

Skanska risk universe and identified top risks

Based on all business units' enterprise risk registers, an annual review of Skanska's enterprise risk environment is conducted. 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 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, or working in the wrong markets or sub-markets, or entering the wrong new markets.	<ul style="list-style-type: none"> ■ Lost business opportunities ■ Financial and non-financial consequences for projects ■ Project losses and investment write-downs ■ Damaged reputation and inability to meet project commitments. 	<p>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 markets 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.</p> <p>Read more on global trends on pages 12–13.</p>
Climate risk		
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.	<ul style="list-style-type: none"> ■ Operational cost increases or project delays due to extreme weather conditions ■ Project losses and investment write-downs ■ Increased cost of carbon (e.g., carbon taxes) ■ Damaged reputation and inability to meet project commitments ■ Fines, penalties, lawsuits. 	<p>Our climate target of achieving net-zero carbon emissions by 2045 guides our work on reducing the climate impact from 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.</p> <p>Read more on our climate adaptation and carbon reduction work on pages 68–72.</p>
Pandemic causing large-scale disruption		
Large-scale workforce disruption caused by e.g., epidemic, pandemic, war or civil unrest.	<ul style="list-style-type: none"> ■ Health impacts on employees ■ Supply chain disruption ■ Delays to construction schedules caused by requirements for social distancing, sanitizing protocols, travel limitations and school closures ■ Disruption to housing markets caused by lockdowns and reduced consumer confidence ■ Closure of offices and changes to ways of working. 	<p>Teams have been formed in all business units and at Group level to monitor, report on and react quickly to developments, including in markets, supply chains, travel restrictions and local regulations. Best practices in risk management and new ways of working were identified and shared rapidly. Group Temporary Instructions for management of critical risks are issued to reinforce existing steering documents such as our Health and Safety Standard. Close monitoring at the business unit and group level of cash position, and commercial and claims issues. IT systems facilitating remote working and online conferencing were scaled up and security was reinforced, and planned new tools were implemented on an accelerated schedule.</p>
Diversity and inclusion risk		
Employment discrimination based on gender, age, ethnicity, family situation, educational background and work experience. Non-inclusive workplace culture, resulting in exclusionary experiences and cases of discrimination and harassment.	<ul style="list-style-type: none"> ■ Difficulties attracting, recruiting and/or retaining employees with the necessary skills and expertise ■ Lower employee engagement and productivity due to non-inclusive behaviors and experiences ■ Financial and non-financial consequences for projects ■ Damaged reputation and inability to meet project commitments ■ Fines, penalties, lawsuits. 	<p>Fostering a diverse and inclusive culture enables us to achieve stronger outcomes together. Diversity and inclusion are integrated into employee attraction and recruitment initiatives, employee performance review processes and leadership development programs. Targets including appropriate action plans for diversity and inclusion 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.</p> <p>Read more on diversity and inclusion on pages 76–78.</p>
Lack/loss of key employees		
Inability to attract, recruit and retain a skilled, diverse and committed workforce.	<ul style="list-style-type: none"> ■ Difficulties attracting, recruiting and/or retaining employees with the necessary skills and expertise ■ Financial and non-financial consequences for projects ■ Lower employee engagement and productivity due to non-inclusive behaviors and experiences ■ Damaged reputation and inability to meet project commitments. 	<p>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.</p>

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.	<ul style="list-style-type: none"> ■ Operational inefficiency, increasing costs and decreasing profits ■ Project losses and investment write-downs ■ Reduced ability to deliver for customers and inability to meet project commitments ■ Pursuing and winning the wrong projects ■ Damaged reputation ■ Fines, penalties, lawsuits. 	The Governance Framework provides clarity of 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.

Risk area and description	Potential impact	Mitigation measures/activities
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.	<ul style="list-style-type: none"> ■ Margin fade, operational inefficiency, increasing costs and decreasing profits ■ Project losses and investment write-downs ■ Reduced ability to deliver for customers and inability to meet project commitments ■ Damaged reputation ■ 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.	<ul style="list-style-type: none"> ■ 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 ■ Environmental or safety incidents, or breaches of human rights throughout the supply chain ■ Decreased ability to deliver for customers and inability to meet project commitment ■ Damaged reputation if suppliers and subcontractors act in ways not consistent with Skanska's values ■ 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. Read more on Skanska's responsible supply chain on page 66.
Health and safety risk		
Injuries, accidents, fatal accidents and ill-health affecting people at our sites, or people affected by our operations.	<ul style="list-style-type: none"> ■ Fatal accidents, life-changing injuries, and injuries and long-term ill-health that reduce life expectancy or quality of life ■ Fines, penalties, lawsuits ■ Damaged reputation and loss of trust as a responsible company. 	It is mandatory for all business units to be certified to the ISO 45001 standards. Our Sustainability policy and Group Health and Safety Standard provides expected behavior for all Skanska workplaces and cover aspects that include training, incident management, risk assessment and instructions for personal protective equipment. Employee training in proper health and safety practices has been further developed to improve safety. 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. Read more on our health and safety work on pages 60–62.
Environmental risk		
Major environmental incidents in operations or in the supply chain, or pollution or other negative environmental impacts.	<ul style="list-style-type: none"> ■ Harm to people and ecosystems ■ Negative environmental impact ■ Margin fade, operational inefficiency, increasing costs and decreasing profits ■ Inability to meet project schedules ■ Damaged reputation and loss of license to operate ■ Fines, penalties, lawsuits. 	Mandatory (ISO 14001) certification ensures a systematic approach to managing environmental risk and issues. Environmental specialists at Group and business unit levels secure compliance with our environmental expectations, 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. Read more on our green work on pages 68–72.

Risk area and description	Potential impact	Mitigation measures/activities
Operational risks		
Resource efficiency		
Inefficient or wasteful use of energy, materials, waste and water.	<ul style="list-style-type: none"> ■ Negative environmental impact ■ Margin fade, operational inefficiency, increasing costs and decreasing profits ■ Inability to meet project schedule ■ Failure to reach climate targets ■ Damaged reputation and loss of license to operate ■ Fines, penalties, lawsuits. 	<p>Circularity and resource efficiency are connected 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 and reducing emissions and waste, and creating new business opportunities. The Skanska climate target and climate plans drives development, innovation and improvements on circularity and resource efficiency.</p> <p>Read more on our circularity and resource efficiency work on page 72.</p>
IT systems and information		
Cyber security breach.	<ul style="list-style-type: none"> ■ Social Engineering ■ Ransomware/Malware ■ Unauthorized access ■ Cyber fraud ■ Hacking. 	<p>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 to security awareness to all users. We also ensure and verify that suppliers handling Skanska information mitigate cyber risks in line with our minimum requirements.</p>

Risk area and description	Potential impact	Mitigation measures/activities
Financial risks		
Macro economic instability		
Economic slowdown or increasing protectionism with trade protection measures in the political landscape.	<ul style="list-style-type: none"> ■ Financial and non-financial consequences for projects, e.g., decrease in productivity due to increased regulation ■ Decrease and/or postponement of new projects, both public and private customers ■ Decrease in competition could bring new business opportunities for Skanska ■ Shift in preference to companies with a strong financial position and/or long-term relationship ■ Increase in land banking opportunities due to lower competition, stressed sellers. 	<p>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.</p> <p>Read more on macro trends with significance for Skanska's operations on pages 12–13.</p>
Increased competition		
Increased competition, including low-cost actors new to the market, major market downturn or lack of projects.	<ul style="list-style-type: none"> ■ Below-cost pricing, decreased margins ■ Lost business opportunities. 	<p>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.</p>
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.	<ul style="list-style-type: none"> ■ Loss of access to the financial market and financing on favorable terms ■ Breach of financing agreements ■ Reduction in positive cash flow, reduction in negative capital employed ■ Downgrading or bankruptcy of banks. 	<p>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.</p> <p>Read more on Skanska's financial risk in Note 6, Financial instruments and financial risk management on pages 122–130.</p>

Risk area and description	Potential impact	Mitigation measures/activities
Regulatory risks		
Ethical breach, anti-corruption and bribery		
<p>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.</p>	<ul style="list-style-type: none"> ■ Damaged reputation and loss of trust as a responsible company ■ Delisting from public procurement. ■ Fines, penalties, civil lawsuits and criminal charges ■ Decreased ability to deliver for customers and inability to meet project commitments. 	<p>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 actions.</p> <p>Read more on Skanska's focus on ethics, including anti-corruption, bribery and human rights, on pages 64–66.</p>
Human rights violations		
<p>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.</p>	<ul style="list-style-type: none"> ■ Harm to people and environment ■ Damaged reputation and loss of trust as a responsible company ■ Fines, penalties, civil lawsuits and criminal charges. 	<p>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 the Supplier Code of Conduct. Reported deviations may have consequences such as termination of agreements.</p> <p>Read more on Skanska's focus on sustainability, on pages 58–86.</p>
Political risk		
<p>Any act, decision or ruling by a government, regional or local decision maker, public authority or similar.</p>	<ul style="list-style-type: none"> ■ Negative impact on projects or business unit. 	<p>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.</p> <p>Read more on Skanska's governance in the corporate governance report on pages 33–41.</p>