

# Sustainable development

## Always thinking ahead

Skanska's commitment to sustainable development and the contribution made thus far to improving the Group's environmental, social and economic performance are well known to many stakeholders. This is the twelfth year that Skanska has reported publicly on achievements relating to these important aspects of business. Initially, the focus was on the environment. In more recent years, this has been expanded to include all three areas of sustainable development – social, environmental and economic – proof in itself that Skanska operates well ahead of most of the construction industry in terms of this commitment.

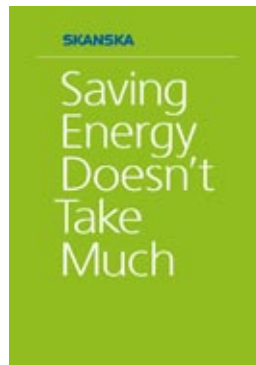
Skanska has made significant progress since it published its first Environment Report for 1996. Some of this is evident from the many successful projects completed around the world, using innovative approaches to overcome a variety of challenges related to sustainability. Improved gathering and interpretation of appropriate data – on accident statistics, training, recycling rates and even the evaluation of chemical products – has also contributed to a greater understanding of Skanska's real impact – socially, environmentally and economically. Companies today, across all sectors, operate in a rapidly changing landscape. Ideas and actions regarded as showing environmental initiative a few years ago are now an integral part of most organizations' daily activity. However, the construction industry in particular occupies an unusual position in terms of sustainability.

### Meaningful measurement and reporting

Construction is a project-based business. Buildings are designed, financed, built, commissioned and leased or sold in a complex series of interrelated transactions. The project list is always changing and, as a consequence, Skanska and its workforce is always in flux. This makes measurement of many of the conventional reporting parameters for sustainability, which work satisfactorily in other business sectors, difficult if not impossible in this industry. Where performance data can be gathered, it frequently provides a meaningless comparison for year-on-year improvements because baselines are constantly moving. Skanska believes that further work is required by major players in construction and related areas, to ensure that where data is used for reporting, it is both meaningful and accurate.

### With leadership comes responsibility

The construction industry is ideally placed to make a significant contribution to the sustainable development agenda. Skanska's position of leadership carries with



Making sure the workforce lives and breathes its philosophy on sustainability is vital for Skanska in order to achieve its goals. To this end, during 2007 the company produced a number of publications to help and guide employees, from a booklet of practical energy tips to a comprehensive range of energy efficiency best practice guides on operating construction machinery in ways that reduce greenhouse gas emissions.

its responsibilities. Not only does the company need to constantly improve its own performance in all three areas – society, environment and economy – it must also contribute to raising standards throughout the entire building sector. The purpose of this Sustainability Review is to report on the achievements made in the past year, as well as highlighting areas of business where further work is still required. Many of the initiatives that began during the year will form the foundation for an even stronger, sustainable future for Skanska, its workforce and customers.

Through its Environmental Policy, published this year, and a three-year Environmental Strategy taking the company to 2010, Skanska has made several public commitments about its strategic objectives, key performance indicators (KPI) and targets. These will form the basis of future reporting, both internally and externally, using the annual Sustainability Review and the Skanska Group website.

Social aspects, important to Skanska's future development, are also the focus of programs which were implemented in 2007 and will take the business forward to the end of the decade. Health and safety are Skanska's single most important social responsibility. To this end, during 2007 a revised Safety Policy, Guidelines and Standards were put in place throughout all of Skanska's home markets. In support of this policy, there is a monthly, company-wide Safety Statistics Reporting Protocol supported by a global reporting database for collection and analysis.

Economically, the future focus for Skanska will be on developments in major cities and conurbations. By 2030, an estimated 60 percent of the world's population will be living in urban areas. It is Skanska's objective in its home markets to ensure that it contributes to the quality of life of city dwellers, not only through the construction of new office buildings but also by providing infrastructure development, including new hospitals and schools.

## Gas plant exceeds targets

The construction of the El Casquete gas plant in a desolate part of Argentina some 1,300 km (800 mi.) west of Buenos Aires was a major challenge, which was performed so well that the project received the internal award Best Project of the Year in the Civil Engineering category. The customer benefited from completion of the project ahead of schedule.

Skanska fulfilled both its financial and quality targets. The margin was above average, and the job was carried out entirely without accidents.



Skanska's 5 zero visions – zero loss-making projects, zero environmental incidents, zero work site accidents, zero ethical breaches and zero defects – are closely aligned with the concept of sustainable development. They continue to be central to the company's philosophy.

Management systems, reporting structures and training procedures have been in place for several years to ensure that Skanska operates all of its business units, in every home market, to ensure compliance with all relevant laws, regulations and standards. Skanska will continue to work with regulators, quality assurance bod-

ies and many other stakeholders to understand fully the particular challenges and opportunities facing the construction industry, and to encourage the adoption of measurement tools that are more meaningful to project-based activities than heretofore. The result will be improved accuracy and relevance of the reporting and benchmarking of environmental, social and economic impacts – not only for Skanska, or for the construction industry, but also for other sectors that are project-, rather than manufacturing, focused.

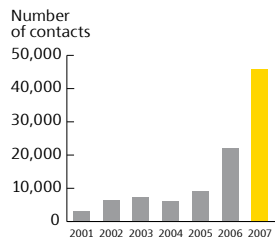
Gaining independent recognition is an important part of demonstrating that a business is on the right track. Here is a selection of Skanska's achievements this year:

- Skanska UK won the 2007 award for Best Sustainable Contractor/Construction Manager of the Year from Business Sustainability Awards.
- Skanska Latin America won the Latin American Safety Award from the Latin American Association of Occupational Safety and Hygiene (ALASEHT).
- Skanska USA Building was rated the Top Green Contractor in the Green Contractors Survey.
- In Poland, Skanska is the highest ranked construction company in corporate social responsibility (CSR), according to German publication Manager Magazin 2007 Good Company ranking and Skanska was rated general contractor with the highest economic value-added in a list of 50 companies with the highest EVA published in 2007 by the Rzeczpospolita daily.
- Skanska Finland earned first prize in all categories of Going Safely in the 21st Century – the annual occupational safety competition in the Uusimaa region in southern Finland. Skanska won the awards for the Espoo Reimantorni residential project and for a civil project in Ilves and was named best company in both the residential and civil construction categories. The annual trophy was presented by the Uusimaa Occupational Safety Inspectorate.



Six Skanska business units (Skanska UK, Skanska Norway, Skanska Sweden, Skanska Commercial Development Nordic, Skanska Residential Development Nordic and Skanska USA Building) actively contributed to the Sustainable City Development Conference in Malmö, Sweden in September 2007. This Nordic event was one of a number held regionally around the world, culminating in a global conference during 2008 in Melbourne, Australia. Best practices and advice on the correct selection and use of sustainable construction techniques and materials were shared with delegates.

### Spreading the word (Code of Conduct)



Throughout 2007, 45,000 suppliers and sub-contractors were informed about the Skanska Code of Conduct using a variety of communication methods.

## One example of how corporate control is implemented comes from Skanska's operations in the Far East

In China it is a mandatory requirement for all manufacturers and suppliers doing business with Skanska to meet all elements of the Code of Conduct. Operating locally in the region, Skanska staff carry out environmental and social audits, as well as providing a corporate resource for the centralized purchasing operations of Skanska Sweden.

Some important factors in performance include:

- Complying with legal requirements that apply to the countries where Skanska does business.
- Respecting the United Nations Universal Declaration of Human Rights and to recognizing the Group's responsibility to observe those rights.
- Being committed to doing business with a high standard of integrity and ethics.
- Having an open-minded dialogue with those affected by its operations.



Michael Yue is Skanska's chief representative in Shanghai and in charge of the Group's procurement work in the Chinese market.

## Social agenda

### Health and safety

Employees, understandably, play a key role in health and safety. Recognizing the high accident rate for drivers in Skanska Latin America, Skanska took the bold step of installing on-board tachographs in thousands of road vehicles in a bid to make driving safer for workers. Drivers are now more aware of their behavior, which has resulted in a significant reduction in incidents. This dedication to safety contributed to the Latin American Safety Award won by Skanska in 2007.

Skanska Norway also has an excellent safety record, encouraged by its extensive work for the oil and gas sector. Oil sector risk management software has been adopted by Skanska Norway to aid its work toward continuous improvement in this area. This tool allows the reporting of dangerous conditions, accidents and near misses. It also provides supervisors access to corrective actions and shared best practice responses. The reporting element of Synergi produces monthly and quarterly statistics and trends, with data exports being made available to major clients.

Skanska is fully aware that its safety record will only be acceptable when it can record zero fatalities and accidents. Until then, the Company continues to aim for the highest possible safety standards including a zero tolerance policy on any behavior construed as dangerous in the workplace.

Throughout 2007, an increasing number of line managers have been given responsibility with training and competency as key aspects of their role. They are supported by safety experts within the organization.

During 2007, one employee and seven subcontractors sadly lost their lives as a result of accidents. This is clearly unacceptable; when a fatality occurs the Fatality Accident Protocol provides a clear procedure for reporting, investigating and communicating the incident irrespective whether it is a Skanska employee, a subcontractor or a

member of the public. An initial report is submitted to Skanska AB within 48 hours and appropriate actions are undertaken by business unit management in conjunction with external agencies. A final report is submitted to Skanska AB when the investigation is concluded, generic learning is extracted and shared via the Skanska Safety Alert briefing and the Skanska Safety Performance Network reviews each fatality at its half-yearly meetings to identify ways to try to eliminate the risk that similar incidents will occur in the future.

### Business ethics

Based on periodic research by Transparency International, ethical behavior is particularly open to abuse in the construction sector. This presents a constant challenge for responsible companies like Skanska. In 2002 the Company published its Code of Conduct and in 2003 separate Compliance Guidelines were produced to support implementation of this Code. A revised version of the Code will be published in 2008 and the Compliance Guidelines will be updated during the year. Skanska was instrumental in the development of the original United Nations Business Principles for Countering Bribery in the Engineering & Construction Industry. These have now become the Partnership Against Corruption Initiative (PACI) principles – endorsed by over 110 companies employing more than 1.5 million employees worldwide, with annual revenues of USD 500 billion. In an industry which has not enjoyed the most exemplary record, Skanska operates a zero tolerance approach to bribery. Any breaches are dealt with promptly and severely.

### Supply chain

An estimated 75 percent of the costs of Skanska's projects relate to the purchase of goods or services. The procurement processes across all business units involve thousands of suppliers and subcontractors. All must be properly screened and evaluated with regard to national



One health and safety initiative is group warm-up exercises, which take place at the beginning of the working day. In many projects, “stretch and flex” exercises have helped decrease back problems among employees.

legislation, as well as environmental and human rights aspects. The vast majority of purchases are currently handled locally in each project. Procurement is governed by regional management systems adapted to each specific home market. In 2007, Skanska made increasing use of centralized purchasing functions. As this resource is developed, the company will benefit from long-term global agreements with suppliers. As a direct consequence of increased centralized purchasing, further improvements in chain of custody and other international environmental and social initiatives protecting people, natural resources and raw materials will be achievable. Skanska’s procurement team encourages the purchase of materials from sustainable sources wherever possible and is mindful of the need to select suppliers through Pre-Qualifying Questionnaires that assess safety and environmental criteria as part of the prerequisites for being allowed to submit a tender.

### Training

Every method of teaching and communicating must be used, every opportunity taken, to make construction a safer profession. Proper training of everyone involved in a project is crucial. It also plays an important role in educating employees, suppliers and subcontractors about safety and environmental best practices.

Up to 250,000 subcontractors work for Skanska in any given year. They make up a significant proportion of the workforce, and it is important that each of them complies with Skanska’s own stringent health and safety requirements.

As part of the Young Offenders Training and Employment Program, Skanska UK is working in partnership with its customer, National Grid – which manages the country’s gas and electricity infrastructure. This is an example of new initiatives to address the shortage of personnel. A 13-week course is run in prisons to identify and employ future team leaders to work on gas mains replace-

ment. During the training program the trainees are still in prison but are released daily under license. A total of 71 young offenders have commenced the program since July 2005, of whom 28 are now employed full-time by Skanska UK and 5 are still trainees.

During 2007 Skanska further developed an ongoing recruitment program aimed at attracting university-level graduates and, in particular, women, to work for the Company. Skanska is not immune to the skills shortage that faces the global construction industry. However, using innovative recruitment and training techniques both to attract new employees and to ensure better retention of existing personnel, the Company continues to make good progress.

All training is normally delivered throughout Skanska at a business unit level. One exception is a Groupwide program for Skanska’s top 250 executives. The Skanska Top Executive Programme (STEP) focuses on strategy, change and leadership and is delivered in partnership with the IMD business school in Lausanne, Switzerland. Participants also work in project teams that perform assignments for the Group. The result of one of the projects is a new Corporate Citizenship program. This lays out a strategy which links Skanska more effectively, and meaningfully, to the communities in which it operates.

### Diversity

Diversity is about embracing and utilizing the different talents and viewpoints that individuals bring to a team, regardless of their background. Skanska is working hard to ensure that it encourages employees from all walks of life and maximizes its use of the skills they bring with them.

With customer encouragement, Skanska USA Building has developed a Diversity Program at the new Meadowlands Stadium. The goal is to achieve a participation in the project of at least 20 percent from minorities,

Skanska Commercial Development Europe used a range of energy conservation solutions, during the construction of the Nepliget Center in Hungary. Solar panels provide 60 percent of the building's requirements for hot water. Liquid chillers, designed to reduce energy consumption and operating costs, have been installed and automated low energy lighting prevents unnecessary use of electricity. When Skanska Infrastructure Development undertook the construction of Bristol Brunel Academy, carbon emissions of 40 percent less than the required standard were achieved. Sustainable building methods, including the use of recycled materials, sustainable urban drainage systems and the re-use of rainwater were employed throughout the project.

Lowering energy consumption plays a crucial role in reducing carbon dioxide emissions. Analyzing the energy used during the entire life cycle of a typical building, as little as five percent is consumed during construction. Up to 15 percent is embedded in the materials used for its construction (many of which could ultimately be reused or recycled). The remaining 80+ percent is then consumed by occupants during the building's useful operating life. By constructing homes and offices that are energy-efficient, Skanska contributes far more to the reduction of global carbon emissions than the Company could ever achieve at the point of construction, even if total energy consumption during construction were reduced to almost zero.

women and small business enterprises (MWBE). A key aspect of the program is developing and maintaining dialogue and action that promotes the utilization and mentoring of MWBE firms and creates opportunities for them to participate in the project. Using a variety of online media channels, Skanska reached out to over 8,000 minority businesses, encouraging them to contact the Company to learn more about opportunities to become suppliers and subcontractors. Skanska also held sponsored procurement fairs to inform potential MWBE partners about the opportunities for working on the Meadowlands Stadium project and to introduce them to prime contractors.

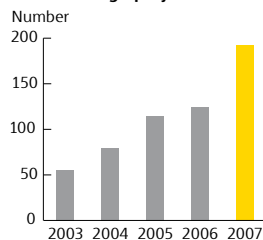
#### Environmentally certified office building in Seattle

The Alley24 office and retail project in downtown Seattle, WA, U.S.A. has received Leadership in Energy and Environmental Design (LEED) Gold certification. Alley24 met LEED Gold standards for both the building and its interior.

Together with the NBBJ architectural firm, Skanska designed and built the project. Both companies now have offices there. For Skanska, it meant about 40 percent less energy consumption than at its previous office. The move to a healthy new environment helped lower employee absences considerably. The customer, Vulcan Real Estate, was also pleased that Skanska completed the building below budget.

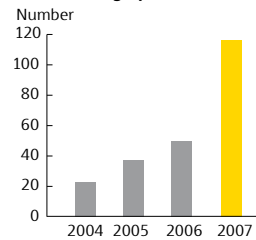


#### Eco design projects



A wide range of Eco Design tools are available throughout Skanska's home markets and business units. The number of projects undertaken during 2007 has risen for the fifth consecutive year.

#### Eco design professionals



The number of trained or accredited professionals available within Skanska increased 6 fold in the past four years.

#### Environmental agenda

##### Energy and climate

The four environmental priority areas in which efforts will be made in the coming years to consolidate Skanska's position as a leading, environmentally responsible business are energy and climate, materials, ecosystems and local impacts.

Skanska's knowledge and experience of sustainable building practices is helping its clients to mitigate climate change. The construction of energy-efficient public, commercial and residential buildings will continue to play a big part in delivering local, national and international targets for reduced carbon dioxide emissions. Although the initial investment can sometimes be higher at the construction phase, properly managed buildings incorporating energy-efficient materials and design ultimately cost much less, both in terms of the total energy consumption, (reductions of 30–40 percent are possible), and their carbon dioxide footprint. However, higher initial cost is not always the case. ModernaHus, a new development in prefabricated housing, is a good example of how Skanska Sweden is building homes which are both more affordable to buy and less expensive to run. Another excellent demonstration of low energy construction is the Holstetin Center for Sustainable Rural Development in the Czech Republic. Built to extremely low energy consumption specifications using traditional techniques and local resources, this project was the first non-residential, passive energy building in Europe to receive EU funding.

Not all projects involve new construction. Skanska Sweden's transformation of existing apartment houses demonstrates how entire communities can be enhanced through the improvement of living conditions. Using sustainable solutions to update residences, Skanska is undertaking more than property renovation – it is looking at ways to create a safe and healthy living environment, both inside buildings and outside. Using environmentally friendly materials and techniques, the trans-



## Earthquake relief

Skanska personnel are closely involved with the construction and operation of coastal installations for the Camisea gas project, a major development situated near Pisco in Peru. The facility is used to separate liquefied natural gas drawn from the Malvinas Gas Plant, which was built by Skanska Latin America.

In August 2007, the region was hit by a major earthquake and the city of Pisco was severely damaged, along with neighboring towns. Thousands of Peruvians were left homeless as a result of the disaster, hospitals and other public buildings were badly damaged, with communication systems and the regional airport also being affected.

A large number of Skanska personnel were in the area at the time of the earthquake, having been given ongoing responsibility for the maintenance of the Camisea plant. Immediately after the earthquake struck, a Crisis Committee was mobilized. Skanska employees and their families were accounted for and moved initially into an emergency center before being relocated to safe, temporary accommodation. A team of volunteers ensured that food, clothing and clean water were delivered to the Skanska families, as well as many of their neighbors. Meanwhile, the condition of the Camisea installation was carefully checked and work began on restarting the liquid fractioning systems. Emergency lighting was also provided to Pisco's town square and to the airport. In the days and weeks following the earthquake, Skanska provided much needed expertise and equipment to help with the disaster relief. In particular, six schools which were severely damaged were quickly demolished, so that temporary accommodation could be erected, enabling classes to continue with a minimum of disruption.

formed apartments will benefit from lower energy consumption and operating costs. Elsewhere, in Norway, the reconstruction of an existing building as part of the UN Environment Program saw the GRID-Arendal offices equipped with solar collectors for water heating, flexible internal wall positioning, the use of advanced insulation materials and other energy-saving measures.

Transporting material, equipment and plant to and from construction sites is an inevitable part of Skanska's activities. To minimize the environmental impact of traffic movements, both in terms of carbon dioxide emissions and local disruption, at the Clarion Sign Hotel in Stockholm, large building components were brought in by rail from Slovakia, in cooperation with Green Cargo (a Swedish environmentally certified freight transportation organization) and the Swedish Rail Administration. Significantly reducing both the carbon dioxide footprint of the project and shipping costs, it is estimated that Skanska Sweden's actions saved the equivalent road miles of 30 truck journeys around the world.

Reducing emissions due to vehicle operations is part of Skanska's Environmental Strategy (2008–2010). The role that vehicle management can play in improving sustainability is recognized by Skanska's new global Green Car policy, introduced to improve fuel efficiency and thus to reduce carbon dioxide emissions throughout the group. All cars owned or leased by Skanska will be categorized according to carbon dioxide emissions. In the short term, new vehicles emitting from 260 to 130 grams per kilometer will be acceptable only when vehicles with lower emissions are not available in local markets. In the medium term, a target of 50 percent of the entire fleet will be replaced by cars that emit less than 130 grams/kilometer, well ahead of the EU target date of 2012.

### Materials

As well as using materials from local sources wherever possible, the reuse, recycling and minimization of final

waste streams are important aspects of all Skanska projects. At the Corona Train Maintenance Facility, constructed by Skanska USA Civil, site redevelopment was undertaken in accordance with the Leadership in Energy and Environmental Design (LEED) certification process. During construction, local suppliers were favoured and 24 percent of the total building supplies used were manufactured from raw materials that were harvested, extracted or recovered from within 800 km (500 miles) of the project site. The priority for the Skanska team was to use sources with low embodied energy or high recycled content. In all, 13 percent of the supplies used were manufactured from recycled material.

### Ecosystems

For many years, Skanska has been actively involved in ecosystem protection, as part of its commitment to reduce the impact of its operations on local flora and fauna. Indirect improvements are best made through considered use of the supply chain. With the trend toward more centralized purchasing, potential exists for more careful selection of major suppliers, to ensure that resources such as timber and quarry products like dimensional stone are only obtained from properly recognized, approved systems. Direct improvements in Skanska's activities are also an important part of current and future operations, particularly where large infrastructure development projects involve the construction of highways or waterways.

Skanska Poland operates a chain-of-custody policy to ensure that wood is only purchased from sustainable sources. Certificates of conformity from recognized forestry plans, along with invoices, are tracked and recorded by the purchasing department to ensure that materials meet the required environmental standards. Further work has been done to educate employees on the verification methods developed by the Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest

Skanska was the first Swedish company to sign up to the EU Corporate Leaders Group on Climate Change. It was also the first company in the construction sector to do so. The Group's recent initiatives include the Bali Communiqué, a call by 150 business leaders for a legally binding UN framework for tackling climate change. Skanska's active involvement in the UN Sustainable Buildings and Construction Initiative, its membership in the World Business Council for Sustainable Development and external relationships with influential groups including the UN Global Compact and UN COP reinforces the Company's position and commitment in terms of sustainability.

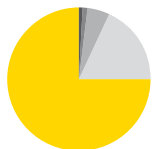


## Choosing a sounder environmental solution

Skanska assumed its environmental responsibility beyond the requirements of the law when manufacturing prefabricated concrete elements in Fredrikstad, Norway.

Shipping the large elements to Oslo required dredging a channel with polluted sediment on the bottom. Public agencies said that this mud could have been dumped at sea. But after a dialogue with various environmental organizations, Skanska chose to solve the problem by depositing the material at a landfill, at its own expense.

### Value-added to society



- Suppliers, 74%
- Employees, 18%
- Retained earnings, 5%
- Dividends, 2%
- Income tax, 1%

Certification Schemes (PEFC). Not only has the initiative raised awareness internally of the importance of verifiable chains of custody, it also ensures that customers can be confident that materials originate from well managed, sustainable supplies.

In Peru, Skanska led a consortium of businesses which provided upstream and downstream process infrastructure for a major gas installation. Designed to reduce the country's dependence on oil, the Camisea plant was built in close consultation with the Peruvian government, as well as local, national and international NGOs. Extensive stakeholder dialogue was undertaken throughout the project in order to carefully manage the social and environmental impacts. The related biodiversity monitoring work was undertaken in collaboration with over 100 local guides, government agencies, educational institutions and scientists and researchers from South America and elsewhere. Strict provisions for erosion control and immediate reforestation formed an important aspect of the overall system.

### Local impacts

Considering the impacts on the local community and their environment is a high priority for Skanska. The company regularly operates above and beyond its legislated obligation, if there is a cost effective alternative that will benefit the local population. One example of going beyond compliance is provided by Skanska Norway. Concrete elements fabricated in Fredrikstad were destined for use in a parking lot deck to be built underwater, to provide the foundations for a new housing project in Tjuvholmen, Oslo. Once completed, the elements were to be transported by barge. However, dredging was necessary to increase the depth of the channel.

Investigations showed that the material on the bed of the waterway was contaminated. An environmental assessment proved that there was minimal risk and a proposal was put to the customer and the local govern-

ment to deposit the dredged material in an approved area of the sea bed. Local media and NGOs were concerned about possible contamination and unhappy with the local government's decision, so Skanska volunteered a more sustainable solution and undertook, at its own expense, to deposit all the contaminated material in a depot facility on land. Skanska consulted closely with local environmental organizations during the work.

### Economic agenda

#### Sharing benefits – adding value to society

Sustainable societies need strong foundations built on sound legal systems, good social services, effective infrastructure and a high quality environment. All of this takes money, usually derived from companies and individuals in the form of taxes, which ideally are redistributed in an equitable way for the benefit of the whole society. The taxes paid by Skanska and those collected from its employees on behalf of governments are important contributors to the creation of well-being in the markets in which we operate. In 2007 the Company reported income tax expenses totaling SEK 1,546 M, up 16 percent over 2006. Likewise, of the 92 percent of 2007 revenue paid to employees in salaries and to subcontractors and suppliers in contracts, a significant amount will find its way back into society in the form of direct and indirect taxes paid by Skanska's workforce and commercial partners.

While fulfilling its financial responsibilities to the shareholders, Skanska believes it is important to balance these with ensuring that business decisions are made only when all the risks have been assessed. These risks are not purely financial. They also take into account unacceptable social or environmental issues. Proprietary risk assessment tools such as the Skanska Tender Approval Process (STAP) and the Skanska Operational Risk Assessment (ORA), allow the efficient and accurate screening of all projects.