **2,857** | **-28** | **2,829** |

**Dividends**
The amount for dividends consists of dividends in accordance with a decision by the Annual General Meeting, SEK 10,400 M (3,000) and Group contributions received, SEK -70 M (-143).

**Net interest**
Of interest income, SEK 4 M (2) relates to Group companies. Of interest expense, SEK -26 M (-30) relates to Group companies.

## Note 47. Income taxes, Parent Company

| | 2021 | 2020 |
|---|---|---|
| Current taxes | -5 | -1 |
| Tax due to changed taxation | -1 | |
| Deferred tax expense/income from change in temporary differences | 5 | -4 |
| **Total** | **-1** | **-5** |

The Swedish tax rate of 20.6 percent in relation to taxes recognized is explained in the table below.

| | 2021 | 2020 |
|---|---|---|
| Income after financial items | 10,401 | 2,981 |
| Tax at tax rate of 20.6 percent (21.4) | -2,143 | -638 |
| **Tax effect of:** | | |
| Dividends from subsidiaries | 2,142 | 642 |
| Non-deductible expenses | 0 | -9 |
| **Recognized tax expense/income** | **-1** | **-5** |

Non-deductible expenses refers mainly to employee-related costs and costs for the Group's foreign operations.

| **Deferred tax assets** | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Deferred tax assets for employee-related provisions | 65 | 60 |
| **Total** | **65** | **60** |

| **Change in deferred taxes in balance sheet** | 2021 | 2020 |
|---|---|---|
| Deferred tax assets, January 1 | 60 | 64 |
| Deferred tax expense/income | 5 | -4 |
| **Deferred tax assets, December 31** | **65** | **60** |

The Parent Company expects to be able to utilize deferred tax assets to offset Group contributions from Swedish operating subsidiaries.

## Note 48. Intangible assets, Parent Company

Intangible assets are recognized in accordance with IAS 38 Intangible Assets. See Note 1. Amortization of intangible assets for the year according to plan amounts to SEK -3 M (-3) and is included in selling and administrative expenses. In determining the amortization amount, the Parent Company has paid particular attention to estimated residual value at the end of useful life.

| | Intangible assets | |
|---|---|---|
| | 2021 | 2020 |
| **Accumulated cost** | | |
| January 1 | 27 | 27 |
| Disposals/divestments | -5 | |
| | **22** | **27** |
| **Accumulated amortization according to plan** | | |
| January 1 | -19 | -16 |
| Depreciation for the year | -3 | -3 |
| Disposals/divestments for the year | 3 | |
| | **-19** | **-19** |
| **Accumulated impairment losses** | | |
| January 1 | 0 | 0 |
| | **0** | **0** |
| **Carrying amount, December 31** | **3** | **8** |
| Carrying amount, January 1 | 8 | 11 |

## Note 49. Property, plant and equipment, Parent Company

Property, plant and equipment are reported in accordance with IAS 16 Property, Plant and Equipment. See Note 1. Machinery and equipment owned by the Parent Company are recognized as property, plant and equipment.

Depreciation on property, plant and equipment for the year according to plan amounts to SEK 0 M (0).

| | Plant and equipment | |
|---|---|---|
| | 2021 | 2020 |
| **Accumulated cost** | | |
| January 1 | 7 | 7 |
| | **7** | **7** |
| **Accumulated amortization according to plan** | | |
| January 1 | -7 | -7 |
| Depreciation for the year | 0 | 0 |
| | **-7** | **-7** |
| **Carrying amount, December 31** | **0** | **0** |
| Carrying amount, January 1 | 0 | 0 |

## **Note 50.** Non-current financial assets, Parent Company

Holdings and receivables are reported as non-current financial assets. Holdings are allocated between holdings in Group companies and joint arrangements. See Note 51 and Note 52. Receivables are allocated between receivables in Group companies, deferred tax assets and other non-current receivables. Tax assets are described in Note 47. All receivables except deferred tax assets are interest-bearing.

| | Holdings in Group companies | | Holdings in joint arrangements | | Other non-current holdings of securities | |
|---|---|---|---|---|---|---|
| **Holdings** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| **Accumulated cost** | | | | | | |
| January 1 | 11,477 | 11,318 | 3 | 3 | 0 | 0 |
| Share-based payments to employees of subsidiaries[1] | 306 | 159 | | | | |
| Share of income | | | 0 | 0 | | |
| | **11,783** | **11,477** | **3** | **3** | **0** | **0** |
| **Accumulated impairment losses** | | | | | | |
| January 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **0** | **0** | **0** | **0** | **0** | **0** |
| **Carrying amount, December 31** | **11,783** | **11,477** | **3** | **3** | **0** | **0** |
| Carrying amount, January 1 | 11,477 | 11,318 | 3 | 3 | 0 | 0 |

1 Equivalent to the portion of the Group's cost for Seop 4 and Seop 5 for employees of subsidiaries and recognized in the Parent Company accounts as an increase in the carrying amount of holdings in Group companies and an increase in equity. If a decision is made later requiring a subsidiary to compensate the Parent Company for the value of the shares issued, receivables are transferred to the Group company. The amount for 2021 was thus reduced by SEK 64 M (127).

| | Receivables from Group companies | | Other non-current receivables and deferred tax assets | |
|---|---|---|---|---|
| **Receivables** | **2021** | **2020** | **2021** | **2020** |
| **Accumulated cost** | | | | |
| January 1 | 384 | 318 | 167 | 171 |
| Receivables added/settled | 5,285 | 66 | 5 | -4 |
| | **5,669** | **384** | **172** | **167** |
| **Carrying amount, December 31** | **5,669** | **384** | **172** | **167** |
| Carrying amount, January 1 | 384 | 318 | 167 | 171 |

## **Note 51.** Holdings in Group companies, Parent Company

Skanska AB owns shares in two subsidiaries. The subsidiary Skanska Kraft AB is a holding company that owns the Group's shareholdings in Skanska Group operating companies. Skanska Financial Services AB is the Group's treasury unit (internal bank).

| | | | | Carrying amount | |
|---|---|---|---|---|---|
| **Company** | **Corp. ID No.** | **Registered office** | **No. of shares** | **2021** | **2020** |
| **Swedish subsidiaries** | | | | | |
| Skanska Financial Services AB | 556106-3834 | Stockholm | 500,000 | 68 | 67 |
| Skanska Kraft AB | 556118-0943 | Stockholm | 4,000,000 | 11,715 | 11,410 |
| **Total** | | | | **11,783** | **11,477** |

Both subsidiaries are 100-percent owned by the Parent Company.

## **Note 52.** Holdings in joint arrangements, Parent Company

Holdings in joint arrangements are reported in accordance with IFRS 11 Joint Arrangements. See Note 1.

| | | | | Carrying amount | |
|---|---|---|---|---|---|
| **Company** | **Corp. ID No.** | **Registered office** | **Percentage of capital and votes** | **2021** | **2020** |
| **Swedish joint arrangements** | | | | | |
| Sundlink Contractors HB | 969620-7134 | Malmö | 37 | 3 | 3 |
| **Total** | | | | **3** | **3** |

The company has no operations other than fulfilling guarantee undertakings.

## **Note 53.** Prepaid expenses and accrued income, Parent Company

The Parent Company has prepaid expenses and accrued income of SEK 18 M (15). This amount consists of SEK 1 M (1) in prepaid insurance premiums and SEK 17 M (14) in other accrued receivables.

## **Note 54.** Equity, Parent Company

**Restricted and unrestricted equity**
According to Swedish law, equity must be allocated between restricted and unrestricted equity. Share capital and the statutory reserve constitute restricted equity.

Unrestricted equity consists of retained earnings and profit for the year.

The equity of the Parent Company was allocated among SEK 1,260 M (1,260) in share capital, SEK 598 M (598) in the statutory reserve, SEK 5,067 M (5,818) in retained earnings and SEK 10,400 M (2,976) in profit for the year.

The Board is proposing a dividend for 2021 of SEK 10.00 per share (9.50), consisting of a regular dividend of SEK 7.00 per share (6.50) and an extra dividend of SEK 3.00 per share (3.00).

The proposal is equivalent to a dividend payout totaling SEK 4,122 M (3,917).

No dividend is paid for the Parent Company's holding of Series B treasury shares. The Board proposes Thursday, March 31, 2022 as the record date to receive the dividend. The total dividend amount may change by the record date, depending on repurchases of Series B treasury shares and the transfer of Series B shares to participants in Skanska's long-term employee ownership programs.

| **Number of shares** | **2021** | **2020** |
|---|---|---|
| **Average number of shares outstanding** | | |
| after share repurchase transactions and conversion | 412,387,142 | 411,993,869 |
| after share repurchase transactions, conversion and dilution | 415,491,861 | 414,304,017 |
| **Total number of shares** | **419,903,072** | **419,903,072** |

The number of shares amounted to 419,903,072 (419,903,072), divided into 19,661,632 (19,684,564) Series A shares and 400,241,440 (400,218,508) Series B shares.

During the year 22,932 (20,151) Series A shares were converted into the same number of Series B shares. A total of 1,048,500 (460,000) Series B shares were repurchased. After distribution of 1,009,686 (1,237,805) shares, there were 7,655,488 (7,616,674) Series B treasury shares remaining.

The quota value per share amounts to SEK 3.00 (3.00). All shares are fully paid up.

Each Series A share carries 10 votes and each Series B share carries one vote.

Series B shares are listed on Nasdaq Stockholm.

According to the Articles of Association, Skanska's share capital may not fall below SEK 1,200 M nor exceed SEK 4,800 M.

## **Note 55.** Provisions, Parent Company

Provisions for pensions and similar obligations are reported according to RFR 2. Other provisions are reported according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. See Note 1.

| | Provisions for pensions and similar obligations | | Other provisions | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| January 1 | 164 | 173 | 76 | 81 |
| Provisions for the year | 20 | 6 | 62 | 59 |
| Provisions utilized | -17 | -15 | -54 | -64 |
| **December 31** | **167** | **164** | **84** | **76** |

"Other provisions" consists of employee-related provisions.

The normal cycle time for "Other provisions" is about one to three years.

Employee-related provisions includes such items as social insurance contributions for employee ownership programs, bonus programs and other obligations to employees.

## **Note 56.** Provisions for pensions and similar obligations, Parent Company

**Pension liabilities according to the balance sheet**

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Interest-bearing pension liabilities[1] | 115 | 116 |
| Other pension obligations | 52 | 48 |
| **Total** | **167** | **164** |

1 Liabilities in compliance with the Pension Obligations Vesting Act.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| The company's total pension obligations | 832 | 819 |
| Less pension obligations secured through pension funds | -665 | -655 |
| **Provisions for pensions and similar obligations** [1] | **167** | **164** |

1 Of which SEK 9 M (9) is secured through credit insurance. Other pension obligations are largely secured through pledged endowment policies.

Of the company's total pension obligations SEK 605 M (591) is for ITP plans.

No payments to pensions funds are expected to be made in 2022.

**Reconciliation, provisions for pensions**

| | 2021 | 2020 |
|---|---|---|
| January 1 | 116 | 117 |
| Pension expenses | 7 | 29 |
| Benefits paid | -8 | -30 |
| **Provisions for pensions according to the balance sheet** | **115** | **116** |

## **Note 57.** Liabilities, Parent Company

Liabilities are allocated between non-current and current liabilities in accordance with IAS 1 Presentation of Financial Statements. See Note 1.

**Accrued expenses and prepaid income**
The Parent Company has accrued expenses and prepaid income of SEK 77 M (79). This relates to accrued vacation pay of SEK 25 M (25), accrued special payroll tax on pensions of SEK 27 M (29), accrued social insurance contributions of SEK 9 M (8) and other accrued expenses of SEK 16 M (17).

## **Note 58.** Expected recovery periods for assets, provisions and liabilities, Parent Company

| | Dec 31, 2021 | | | | Dec 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Amounts expected to be recovered** | **Within 12 months** | **After 12 months** | **After 5 years (liabilities)** | **Total** | **Within 12 months** | **After 12 months** | **After 5 years (liabilities)** | **Total** |
| **Intangible non-current assets**[1] | 3 | | | 3 | 3 | 5 | | 8 |
| **Property, plant and equipment**[1] | 0 | 0 | | 0 | 0 | 0 | | 0 |
| **Non-current financial assets** | | | | | | | | |
| Holdings in Group companies and joint arrangements[2] | | 11,786 | | 11,786 | | 11,480 | | 11,480 |
| Receivables in Group companies[3] | | 5,669 | | 5,669 | | 384 | | 384 |
| Other non-current receivables | | 107 | | 107 | | 107 | | 107 |
| Deferred tax assets | | 65 | | 65 | | 60 | | 60 |
| | | **17,627** | | **17,627** | | **12,031** | | **12,031** |
| **Current receivables** | | | | | | | | |
| Current receivables in Group companies | 42 | | | 42 | 34 | | | 34 |
| Tax assets | 10 | | | 10 | 13 | | | 13 |
| Other current receivables | 116 | | | 116 | 102 | | | 102 |
| Prepaid expenses and accrued income | 18 | | | 18 | 15 | | | 15 |
| | **186** | | | **186** | **164** | | | **164** |
| **TOTAL ASSETS** | **189** | **17,627** | | **17,816** | **167** | **12,036** | | **12,203** |

1 In case of amounts expected to be recovered within 12 months, expected depreciation/amortization has been recognized.
2 No portion of the amount is expected to be recovered within 12 months.
3 No portion of the amount is expected to be recovered within 12 months, since the lending is considered to be non-current.

*Note 58. Expected recovery periods for assets, provisions and liabilities, Parent Company, cont.*

| | Dec 31, 2021 | | | | Dec 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **Amounts expected to be paid** | **Within 12 months** | **After 12 months** | **After 5 years (liabilities)** | **Total** | **Within 12 months** | **After 12 months** | **After 5 years (liabilities)** | **Total** |
| **Provisions** | | | | | | | | |
| Provisions for pensions and similar obligations | 17 | 150 | | 167 | 15 | 149 | | 164 |
| Other provisions | 61 | 23 | | 84 | 57 | 19 | | 76 |
| | **78** | **173** | | **251** | **72** | **168** | | **240** |
| **Liabilities** | | | | | | | | |
| **Non-current liabilities** | | | | | | | | |
| Liabilities to Group companies[1] | | | 134 | 134 | | | 1,211 | 1,211 |
| | | | **134** | **134** | | | **1,211** | **1,211** |
| **Current liabilities** | | | | | | | | |
| Trade accounts payable | 23 | | | 23 | 13 | | | 13 |
| Liabilities to Group companies | 3 | | | 3 | 5 | | | 5 |
| Other liabilities | 2 | | | 2 | 3 | | | 3 |
| Accrued expenses and prepaid income | 77 | | | 77 | 79 | | | 79 |
| | **105** | | | **105** | **100** | | | **100** |
| **Total liabilities and provisions** | **183** | **173** | **134** | **490** | **172** | **168** | **1,211** | **1,551** |
| **Total equity** | | | | **17,326** | | | | **10,652** |
| **EQUITY AND LIABILITIES** | | | | **17,816** | | | | **12,203** |

1 Intra-Group non-current interest-bearing liabilities are treated as having a maturity of more than five years from the closing day.

## **Note 59.** Assets pledged and contingent liabilities, Parent Company

**Assets pledged**
Assets pledged by the Parent Company totaled SEK 107 M (107), which relates to assets in the form of non-current receivables.

These assets were pledged as collateral for some of the Parent Company's pension obligations.

**Contingent liabilities**
Contingent liabilities are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Note 1, section IAS 37, describes the accounting principles.

| | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|
| Contingent liabilities on behalf of Group companies | 127,289 | 118,064 |
| Other contingent liabilities | 45,471 | 42,547 |
| | **172,760** | **160,611** |

Of the Parent Company's contingent liabilities on behalf of Group companies, almost SEK 121 billion (111) relates to obligations for operations in Construction, mainly guarantees provided when Group companies were awarded contracts. The remaining contingent liabilities for Group companies relate to guarantees for borrowing by Group companies from credit institutions, guarantee undertakings in connection with divestment of properties by Group companies, guaranteeing Group company undertakings to supply capital to their joint ventures and guarantees for Group company pension obligations.

Of other contingent liabilities, SEK 37.2 (36.3) billion relates to liability for external entities' portion of ongoing contracting work. Of the remaining SEK 8.3 (6.2) billion, SEK 0.1 (0.3) billion is attributable to guarantees provided for financing of joint arrangements in which Group companies are co-owners and SEK 8.2 (5.9) billion is for guarantees in connection with financing of residential projects in Sweden.

The amounts in the table above include SEK 1 M (1) in Parent Company contingent liabilities relating to joint and several liability for trading company undertakings. The company's contingent liabilities relate entirely to guarantees originating from surety provided or responsibilities as a shareholder in companies.

## Note 60. Cash flow statement, Parent Company

**Adjustments for items not included in cash flow**

| | 2021 | 2020 |
|---|---|---|
| Depreciation | 3 | 3 |
| Capital gain | -1 | |
| Cost of Seop, employee ownership programs | 18 | 14 |
| **Total** | **20** | **17** |

**Taxes paid**
Total taxes paid in the Parent Company during the year amount to SEK -2 M (-7).

**Information about interest and dividends**

| | 2021 | 2020 |
|---|---|---|
| Interest income received during the year | 4 | 2 |
| Interest paid during the year | 26 | 30 |

The change in interest-bearing liabilities belonging to financing activities is presented in the following table.

| | 2021 | 2020 |
|---|---|---|
| January 1 | 1,211 | 2,816 |
| Items affecting cash flow from financing activities | -1,077 | -1,605 |
| **December 31** | **134** | **1,211** |

## Note 61. Wages and salaries, Parent Company

**Wages, salaries, other remuneration and social insurance contributions**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **SEK M** | **Salaries and remuneration** | **Pension expense** | **Salaries and remuneration** | **Pension expense** |
| Board of Directors, CEO and other senior executives[1, 2] | 66.3 | 13.4 | 60.4 | 12.5 |
| Other employees | 103.1 | 80.4 | 110.7 | 85.5 |
| Less indemnification from pension fund | | -86.3 | | -69.0 |
| **Total** | **169.4** | **7.5** | **171.1** | **29.0** |
| Social insurance contributions including pension expenses | 73.8 | | 91.0 | |
| **Total** | **243.2** | | **262.1** | |
| 1 Of which variable remuneration | 21.6 | | 20.4 | |
| 2 Of which severance-related compensation | - | | - | |

For disclosures of individual remuneration to each board member and the CEO, see Note 37. For board members appointed by the employees, no disclosures are made concerning salaries and remuneration or pensions since they do not receive these in their capacity as board members. For board members who were employees of the company prior to the beginning of the financial year, disclosures are made concerning pension obligations in their former role as employees.

In 2021, bonuses paid to the CEO and other senior executives amounted to SEK 20.4 M (19.2).

In 2021, an allotment of shares occurred under the employee ownership program, Seop 4. The value of shares allotted amounted to SEK 2.7 M (5.0), of which SEK 0.6 M (2.0) was for board members, the CEO and other senior executives.

In 2021, Skanska's Swedish pension funds reimbursed Skanska AB in the amount of around SEK 86.3 M (69.0).

The company's outstanding pension obligations to the CEO including former CEOs amounted to SEK 165.9 M (155.1). The company's outstanding pension obligations to other members of the Group Leadership Team (Executive Vice Presidents) and former other members of the Group Leadership Team amount to SEK 97.1 M (98.4).

The cost in 2021 for defined-contribution pension plans was SEK 29.4 M (28.4) excluding indemnification.

**Average number of employees**
Personnel is calculated as the average number of employees. See Note 1.

| | 2021 | of which men | of which women | 2020 | of which men | of which women |
|---|---|---|---|---|---|---|
| Sweden | 87 | 34 | 53 | 96 | 38 | 58 |

**Men and women on the Board of Directors and Group Leadership Team on the closing day**

| | Dec 31, 2021 | of which men | of which women | Dec 31, 2020 | of which men | of which women |
|---|---|---|---|---|---|---|
| Number of board members and deputy members | 11 | 73% | 27% | 12 | 67% | 33% |
| CEO and other senior executives | 7 | 57% | 43% | 6 | 67% | 33% |

## **Note 62.** Related party transaction disclosures, Parent Company

Disclosures on related parties, transactions with related parties and outstanding balances are provided according to IAS 24 Related Party Disclosures. See Note 1.

For information on remuneration to senior executives and board members, see Note 61 and Note 37. Other than the information provided in Note 61 and Note 37, no transactions with related party physical persons have taken place.

The Parent Company is a related party to its subsidiaries. See Note 20A. Intra-Group transactions are presented below:

| | 2021 | 2020 |
|---|---|---|
| Sales to Group companies | 635 | 660 |
| Purchases from Group companies | -134 | -139 |
| | | |
| Interest income from Group companies | 4 | 2 |
| Interest expense for Group companies | -26 | -30 |
| Dividends from Group companies | 10,330 | 2,857 |
| | | |
| Non-current receivables in Group companies | 5,669 | 384 |
| Current receivables in Group companies | 42 | 34 |
| | | |
| Non-current liabilities to Group companies | 134 | 1,211 |
| Current liabilities to Group companies | 3 | 5 |
| | | |
| Contingent liabilities on behalf of Group companies | 127,289 | 118,064 |

All transactions were completed on market terms.

## **Note 63.** Disclosures in compliance with the Annual Accounts Act, Chapter 6, Section 2 a, Parent Company

Due to the requirements in the Swedish Annual Accounts Act, Chapter 6, Section 2 a concerning disclosures on certain circumstances that may affect the possibility of a takeover of the company through a public takeover bid for the shares in the company, the following disclosures are provided.

1. The total number of shares in the company on December 31, 2021 was 419,903,072, divided into 19,661,632 Series A shares with 10 votes each and 400,241,440 Series B shares with one vote each.
2. There are no restrictions on the transferability of shares based on provisions in the law or the Articles of Association.
3. Of the company's shareholders, only AB Industrivärden and the Lundberg Group directly or indirectly have a shareholding that represents at least one tenth of the voting power of all shares in the company. On December 31, 2021, AB Industrivärden's holding amounted to 24.3 percent of total voting power in the company and the Lundberg Group's holding to 13.2 percent of total voting power in the company.
4. Skanska's pension fund does not own any shares in Skanska directly. There is however an insignificant percentage of indirectly owned shares via investments in various mutual funds.
5. There are no restrictions on the number of votes each shareholder may cast at an Annual General Meeting.
6. The company is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares.
7. The Articles of Association state that the appointment of board members is to take place at the company's Annual General Meeting. The Articles of Association contain no stipulations on dismissal of board members or on amendments to the Articles of Association.
8. The Annual General Meeting on March 30, 2021 voted in favor of the proposal by the Board of Directors to authorize the Board to decide on acquisitions of Skanska's Series B treasury shares on the following conditions:
   A. Skanska Series B shares may only be acquired on Nasdaq Stockholm.
   B. The authorization may be used on one or more occasions until the 2022 Annual General Meeting.
   C. A maximum of 1,200,000 Skanska Series B shares may be acquired to secure the allotment of shares to participants in the Skanska employee ownership program decided on by the Annual General Meeting on March 28, 2019 (Seop 5).
   D. Skanska Series B shares on Nasdaq Stockholm may only be acquired at a price within the applicable price interval on Nasdaq Stockholm at any given time, meaning the interval between the highest purchase price and lowest selling price.
9. Skanska AB or its Group companies are not party to any material agreement that will go into effect, be amended or cease to apply if control over the company or Group companies changes as a consequence of a public takeover bid.
10. There are agreements between Skanska AB or its Group companies and employees that prescribe remuneration if employment is terminated without reasonable grounds. Such remuneration may not exceed 18 months' fixed salary after the end of the notice period or, in the case of the CEO, a maximum of 12 months' severance pay and a maximum of 12 months' fixed salary after the end of the notice period.
11. There are no agreements prescribing termination of employment as a consequence of a public takeover bid for the shares in the company.

## **Note 64.** Supplementary information, Parent Company

Skanska AB, Swedish corporate identity number 556000-4615, is the Parent Company of the Group.

The company has its registered office in Stockholm, Stockholm County, Sweden, and is a limited company in compliance with Swedish legislation.

The company's headquarters are located in Stockholm, Stockholm County, Sweden.

Address:
Skanska AB
112 74 STOCKHOLM, Sweden
Tel: 010-448 00 00
group.skanska.com

For questions concerning financial information, please contact
Skanska AB, Investor Relations, SE-112 74 STOCKHOLM, Sweden
Tel: +46 10 448 00 00
email: investor.relations@skanska.se

## **Note 65.** Events after the reporting period, Parent Company

There are no material events to report for the Parent Company during the period.

## **Note 66.** Allocation of earnings

The Board of Directors and the CEO propose that the profit for 2021, SEK 10,400,230,954, plus the retained earnings of SEK 5,067,097,261 carried forward from the previous year, totaling SEK 15,467,328,215, be allocated as follows:

| | | |
|---|---|---|
| A dividend to the shareholders of[1] | SEK 10.00 per share | 4,122,475,840 |
| Of which regular dividend | SEK 7.00 per share | 2,885,733,088 |
| Of which extra dividend | SEK 3.00 per share | 1,236,742,752 |
| To be carried forward | | 11,344,852,375 |
| **Total** | | **15,467,328,215** |

1 Based on the total number of shares outstanding on December 31, 2021. The total dividend amount may change by the record date, depending on repurchases of Series B treasury shares and the transfer of Series B shares to participants in Skanska's long-term employee ownership programs.

## The Board's assurance

The consolidated annual accounts and the annual accounts have been prepared in compliance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of IFRS and generally accepted accounting principles, and provide a true and fair view of the position and results of the Group and the Parent Company. The Report of the Directors for the Group and the Parent Company provides a true and fair view of the operations, financial position and results of the Group and the Parent Company, and describes the principal risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, February 2, 2022

Hans Biörck
Chairman

Pär Boman
Board member

Åsa Söderström Winberg
Board member

Fredrik Lundberg
Board member

Catherine Marcus
Board member

Richard Hörstedt
Board member

Yvonne Stenman
Board member

Ola Fält
Board member

Jan Gurander
Board member

Anders Danielsson
President and Chief Executive Officer

Our Auditor's Report was submitted on March 7, 2022
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Anders Kriström
Authorized Public Accountant

# Auditor's report

***This is a translation from the Swedish original.***
***To the general meeting of the shareholders of Skanska AB (Publ), corporate identity number 556000-4615***

## Report on the annual accounts and consolidated accounts

**Opinions**
We have audited the annual accounts and consolidated accounts of Skanska AB (publ) for the year 2021 except for the statutory sustainability report on pages 67–94. The annual accounts and consolidated accounts of the company are included on pages 37–52 and 59–193 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31st, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31st, 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. Our opinions do not cover the statutory sustainability report on pages 67–94.

The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and the statement of financial position of the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

**Basis for Opinions**
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Key Audit Matters**
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**A. Revenue recognition over time in Construction contracts**
***Description***
The main portion of the company's income relates to construction contracts. For 2021 the revenues from construction contracts amount to MSEK 132,587. Usually a performance obligation is satisfied over time, which means that revenue should be recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Revenue is recognized on the basis of the company's efforts to the satisfaction of a performance obligation relative to the total expected efforts. This requires the entity to be able to measure its progress towards complete satisfaction of the performance obligation and determine the transaction price. This in turn requires that the Group has effective, coordinated systems for cost estimation, forecasting and revenue/expense reporting. Also, a consistent process is required to assess the final outcome of the project, including analysis of differences compared with earlier assessment dates. This critical judgment is performed at least once per quarter.

***How our audit addressed this key audit matter***
Our audit procedures include, among others, analytical procedures of revenue and margins of material projects and

data analytics of transactions. We have audited samples of revenue and costs in selected projects, which are of material size or represents a significant risk to the company. We have also had discussions with the company's controllers and responsible project managers about assessments, assumptions and estimates related to revenue recognition, profit margin and cost allocation.

We have also audited material contracts to identify potential risks for penalties due to any delays in the projects, and we also have continuous meetings with the Company's internal legal representatives. We have audited provisions and other reserves related to projects within Construction based on underlying support and the Company's assessments.

We have continuous meetings and discussions with responsible auditors in each country to identify and cover country-specific risks.

We have assessed the historical accuracy of the company's estimates of the final outcomes of projects through discussions with Group Leadership Team and Audit Committee regarding the actual outcome.

In addition, we have evaluated whether the valuation of revenue in the Company's accounting principles is reasonable and assessed the completeness of the disclosure requirements, which are found in Note 4 "Operating Segments" and Note 9 "Contract assets and contract liabilities".

**B. Valuation of investments in project development**
*Description*
The book value of investments in project development, which constitute current asset properties, amounts to MSEK 49,745 as shown in note 22 "Current-asset properties/Project development". As shown in note 22 the current-asset properties are carried at cost or net realizable value, whichever is lower. The company therefore makes calculations of the net realizable value. Potential impairment in development projects under construction and completed projects could have significant impact on the company's net income. Changes in the supply of similar projects, as well as changes in demand may materially affect both estimated market values and carrying amounts for each project. These projects vary in size and the investment cycle could be either short or long.

***How our audit addressed this key audit matter***
Our audit procedures include assessing budgets and financial projections and reviewing other financial input used to determine the value in use models. We have also audited work performed by external appraisers. We specifically focused on the sensitivity in the difference between the net realizable value/estimated value and book values of the projects, where a reasonably possible change in assumptions could cause the carrying amount to exceed its estimated present value. We also assessed the historical accuracy of the company's estimates of the final outcomes of valuation through discussions with Group Leadership Team and the Audit Committee regarding the actual outcome.

Finally, we evaluated the adequacy of the Company's disclosures included in Note 22.

**C. Litigations and legal matters**
*Description*
The provision for legal disputes amounts to MSEK 2,413. As outlined in Note 29 "Provisions" of the Annual Report, the Company is exposed to potential legal matters and disputes in the Construction business stream for contracts that have been completed. Legal matters and disputes including any provisions is a key audit matter to our audit because management judgement is required. The assessment process is complex and entails assessing future developments. In addition, some of the matters are in countries where the legal proceedings can stretch out over an extended period of time.

***How our audit addressed this key audit matter***
We have gained an understanding of the litigations and legal matters through discussions with the responsible persons within the Company, the Group Leadership Team and the Audit Committee. We have read the internal position papers prepared by the Company. We also obtained lawyers' letters to the extent considered necessary for our audit. For all potentially material legal matters we tested the underlying facts and circumstances considered relevant for the legal advisors to reach their conclusions and assessed the best estimate of outflows and associated provisions as determined by the Company.

**Other Information than the annual accounts and consolidated accounts**
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–36, 53–58 and 194–207. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation

in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

**Opinions**
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Skanska AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**Basis for opinions**
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Directors and the Managing Director**
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

**The auditor's examination of the ESEF report**
***Opinion***
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Skanska AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report *#[checksum]** has been prepared in a format that, in all material respects, enables uniform electronic reporting.

***Basis for opinion***
We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in

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more detail in the *Auditors' responsibility* section. We are independent of Skanska AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Responsibilities of the Board of Directors and the Managing Director***

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

***Auditor's responsibility***

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

**The auditor´s opinion regarding the statutory sustainability report**

The Board of Directors is responsible for the statutory sustainability report on pages 67–94, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor´s opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Skanska AB by the general meeting of the shareholders on March 30, 2021 and has been the company's auditor since the 2016.

Stockholm March 7, 2022
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Anders Kriström
Authorized Public Accountant

# Auditor's limited assurance report on skanska ab's greenhouse gas, health and safety, energy, and waste reporting[1]

To Skanska AB, corp id 556000-4615

**Introduction**
We have been engaged by Skanska AB to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements (ISAE), on the information specified below (the "Subject Matters") in Skanska AB's 'Annual and Sustainability Report 2021'.

- Greenhouse gas emissions (p. 70–75, 90)
  - Direct GHG emissions (Scope 1)
  - Energy indirect GHG emissions (Scope 2)
  - Other indirect GHG emissions (Scope 3)
- Health and safety (p. 80–82, 92)
  - Lost Time Accident Rate (LTAR)
  - Total number of Accidents
  - Fatal Accidents
  - Executive Site Safety Visits (ESSV)
- Energy (p. 70–75, 91)
- Waste (p. 85, 93)
- Reporting principles (p. 94)

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

**Responsibilities of the Board and Executive Management**
Skanska AB's management is responsible for selecting the criteria, and for presenting the Subject Matters in accordance with those criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matters, such that they are free from material misstatement, whether due to fraud or error. In preparation of the Subject Matters, Skanska AB applied the Greenhouse Gas Protocol, Global Reporting Initiative (GRI) Standard 403: *Occupational health and safety*, Global Reporting Initiative (GRI) Standard 302: *Energy*, and Global Reporting Initiative (GRI) Standard 306: *Waste* (hereinafter: Criteria).

**Responsibilities of the auditor**
Our responsibility is to express a conclusion on the presentation of the Subject Matters based on the evidence we have obtained. Our engagement is limited to historical information presented in this document and does therefore not include future oriented information.

We conducted our engagement in accordance with the *ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, which require that we obtain limited assurance about whether, in all material respects, the Subject Matters is presented in accordance with the criteria, and that we issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Skanska AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our professional ethical responsibility in accordance with these requirements.

A limited assurance engagement is different from and substantially less in scope than a reasonable assurance conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the greenhouse gas, health and safety, energy, and waste reporting and related information, and applying analytical and other appropriate procedures.

We gained an understanding of the part of the company's internal control that is relevant for our limited assurance to design procedures that are appropriate in the circumstances, but not to express a conclusion on the internal control.

We included the following procedures:
- Conducted interviews with Skanska personnel to understand the business and the reporting process
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matters during the reporting period
- Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Tested, on a sample basis, underlying source information to check the accuracy of the data

Our procedures are based on the criteria defined by the Board and Executive Management as described above. We consider these criteria suitable for the preparation of the Subject Matters.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion

**Conclusion**
Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the greenhouse gas, health and safety, energy, and waste reporting for the financial year ending on 31 December 2021 is not, in all material aspects, prepared in accordance with the specified criteria.

Stockholm 7 mars, 2022
Ernst & Young AB

Hamish Mabon
Auktoriserad revisor

Anders Kriström
Auktoriserad revisor

Ingrid Cornander
Specialist, Climate Change and Sustainability Services

1 This is a translation of the Swedish original.

# GRI index

| GRI Standard | | Disclosure | Page | Omission/Comments |
|---|---|---|---|---|
| **General Disclosures** | | | | |
| **GRI 102:** General Disclosures 2016 | 102-1 | Name of the organization | Cover, Note 64 | |
| | 102-2 | Activities, brands, products, and services | 22–34, Note 4 | |
| | 102-3 | Location of headquarters | Note 64 | |
| | 102-4 | Location of operations | 23, 26, 30, 34 | |
| | 102-5 | Ownership and legal form | 14–15, 37–46, Notes 63–64 | |
| | 102-6 | Markets served | 22–34 | |
| | 102-7 | Scale of the organization | 13, 16, 23, 25–26, 29–30, 33–34, Note 36 | |
| | 102-8 | Information on employees and other workers | 92–94 | The type of employment is not reported. |
| | 102-9 | Supply chain | 83–84 | |
| | 102-10 | Significant changes to the organization and its supply chain | 23 | |
| | 102-11 | Precautionary Principle or approach | 84 | |
| | 102-12 | External initiatives to which the organization subscribes, or which it endorses | 73 | |
| | 102-13 | Membership of associations | 73 | A selection of memberships are reported. |
| | 102-14 | Statement from senior decision-maker | 6–7 | |
| | 102-16 | Values, principles, standards, and norms of behavior | 3–4, 6–7, 38, 44–46, 68–69 | |
| | 102-18 | Corporate Governance | 37–46 | |
| | 102-40 | List of stakeholder groups | 89 | |
| | 102-41 | Collective bargaining agreements | – | The data is not reported at Group level. |
| | 102-42 | Identifying and selecting stakeholders | 89 | |
| | 102-43 | Approach to stakeholder engagement | 89 | |
| | 102-44 | Key topics and concerns raised | 69, 89 | |
| | 102-45 | Entities included in the consolidated financial statements | 44 | |
| | 102-46 | Defining report content and topic Boundaries | 89 | |
| | 102-47 | List of material topics | 69, 89 | |
| | 102-48 | Restatements of information | – | |
| | 102-49 | Changes in reporting | 94 | |
| | 102-50 | Reporting period | January 1, 2021 – December 31, 2021 | |
| | 102-51 | Date of most recent report | March 9, 2021 | |
| | 102-52 | Reporting cycle | Annual | |
| | 102-53 | Contact point for questions regarding the report | Lena Hök, EVP Sustainability & Innovation<br>Antonia Junelind, SVP Investor Relations | |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | Content page | |
| | 102-55 | GRI Index | 200–203 | |
| | 102-56 | External assurance | 194–199 | |

| GRI Standard | | Disclosure | Page | Omission/Comments | SASB | SDG | UN Global Compact |
|---|---|---|---|---|---|---|---|
| **Material Topics** | | | | | | | |
| **Climate** | | | | | | | |
| **GRI 103:** Management Approach 2016 | 103–1 | Explanation of the material topic and its Boundary | 59–65, 70–75 | | IF-EN-160a.2 | Subtargets: 8.4<br>Subtargets: 13.1 | **Principle 7, Environment:** Businesses should support a precautionary approach to environmental challenges.<br>**Principle 9, Environment:** Businesses should encourage the development and diffusion of environmentally friendly technologies. |
| | 103–2 | The management approach and its components | 44–46, 59–65, 70–75, 89 | | IF-EN-160a.2<br>IF-EN-410a.1 | | |
| | 103–3 | Evaluation of the management approach | 46, 70–75 | | IF-EN-160a.2 | | |
| **GRI 302:** Energy 2016 | 302-1 | Energy consumption within the organization | 91, 94 | Steam is not reported. | | | |
| | 302-2 | Energy consumption outside of the organization | 91 | | | | |
| | 302-3 | Energy intensity | 91 | | | | |
| | 302-4 | Reduction of energy consumption | 91, 94 | | | | |
| | 302-5 | Reductions in energy requirements of products and services | 91, 94 | | | | |
| **GRI 305:** Emissions 2016 | 305-1 | Direct (Scope 1) GHG emissions | 90, 94 | | | | |
| | 305-2 | Energy indirect (Scope 2) GHG emissions | 90, 94 | | | | |
| | 305-3 | Other indirect (Scope 3) GHG emissions | 90, 94 | | | | |
| | 305-4 | GHG emissions intensity | 90, 94 | | | | |
| | 305-5 | Reduction of GHG emissions | 90, 94 | | | | |

| GRI Standard | | Disclosure | Page | Omission/Comments | SASB | SDG | UN Global Compact |
|---|---|---|---|---|---|---|---|
| **Responsibility** | | | | | | | |
| **GRI 103:** Management Approach 2016 | 103–1 | Explanation of the material topic and its Boundary | 59–65, 80–88 | | IF-EN-160a.2 | 5 GENDER EQUALITY<br>Subtargets:<br>5.1<br>5.5<br>8 DECENT WORK AND ECONOMIC GROWTH<br>Subtargets:<br>8.5<br>8.7<br>8.8<br>11 SUSTAINABLE CITIES AND COMMUNITIES<br>Subtargets:<br>11.6<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>Subtargets:<br>12.2<br>12.4<br>12.5<br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS<br>Subtargets:<br>16.1<br>16.3<br>16.5 | **Principle 1, Human rights:** Businesses should support and respect the protection of internationally proclaimed human rights.<br>**Principle 2, Human rights:** Businesses should make sure that they are not complicit in human rights abuses.<br>**Principle 3, Labor:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.<br>**Principle 4, Labor:** Businesses should uphold the elimination of all forms of forced and compulsory labor.<br>**Principle 5, Labor:** Businesses should uphold the effective abolition of child labor.<br>**Principle 6, Labor:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.<br>**Principle 8, Environment:** Businesses should undertake initiatives to promote greater environmental responsibility.<br>**Principle 10, Anti-corruption:** Businesses should work against corruption in all its forms, including extortion and bribery. |
| | 103–2 | The management approach and its components | 44–46, 59–65, 80–86, 89 | | IF-EN-160a.2; IF-EN-510a.3; IF-EN-410a.2 | | |
| | 103–3 | Evaluation of the management approach | 46, 80–86 | | IF-EN-160a.2 | | |
| **GRI 205:** Anti-Corruption 2016 | 205–2 | Communication and training about anti-corruption policies and procedures | 45, 83–84 | | | | |
| | 205–3 | Confirmed incidents of corruption and actions taken | 84 | Not broken down by employee category, business partner or region. | IF-EN-510a.2 | | |
| **GRI 206:** Anti-competitive behavior 2016 | 206–1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 84 | | IF-EN-510a.2 | | |
| **GRI 306:** Waste 2020 | 306-1 | Waste generation and significant waste-related impacts | 85 | | | | |
| | 306-2 | Management of significant waste-related impacts | 85, 94 | | | | |
| | 306-4 | Waste diverted from disposal | 93–94 | Limited to % of self-generated waste to landfill. Hazardous waste is not reported. | | | |
| **GRI 307:** Environmental Compliance 2016 | 307-1 | Non-compliance with environmental laws and regulations | 92 | | IF-EN-160a.1 | | |
| **GRI 308:** Supplier environmental assessment 2016 | 308–1 | New suppliers that were screened using environmental criteria | 83–84 | The percentage of screened suppliers is not reported. | | | |
| **GRI 403:** Occupational Health and Safety 2018 | 403–1 | Occupational health and safety management system | 81–82 | | | | |
| | 403–2 | Hazard identification, risk assessment, and incident investigation | 81–82 | | | | |
| | 403–3 | Occupational health services | 81–82 | | | | |
| | 403–4 | Worker participation, consultation, and communication on occupational health and safety | 81–82 | | | | |
| | 403–5 | Worker training on occupational health and safety | 81–82 | | | | |
| | 403–6 | Promotion of worker health | 81–82 | | | | |
| | 403–7 | Prevention and mitigation of occupational health and safety impacts directly related to business relationships | 81–82 | | | | |
| | 403–8 | Workers covered by an occupational health and safety management system | 81–82, 92 | | | | |
| | 403–9 | Work-related injuries | 81–82, 92, 94 | The number of hours is not reported. | IF-EN-320a.1 | | |

| GRI Standard | | Disclosure | Page | Omission/Comments | SASB | SDG | UN Global Compact |
|---|---|---|---|---|---|---|---|
| **Responsibility cont.** | | | | | | | |
| **GRI 405:** Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees | 40–41, 86, 93 | Age groups are not reported. | | | |
| **GRI 406:** Non-discrimination 2016 | 406-1 | Incidents of discrimination and corrective actions taken | 45, 83–84, 86 | Number and type of action are not reported. | | | |
| **GRI 409:** Forced or compulsory labor 2016 | 409–1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 83–84 | | | | |
| **GRI 412:** Human rights assessment 2016 | 412–2 | Employee training on human rights policies or procedures | 83–84 | Number of hours is not reported. | | | |
| | 412–3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | 83–84 | The number and definition are not reported. The disclosure refers to the Supplier Code of Conduct. | | | |
| **GRI 414:** Supplier Social Assessment 2016 | 414-1 | New suppliers that were screened using social criteria | 83–84 | The percentage of screened suppliers is not reported. | | | |
| **Sustainable industry** | | | | | | | |
| **GRI 103:** Management Approach 2016 | 103–1 | Explanation of the material topic and its Boundary | 59–65, 70–79 | | | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Subtargets: 9.1 9.4 11 SUSTAINABLE CITIES AND COMMUNITIES Subtargets: 11.1 11.2 11.3 11.6 11.7 | |
| | 103–2 | The management approach and its components | 44–46, 59–65, 70–79 | | | | |
| | 103–3 | Evaluation of the management approach | 46, 70–79 | | | | |
| Skanska's own disclosure | SoD-1 | Value of certified commercial buildings | 73 | | IF-EN-410a.1 | | |

**Unmapped SASB metrics**

| | |
|---|---|
| IF-EN-250a.1-2; IF-EN-410b.2-3; IF-EN-000.A-B | No Group level disclosure |
| IF-EN-410b.1 | page 91 |
| IF-EN-510a.1 | Zero |
| IF-EN-000.C | Note 42 |

# Quarterly information

| In accordance with IFRS | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK M** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Order bookings** | **42,314** | **26,581** | **49,760** | **34,935** | **39,840** | **31,781** | **36,908** | **41,274** |
| **Profit/loss** | | | | | | | | |
| Revenue | 41,114 | 33,897 | 36,210 | 32,644 | 42,625 | 36,678 | 40,701 | 40,340 |
| Cost of sales | -36,337 | -30,833 | -31,561 | -29,425 | -37,659 | -33,214 | -35,802 | -36,781 |
| **Gross income** | **4,777** | **3,064** | **4,650** | **3,219** | **4,966** | **3,463** | **4,899** | **3,559** |
| Selling and administrative expenses | -2,263 | -1,796 | -1,915 | -1,890 | -2,414 | -1,824 | -1,895 | -2,136 |
| Income from joint ventures and associated companies | 99 | 189 | 45 | 116 | 3,851 | 70 | 35 | 59 |
| **Operating income** | **2,612** | **1,457** | **2,780** | **1,444** | **6,403** | **1,709** | **3,038** | **1,482** |
| Interest income | 21 | 14 | 16 | 17 | 11 | 19 | 24 | 64 |
| Interest expense | -60 | -45 | -54 | -64 | -71 | -85 | -79 | -69 |
| Change in fair value | -2 | 0 | 0 | 1 | 1 | 0 | -2 | -1 |
| Other financial items | -20 | 8 | 2 | -1 | 4 | 5 | -7 | -41 |
| **Financial items** | **-62** | **-23** | **-36** | **-47** | **-56** | **-61** | **-65** | **-47** |
| **Income after financial items** | **2,550** | **1,434** | **2,743** | **1,397** | **6,348** | **1,648** | **2,973** | **1,435** |
| Taxes | -335 | -229 | -438 | -237 | -1,412 | -345 | -514 | -236 |
| **Profit for the year** | **2,216** | **1,206** | **2,306** | **1,160** | **4,935** | **1,303** | **2,460** | **1,199** |
| Profit for the period attributable to | | | | | | | | |
| Equity holders | 2,210 | 1,197 | 2,296 | 1,161 | 4,933 | 1,295 | 2,451 | 1,196 |
| Non-controlling interests | 6 | 9 | 9 | -1 | 2 | 9 | 9 | 2 |
| **Other comprehensive income** | | | | | | | | |
| **Items that will not be reclassified to profit or loss for the period** | | | | | | | | |
| Remeasurement of defined-benefit pension plans | 856 | -713 | 813 | 1,629 | 549 | -1,681 | 250 | -121 |
| Tax on items that will not be reclassified to profit or loss for the period | -202 | 125 | -154 | -344 | -120 | 337 | -58 | 52 |
| | **654** | **-588** | **659** | **1,285** | **429** | **-1,344** | **192** | **-69** |

| In accordance with IFRS | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK M** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Items that have been or will be reclassified to profit or loss for the period** | | | | | | | | |
| Translation differences attributable to equity holders | 616 | 446 | -466 | 1,210 | -1,036 | -395 | -1,339 | 650 |
| Translation differences attributable to non-controlling interests | 3 | 1 | 1 | 2 | -2 | 0 | -4 | -1 |
| Hedging of exchange rate risk in foreign operations | 14 | 14 | -12 | 24 | -38 | -13 | -53 | 85 |
| Effect of cash flow hedges | 11 | -41 | 81 | -49 | 164 | -63 | 31 | -97 |
| Share of other comprehensive income of joint ventures and associated companies | 8 | 26 | 42 | 37 | -136 | 25 | 0 | -65 |
| Tax on items that have been or will be reclassified to profit for the period | -6 | 8 | -15 | 10 | -2 | 9 | 17 | -3 |
| | **646** | **455** | **-369** | **1,234** | **-1,050** | **-437** | **-1,348** | **569** |
| **Other comprehensive income after tax for the period** | **1,300** | **-133** | **291** | **2,519** | **-621** | **-1,781** | **-1,156** | **500** |
| **Comprehensive income for the period** | **3,516** | **1,073** | **2,596** | **3,679** | **4,314** | **-477** | **1,303** | **1,699** |
| Comprehensive income for the period attributable to | | | | | | | | |
| Equity holders | 3,507 | 1,063 | 2,585 | 3,678 | 4,313 | -485 | 1,298 | 1,698 |
| Non-controlling interests | 9 | 9 | 11 | 1 | 1 | 8 | 5 | 1 |
| Order backlog[1] | 207,031 | 197,623 | 201,279 | 193,443 | 178,924 | 182,905 | 188,969 | 199,020 |
| Capital employed | 66,729 | 64,060 | 62,008 | 60,588 | 61,129 | 59,626 | 59,657 | 58,823 |
| Interest-bearing net receivables/ net liabilities | 12,598 | 8,566 | 8,124 | 8,793 | 7,280 | -1,329 | -1,376 | -3,243 |
| Debt/equity ratio | -0,3 | -0,2 | -0,2 | -0,2 | -0,2 | 0,0 | 0,0 | 0,1 |
| Return on capital employed, % | 13,4 | 19,8 | 20,5 | 21,1 | 21,5 | 15,8 | 16,0 | 14,6 |
| **Cash flow** | | | | | | | | |
| Cash flow from operating activities | 3,818 | 1,487 | -1,659 | 3,791 | 4,786 | 2,039 | 2,230 | 2,229 |
| Cash flow from investing activities | -3,149 | -236 | -912 | -7,071 | 1,796 | 832 | -820 | -237 |
| Cash flow from financing activities | -804 | -240 | -3,999 | -10 | -1,194 | -1,187 | -86 | 1,284 |
| **Cash flow for the period** | **-135** | **1,011** | **-6,570** | **-3,290** | **5,388** | **1,684** | **1,324** | **3,276** |

1 Refers to Construction.

*Quarterly information, continued*

**Business streams**

| **In accordance with IFRS** | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK M** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Order bookings** | | | | | | | | |
| Construction | 42,314 | 26,581 | 49,760 | 34,935 | 39,840 | 31,781 | 36,908 | 41,274 |
| **Total** | **42,314** | **26,581** | **49,760** | **34,935** | **39,840** | **31,781** | **36,908** | **41,274** |
| | | | | | | | | |
| **Revenue** | | | | | | | | |
| Construction | 37,618 | 33,252 | 32,362 | 29,354 | 34,189 | 34,442 | 35,914 | 35,939 |
| Residential Development | 3,953 | 2,422 | 2,446 | 2,174 | 3,555 | 2,436 | 3,744 | 1,926 |
| Commercial Property Development | 3,189 | 657 | 3,733 | 3,193 | 7,319 | 1,979 | 3,506 | 5,333 |
| Central and Eliminations | -3,646 | -2,435 | -2,331 | -2,078 | -2,437 | -2,179 | -2,463 | -2,858 |
| **Total** | **41,114** | **33,897** | **36,210** | **32,644** | **42,625** | **36,678** | **40,701** | **40,340** |
| | | | | | | | | |
| **Operating income** | | | | | | | | |
| Construction | 1,585 | 1,196 | 1,510 | 722 | 1,113 | 1,049 | 777 | 589 |
| Residential Development | 444 | 214 | 176 | 302 | 486 | 266 | 674 | 87 |
| Commercial Property Development | 772 | 114 | 1,203 | 545 | 1,535 | 494 | 1,634 | 1,016 |
| Central | -189 | -37 | -85 | -104 | 3,170 | -98 | -121 | -121 |
| of which PPP sales | 75 | 85 | 33 | 37 | 3,741 | 1 | -2 | -5 |
| Eliminations | 0 | -30 | -25 | -21 | 100 | -2 | 74 | -90 |
| **Total** | **2,612** | **1,457** | **2,780** | **1,444** | **6,403** | **1,709** | **3,038** | **1,482** |

| **According to Segment Reporting** | 2021 | | | | 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| **SEK M** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| **Order bookings** | | | | | | | | |
| Construction | 42,314 | 26,581 | 49,760 | 34,935 | 39,840 | 31,781 | 36,908 | 41,274 |
| **Total** | **42,314** | **26,581** | **49,760** | **34,935** | **39,840** | **31,781** | **36,908** | **41,274** |
| | | | | | | | | |
| **Revenue** | | | | | | | | |
| Construction | 37,618 | 33,252 | 32,362 | 29,354 | 34,189 | 34,442 | 35,914 | 35,939 |
| Residential Development | 3,645 | 2,053 | 4,170 | 4,509 | 3,506 | 4,763 | 1,402 | 3,400 |
| Commercial Property Development | 6,699 | 556 | 1,243 | 2,605 | 8,746 | 901 | 577 | 4,759 |
| Central and Eliminations | -3,596 | -2,435 | -2,381 | -2,078 | -2,441 | -2,156 | -2,402 | -2,931 |
| **Total** | **44,365** | **33,427** | **35,395** | **34,390** | **44,000** | **37,949** | **35,491** | **41,166** |
| | | | | | | | | |
| **Operating income** | | | | | | | | |
| Construction | 1,585 | 1,196 | 1,510 | 722 | 1,113 | 1,049 | 777 | 589 |
| Residential Development | 419 | 318 | 573 | 669 | 475 | 481 | 194 | 394 |
| Commercial Property Development | 1,723 | 84 | 391 | 1,066 | 1,692 | 101 | -9 | 2,112 |
| Central | -189 | -37 | -85 | -104 | 3,170 | -98 | -121 | -121 |
| of which PPP sales | 75 | 85 | 33 | 37 | 3,741 | 1 | -2 | -5 |
| Eliminations | 88 | -20 | -52 | -27 | 138 | -7 | 4 | -73 |
| **Total** | **3,627** | **1,542** | **2,338** | **2,327** | **6,588** | **1,526** | **845** | **2,901** |

# Annual General Meeting

The Annual General Meeting (the "Meeting") of Skanska AB (publ) (the "Company") will be held on Tuesday March 29, 2022.

In light of the risk of the spread of Covid-19, the Board of Directors (the "Board") has decided that the Meeting, pursuant to temporary legislation, will be conducted without physical presence, by shareholders exercising their voting rights only by postal voting.

Information about the decisions made by the Meeting will be published on March 29, 2022, as soon as the outcome of the postal voting has been finally compiled.

**Right to participate and notice of participation**

A person who wishes to participate in the Meeting, through postal voting, must:

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB regarding the conditions on Monday March 21, 2022; and
- give notice of intent to participate to the Company no later than on Monday March 28, 2022, by submitting its postal vote in accordance with the instructions under the heading *Postal voting* below, so that the postal vote is received by Euroclear Sweden AB no later than that day at 11.59 pm CET.

In order to be entitled to participate in the Meeting, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the Meeting by submitting its postal vote, register its shares in its own name so that the shareholder is listed in the presentation of the share register as of Monday March 21, 2022. Such re-registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee, in accordance with the nominee's routines, at such a time in advance as required by the nominee. Voting rights registrations that have been made by the nominee no later than Wednesday March 23, 2022, will be taken into account in the presentation of the share register.

**Postal voting**

Shareholders exercise their voting rights at the Meeting only by voting in advance using postal voting in accordance with the Act on temporary exceptions to facilitate the execution of general meetings in companies and other associations that entered into force as of March 1, 2022. A special form must be used for postal voting, available on the Company's website www.group.skanska.com/, under the heading "Corporate Governance/Shareholders' Meeting/AGM 2022", and at the Company's offices, Warfvinges väg 25, SE-112 74 Stockholm, Sweden. No separate registration shall be made; a completed and signed postal voting form is valid as notice to participate in the Meeting. The completed and signed postal voting form must be received by Euroclear Sweden AB no later than Monday March 28, 2022, at 11.59 pm CET.

Shareholders may sign the form electronically by verifying with BankID via Euroclear Sweden AB's website, https://anmalan.vpc.se/euroclearproxy. The completed form may also be sent by e-mail to the Company via GeneralMeetingServices@euroclear.com or be posted to the Company via address to Skanska AB (publ), "Årsstämman", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden. If the shareholder votes by post through a proxy, a power of attorney must be enclosed with the form see below under the heading *Voting by proxy*. If the shareholder is a legal entity, proof of registration or other authorization document must be enclosed with the form.

Shareholders may not assign specific instructions or conditions to the postal vote. The postal voting form will be deemed to be invalid in its entirety in such case. Additional instructions and conditions are provided in the postal voting form.

**Voting by proxy**

Shareholders who vote by post through a proxy must issue a written and dated power of attorney for the proxy signed by the shareholder. Proxy forms can be found on the Company's website www.group.skanska.com/ under the heading "Corporate Governance/Shareholders' Meeting/AGM 2022". If the postal vote takes place with the support of a power of attorney, the power of attorney must be attached to the postal voting form. If the shareholder is a legal entity, a copy of a valid registration certificate or equivalent authorization documents must also be attached to the postal voting form.

The power of attorney is valid for a maximum of one year from the date of issue, unless the power of attorney states a longer period of validity, however, for a maximum of five years from the time of issue.

**Shareholders' right to receive information**

If requested by a shareholder and the Board deems that it can take place without causing significant damage to the Company, the Board and the President and CEO shall provide information about circumstances that may affect the assessment of an item on the agenda and circumstances that may affect the assessment of the Company's or its subsidiaries' financial position and the Company's relation to other companies within the Group. Requests of such information must be submitted in writing to the Company no later than ten days before the Meeting, i.e. no later than Saturday March 19, 2022, to the address Skanska AB (publ), c/o the General Counsel, Warfvinges väg 25, SE-112 74 Stockholm, Sweden, or via e-mail to arsstamma@skanska.se. The information is provided by the Company by being kept available on the Company's website www.group.skanska.com/, under the heading "Corporate Governance/Shareholders' Meeting/AGM 2022", and at the Company's offices on the address stated above no later than Thursday March 24, 2022. The information will be sent to shareholders having requested it and stated their address.

**Dividend and record date**

The Board proposes a dividend for 2021 of SEK 10.00 (9.50) per share, of which SEK 7.00 (6.50) per share as ordinary dividend and SEK 3.00 (3.00) per share as extraordinary dividend. The Board proposes Thursday March 31, 2022, as the record date for receiving dividend. If the Meeting resolves in accordance with the Board's proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Tuesday April 5, 2022. The proposed dividend totals SEK 4,122 M (3,917). No dividend is paid for the Parent Company's holding of Series B treasury shares. The total dividend amount may change up to the time of the record date, depending on the repurchase of own Series B shares and transfer of Series B shares to participants in the Company's long-term share saving programs.

The Notice to attend the Meeting is available at the Company's offices, Warfvinges väg 25, SE-112 74 Stockholm, Sweden, and on the Company's website www.group.skanska.com/, under the heading "Corporate Governance/Shareholders' Meeting/AGM 2022".

# Investors

**Calendar**

The Group's interim reports will be published on the following dates:

| | |
|---|---|
| **Three Month Report** | May 4, 2022 |
| **Six Month Report** | July 21, 2022 |
| **Nine Month Report** | October 26, 2022 |
| **Year-end Report** | February 3, 2023 |

**Distribution and other information**

The interim reports and annual reports can be read or downloaded on Skanska's website group.skanska.com/investors.

Those wishing to order the printed Annual Report can easily use the order form found on the above website, or contact Skanska AB, Investor Relations.

The website also contains an archive of interim reports and annual reports.

facebook.com/skanska

linkedin.com/company/skanska

twitter.com/skanskagroup

**If you have questions, please contact:**

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More information on Skanska can be found at group.skanska.com

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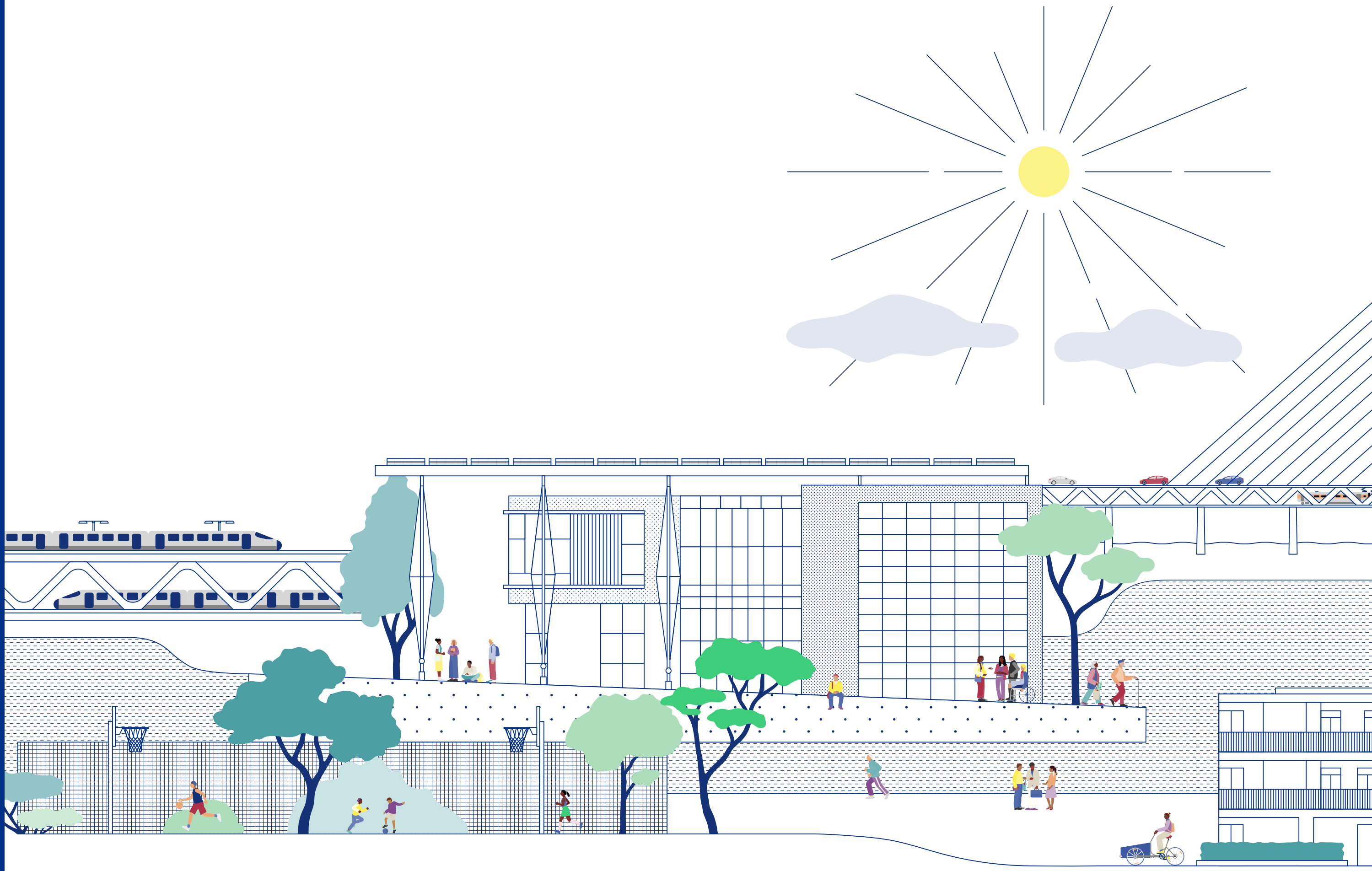

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