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## To the reader

The intention of this report is to help you understand how Skanska develops, builds and maintains the physical environment in which we live, travel and work. For your benefit we have included a fold-out with a world map (front) and an abbreviations and glossary page (back) that can be open when reading our report. This way you have a direct geographic perspective to your left and an explanation of abbreviations, concepts and words accessible to your right. We look forward to your comments and views.



# 2002

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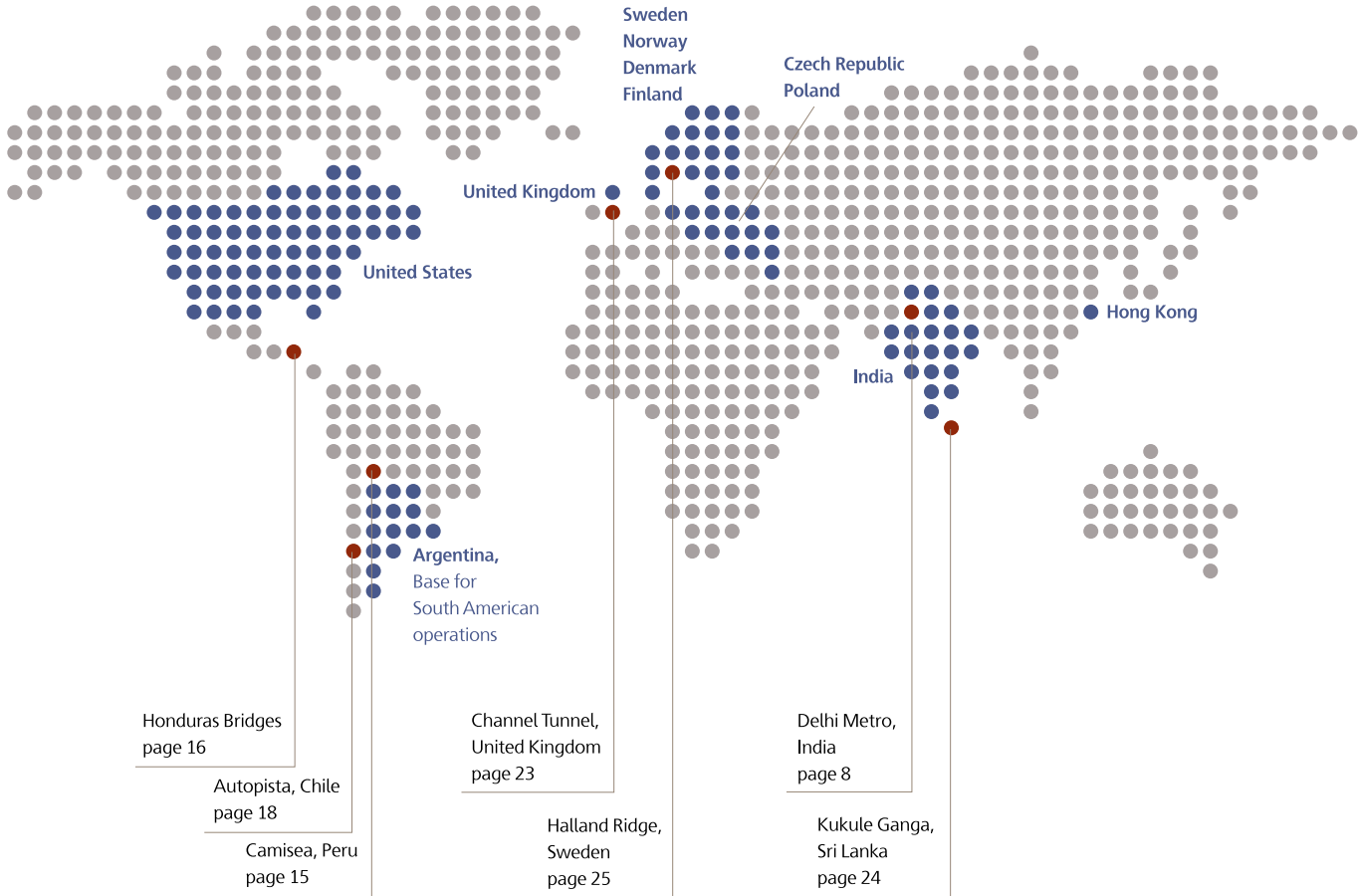
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# Skanska around the world



● Home markets: United States, Sweden, Finland, Norway, Denmark, United Kingdom, Poland, Czech Republic, Argentina, Hong Kong (China) and India.

● Projects highlighted in this report



# Introduction to the Report



In the end, sustainable development is not a fixed state of harmony, but rather a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs.

Our Common Future (WCED, 1987)



## What does sustainability mean?

Although the concept of sustainable development has existed for some time, it became a popular notion with the publication of the report of the World Commission on Environment and Development *Our Common Future* in 1987. The report defines sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

In September 2002 the global community gathered in Johannesburg, South Africa, at the UN World Summit for Sustainable Development, to discuss progress on the objectives of sustainable development as identified 10 years earlier in Rio de Janeiro (UNCED). The international business community, including Skanska, was present discussing the lessons learned and plans for the future. For sustainable development, 2002 was a year of taking stock for the world at large, and for us by means of this report.

## Why is sustainability important for Skanska?

Skanska has incorporated the notion of sustainability in its business for three key reasons: strengthening our brand, risk management and for our current and future employees.

Sustainability is an important element of our brand. Many of Skanska's key clients are actively committed to these issues and expect nothing less from their contractor. It helps us to achieve our vision to be the client's first choice.

It is just plain good business to minimize and manage risks. By identifying and managing risks in our projects and other activities, environmental and social risks can be avoided. Accidents and poor performance can have direct negative financial impacts – for example due to lower share prices, higher insurance premiums, declining project profitability, higher costs for crisis management and remedial measures.

Our commitment to sustainable development is also a key element in our objective to be an attractive employer. Employees want to work for a company that they are proud of, where they can identify themselves with the values of the company. As Skanska wants to be competitive in the global marketplace for many years to come, we must be able to keep and recruit the best employees.

## Reporting on performance

This Sustainability Report is a description of the economic, social and environmental performance of the Skanska Group during 2002. It gives an overview of who we are, where we are and what we do. Reporting helps us to incorporate the concept of sustainable development into our business practises, to identify strengths and weaknesses in our current operations and to prioritize key issues for the future.

The Sustainability Report is a comprehensive overview of the whole Skanska Group. However, the Skanska Group is a decentralized, integrated group where the operational responsibilities lie at the business unit level. This, and the fact that the Group has gone through a period of rapid expansion in recent years, means that certain key consolidated data are not yet available at Group level. We are, however, working hard to improve follow-up and reporting. We use the Global Reporting Initiative (GRI) guidelines as an inspiration. In addition to our performance indicators, we illustrate our efforts and progress with initiatives and case studies.

We have decided not to verify this report. Verification procedures and systems are constantly being developed to streamline reporting on sustainability, and we are closely following these developments. To improve our reporting further, we welcome your comments and suggestions.

# Highlights of 2002

In February 2002, Skanska introduced its corporate Code of Conduct, addressing issues such as employee relations, business ethics, environment and human rights.



The Financial Times ranked Skanska as the world's most respected company in the property and construction sector. Skanska was also one of nine construction businesses listed on the Forbes A-list. Skanska was listed first on the Fortune 2003 Global Most Admired Companies list in the Engineering & Construction class and as Europe's third most admired company in all categories.

For the fourth consecutive year, Skanska was included in the Dow Jones Sustainability Index. Skanska was also the only construction services company listed on the newly launched SAM Top 50 Sustainability Europe Index, maintained by Merrill Lynch.



Stuart Graham became the successor to Claes Björk as Skanska's President and CEO in September 2002. Mr. Graham joined Skanska in 1990 and has been a member of the Senior Executive Team since 2001.



Skanska's net sales were almost USD 15 billion in 2002. In spite of the economic downturn, Skanska saw good market development in the U.S., the Czech Republic, Argentina and Great Britain, but weaker development in the Nordic countries and Poland. Gammon Skanska established a firm base in mainland China with offices in Beijing, Shanghai and Shenzhen. Yeager Skanska was acquired, one of California's largest civil construction firms.



ISO 14001 certification/registration was completed for Skanska business units in Poland, the Czech Republic, Norway and Great Britain, thereby establishing a 95 percent coverage of net sales by certified/registered environmental management systems.



# Focusing on performance

# 2002 CEO statement



There is an old saying: “When the river runs slow, the rocks will show.” Well, the river started running slower with the global economy slowing down.

After five years of continuous expansion and unprecedented growth, 2002 was a year of consolidation and taking stock. A year where we addressed the rocks that showed. This signifies a new period for Skanska, a period where we will focus on realizing the full potential of our global platform.

This platform has eleven home markets, more than 76,000 employees and over 115 years of experience in the construction sector. Keeping the company profitable and a leader in the sector for the next decades requires, at this point in time, a careful balance between thinking ahead and acting now.

## A sharpened strategy

Has our vision changed? Not at all. Skanska will be the world leader – the client’s first choice – in construction-related services and project development. We are convinced that we can deliver better performance to our clients and shareholders with this vision and a sharpened strategy. A strategy that expresses “how” we do business in the years ahead.

How?

- by being truly client-focused,
- by having a great management development program,
- by having a decentralized, integrated group, and
- by being an agent for change.

Currently Skanska ranks second amongst the world’s largest contractors, is on the Fortune and Forbes lists of most admired companies, and is for the fourth consecutive year included in the Dow Jones Sustainability Indexes.

In 2002 we had net sales of almost USD 15 billion, compared to USD 16 billion in 2001 and just over USD 12 billion in 2000. From a longer term perspective, it was important to refocus on the strengthening of the Group, working on such business fundamentals as profitability, trust, customer satisfaction and value-added. Being a market leader creates expectations, both internally and externally.

## Code of Conduct

We have also raised the bar on our own performance by setting tough targets, and by defining a level of global ethical, environmental and social performance, as expressed in our corporate Code of Conduct.

We made encouraging and significant improvements in our social and environmental performance. However, much remains to be done. In this era of globalization, developments are continuous and fast, and we see this reflected in the changing requirements and interests from our key stakeholders. In particular, the financial community is re-drawing the boundaries of sound business approaches, risks and opportunities.

Furthermore, we are committed to continual improvement in our health and safety performance, improving the quality



of our products and services, and selecting those projects that are most profitable with a minimum of financial, environmental and social risks. In addition, we are taking a leadership role within the construction sector to improve business ethics. Dubious ethics damage the sector unlike anything else, and we are determined to implement our Code of Conduct uncompromisingly, and at the same time strengthen trust and confidence among clients, shareholders, employees and society at large.

#### Sustainability

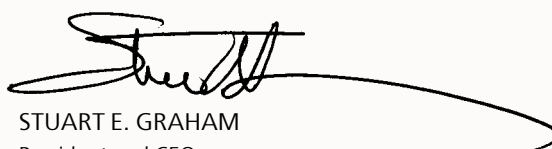
Skanska has taken a leadership role in environmental management. We are the first global contractor with ISO 14001 certification. It is only logical to take the next step and widen our perspective to include sustainability and our corporate social responsibility. Increasingly, we see that our performance, and our perceived performance, is a reflection of the relationships we have with society. We literally build and support the physical environment of tomorrow's society. This requires not only a sharp mind and a skilled hand, but also an open ear. It is with this open ear that we started to work on sustainable development. The publication of this first Skanska Sustainability Report is a key element in our sharpened business strategy. It is an overview of our efforts to date, our ambitions for the future, and an opportunity to engage in a dialogue with our key stakeholders.

We work on sustainability within Skanska because we are thinking ahead about:

- the risks we encounter and manage in our projects. Minimizing these risks beforehand generates more satisfied customers, better quality, higher profits and greater job satisfaction.
- our brand value. Safeguarding trust and performance toward our clients, shareholders and the communities in which we live and work.
- our employees. If we truly are to be a world leader in construction and an agent for change in our sector, we must be able to attract and retain the best people. The current generation of Skanska employees has made us a leading company. The next generation will have to keep us there.

The Sustainability Report is a first crystallization of our work so far, describing the course we have set for our development. I am committed to this direction, while being aware of the changes that are needed and the consequences and opportunities that lie ahead.

Stockholm, March 2003



STUART E. GRAHAM  
President and CEO

# Skanska in brief

Skanska’s vision is to be a world leader – the client’s first choice – in construction-related services and project development.

Skanska operates in eleven home markets, as illustrated on the fold-out map. Annually Skanska is active at over 10,000 project sites around the world, and more than 76,000 people were employed by Skanska in 2002.

**A decentralized, integrated Group**  
Skanska’s organizational structure is based on the realization that all construction is local. The work force is local, as are the suppliers. The clients are often local. Knowledge of local conditions and rules is a prerequisite for success. Skanska’s strategy is to strengthen and improve this local expertise. One overall objective of the organizational work that has occurred over the past year has been to build up the Skanska brand by making it the main name of all units and companies. For example, all of Skanska’s American building construction operations are being gathered under the name Skanska USA Building, Czech operations are changing their name to Skanska CZ and beginning in 2004, Selmer Skanska in Norway will be called Skanska A/S.

Starting 2003, the three segments in the old organizational structure – Construc-

tion-related Services, Project Development and BOT and Services – have been divided into four business streams: Construction and Services, Residential Project Development, Commercial Project Development and BOT.

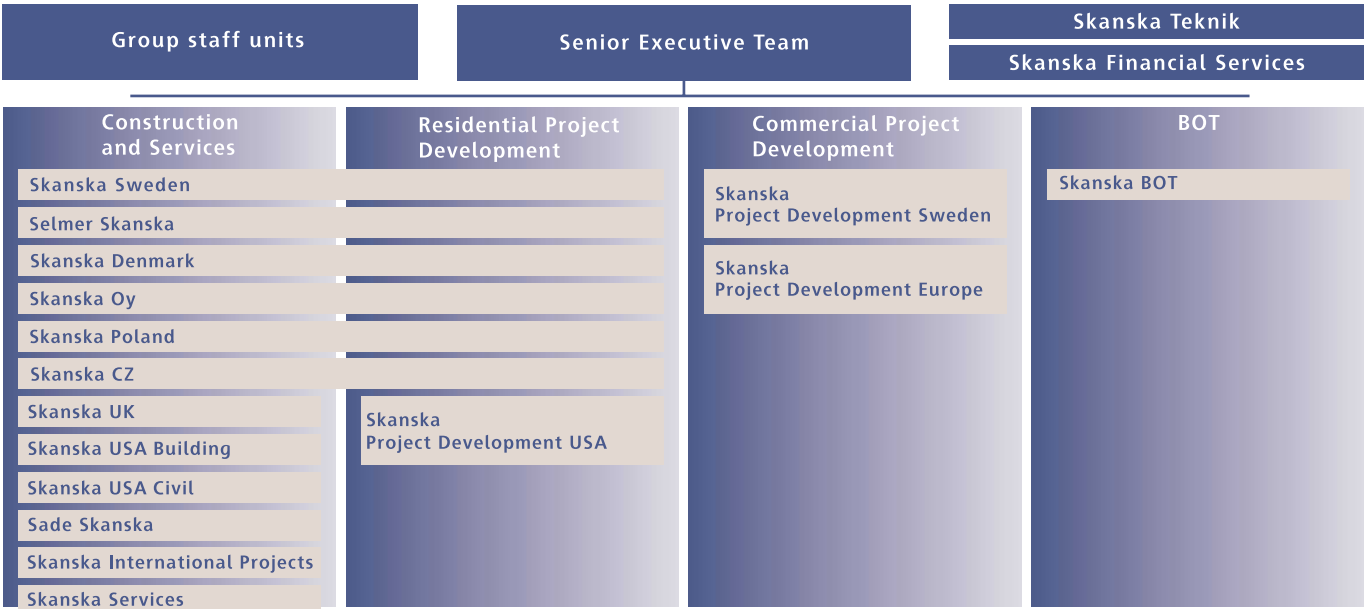
### Executive functions and areas of responsibility

All 16 business units report to the Skanska Group’s Senior Executive Team. In addition to the Chief Executive Officer, the Senior Executive Team consists of several Executive Vice Presidents, each with responsibility for a particular market segment or staff function. The most important task of the Senior Executive Team is to coordinate the operations of the Group, allocate capital resources and ensure that its collective competence is utilized optimally, that synergies are achieved and knowledge transfer occurs. The Senior Executive Team and the Board of Directors of Skanska AB also oversee the operations of the business units to ensure a stringent implementation of the Skanska Code of Conduct and other

issues related to environmental and social performance. The group Senior Vice President for Sustainability – who reports directly to the CEO – has an overall role in coordinating and developing Skanska’s sustainability work.

### Support units

Skanska Teknik focuses on technical and management consulting services for the Group’s business units. It coordinates Skanska’s research and development work. Skanska Teknik also works with the Group’s risk management and knowledge transfer. It has built an advanced database of all Group projects and individuals associated with them, for the purpose of providing an easily accessible base for effective knowledge transfer. Skanska Financial Services (SFS) is responsible for the Group’s financial operations. The main task of SFS is to back up the business units with specialized expertise, assume responsibility for the Group’s borrowing, project financing and insurance matters, as well as evaluate and manage financial risks in the Group’s operations.



Skanska’s 16 business units, depicted above in grey, are active in four different business streams. Six of the business units have operations in both Construction and Residential Project Development.





## SKANSKA'S FOUR BUSINESS STREAMS

### Construction and Services

Construction refers to building and civil construction. About 60 percent of sales are related to building construction. Civil construction consists mainly of infrastructure projects, for example rail systems, bridges, tunnels, roads and harbors. The margins in civil construction are traditionally higher than in building construction, reflecting the fact that civil construction is usually based on fixed price contracts and ties up more capital. A growing trend in civil construction is Design Build projects, where Skanska takes on responsibility for more of the value chain than construction (See also BOT).

Facilities Management (FM), the main business of Skanska Services, includes a broad spectrum of services related to operation and maintenance of properties, as well as individually tailored contracts for property management. Such agreements are on average for a period of three years. The market for FM services is growing rapidly. Companies are increasingly interested in outsourcing of non-core business activities, and because margins are higher than in construction operations, it is an attractive market to develop. Currently FM accounts for less than 2 percent of Group sales.

### Residential Project Development

Residential development differs significantly from construction in terms of risks and tied-up capital. Operations will continue to take place locally, since demand for housing, quality standards and regulations are local. Residential projects are usually

less capital-intensive, and the percentage of sales is high even at an early stage of the project. Their risk profile is therefore generally lower than in commercial project development.

### Commercial Project Development

Skanska carries out commercial project development in a number of markets in Scandinavia and Central Europe. These operations focus on office and retail projects, where the objective is to complete the entire development cycle – land purchase, planning, pre-construction engineering, leasing, construction and divestment – within an average period that should not exceed three years. Successful project development work requires a portfolio of completed properties. Managing and improving this portfolio is key for further development and provides frequent contacts with the leasing market, thereby enhancing Skanska's profile as an attractive alternative for tenants and prospective investors.

### BOT

Build-Operate-Transfer refers to infrastructure projects that are privately financed instead of being financed via public funds or taxes. BOT projects may include infrastructure such as roads and bridges and school, hospital and prison properties.

Skanska's BOT expertise encompasses the whole chain from financing to design, construction, operation and maintenance of the finished facility.

Skanska's BOT projects take place in collaboration with one or more partners. During the contract period, the projects

are owned by Skanska or a consortium to which Skanska belongs. When the contract expires after 20–40 years, the entire facility is handed over to the original client.

### A different focus in different regions

The types of service, or the core competence, varies amongst the business units. In the European region, business units offer the entire chain of construction-related services from feasibility studies and design to actual construction and property management. The USA business units are generally more focused on construction management. While Nordic business units have a significant part of their work in residential and commercial buildings, the Skanska business unit in Argentina has focused on infrastructure for oil and gas services and power generation.

The largest global construction companies<sup>1</sup>  
Total sales 2001<sup>2</sup>

Company	Country	USD bn
Vinci	France	15.4
Skanska AB	Sweden	14.3
Bouygues	France	12.8
Hochtief AG	Germany	11.7
Bechtel Group Inc.	United States	11.3
Fluor Corp.	United States	7.2
Centex	United States	6.3
Halliburton KBR	United States	5.9
China State Const.	China	5.8
EIFFAGE	France	5.6

Source: Engineering News Record, ENR Sourcebook, December 2002

<sup>1</sup> Excluding Japanese construction companies.

<sup>2</sup> Data not available for 2002.

# Skanska Code of Conduct



Skanska adopted a corporate Code of Conduct in February 2002 to determine and confirm our performance related to employee relations, business integrity, human rights, the environment and stakeholder relations.

The document reflects and refers to a number of important international agreements and conventions from the United Nations (UN), the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD). The Code also reflects the agreement that Skanska has with the International Federation of Building and Wood Workers (IFBWW).

The Code of Conduct was developed in a process where all business units participated. The document is translated in the languages of Skanska's home markets. Implementation is ongoing, and the focus is on elements such as training, accountability and reporting. One consequence of the implementation of the Code of Conduct may be that we have to say no to certain projects and clients. On a case-by-case basis, we may decide not to operate in certain countries or regions. Not only because the financial risks may be too high, but also in light of the environmental and social impacts of the project we are involved in.

We have a responsibility not only to live up to the level of performance we set for ourselves but also for the level of performance we require from our suppliers and subcontractors. This means that we try to implement our Code of Conduct throughout the supply chain, identifying specific responsibilities and accountability at each link in the chain where, within reason, we can do so.

## General Principles

It is our key responsibility to develop and maintain an economically sound and prosperous business. Skanska as a business with a long history and future assumes its responsibilities. These include our responsibilities toward the countries, communities and environments in which we operate, toward our employees and business partners and toward society in general.

Therefore we have defined some key underpinnings for our performance:

- We comply with legal requirements that apply in the countries where we do business.
- We respect the United Nations Universal Declaration of Human Rights and recognize our responsibility to observe those rights that apply to our performance toward our employees and the communities we work and live in.
- We are committed to do our business with a high standard of integrity and ethics.
- We are open-minded in dialogue with those who are affected by our operations. We respond to inquiries from external parties and communicate with affected parties in a timely and effective manner.

Within the sphere of our influence we will endeavor to ensure that our suppliers and subcontractors abide by the principles in our Code of Conduct.

## Employee Relations

A strong and consistent relationship to all employees, built on mutual respect and dignity, is of vital concern to Skanska. Employment conditions offered to the employees will meet the minimum requirements of national legislation and relevant ILO conventions.

- We do not use forced labor, slave labor or other forms of involuntary labor at our work sites. We do not allow any practice that would restrict free movement of employees.
- We do not employ any person below the age of 15 and where local standards are higher, no person under the legal minimum age will be employed.
- We provide equal opportunities to people without regard to race, color, gender, nationality, religion, ethnic affiliation or other distinguishing characteristics. We do not allow discrimination or harassment.
- We provide a safe and healthy working environment and are committed to continual improvement. Written health and safety instructions are available and implemented on all work sites.
- We recognize employees' rights to form or join trade unions in accordance with each country's laws and principles.



### Business Ethics

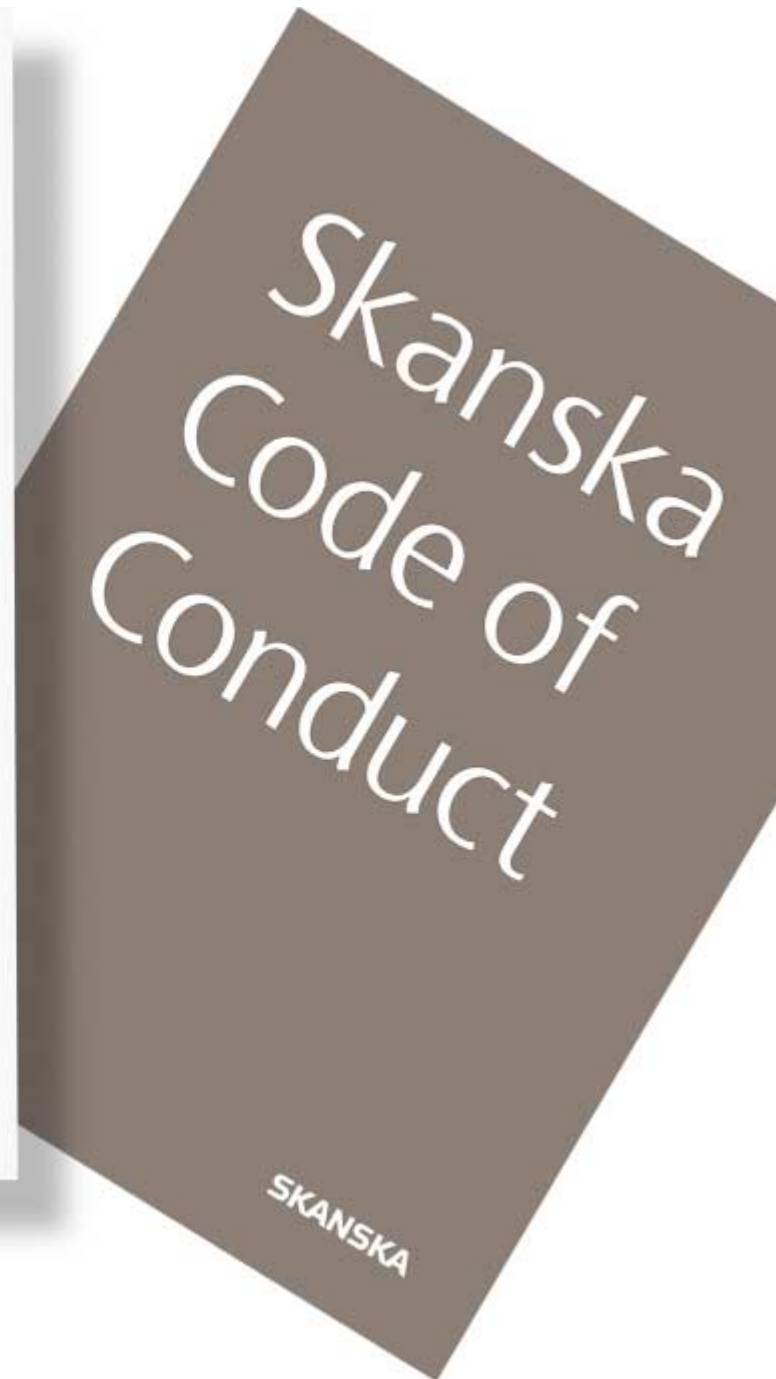
Corruption, bribery and unfair anti-competitive actions distort markets and hamper economic, social and democratic development. Skanska is committed to avoiding such practices.

- We shall not act contrary to applicable competition laws.
- We shall not offer or give any undue payment or other consideration to any person or entity for the purpose of inducing such person or entity to act contrary to prescribed duties, in order to obtain or retain business for Skanska.
- We shall not solicit or accept any undue payment or other consideration that is given for the purpose of inducing us to act contrary to our prescribed duties.

### Environment

Caring about the environment permeates all of our work. Compliance with relevant legal and other environmental requirements, especially from our clients, provides the foundation for our environmental ambition. We are committed to preventing and continually minimizing adverse environmental impact and to conserving resources.

- We think ahead to determine how our work will affect the environment and base our decisions on available relevant facts.
- We avoid materials and methods with environmental risks when there are suitable alternatives available. We strive to recommend that clients use environmentally better alternatives whenever the circumstances permit.
- We do not engage in activities that have unacceptable environmental and social risks. We aim to identify such risks as early as possible to facilitate timely and adequate actions and decisions.





**“The construction of the Delhi Metro stations in the heart of the city illustrates how environmental awareness and a safe workplace go hand in hand with managing a successful project.”**

**Vijay Singh Yadav, Project Manager  
Skanska Cementation India**

# Delhi Metro, India – a dream coming true

New Delhi, the capital of India, has about 15 million inhabitants. The city covers an enormous 1,486 sq km (574 sq mi). There are about four million motorized vehicles, moving at an average speed of 10-15 km (6-9 mi) per hour. Each day traffic accidents in the capital cause an average of three fatalities, and 13 people are injured. Motorized vehicles cause also over 60 percent of the local air pollution in the city.

In 1995, the city of New Delhi decided to build a metro network. After feasibility studies, impact assessments and the commissioning of two consortia, work started in 2001 on the construction of 62.5 km (12.5 km underground and 50 km surface corridor) of metro rail, to be completed by 2005.

Skanska International Projects is participating in a joint venture for the design and construction of four underground stations, associated structures, air conditioning and ventilation systems, and the construction of over four km (2.5 mi) of railroad tunnel. Skanska has about 40 percent of the consortium's work, representing a contract value of about USD 80 M.

Work started in May 2001 in a fully integrated joint venture. Using as much local labor as possible, Skanska has about 10 of its own employees on site and hired 15 experienced Indian engineers from previous projects undertaken in India. In total there are 3,000 people working in the consortium – a balanced mix of Hindus, Muslims and Sikhs.

## Environment, health and safety

The project is subject to stringent environmental conditions. Heavy vehicle traffic in New Delhi is only allowed at night and the Delhi Metro Rail Corporation wants to minimize the impact of construction on the people living and working around the construction sites. The consortium implemented an environmental policy outlining the need to be aware and minimize environmental risks, strive for zero environmental impact, use environmentally better alternatives and conserve natural resources. In December 2002, the Delhi Metro Rail Corporation requested an ISO 14001 certification for the part of the project where Skanska International Projects is active.

Regarding health and safety, it was decided to raise the bar on safety at the working site up to international standards. All employees have received safety instructions and supervisors do daily safety inspections. Currently the consortium is operating with a considerably higher safety standard than normal Indian construction practices, according to an investigation by the Delhi Metro Rail Corporation.

Skanska Cementation India, the fifth largest construction company in India, is engaged in the project as a key contractor for the construction of five metro stations: Pratapnagar, Vivekanandpuri, Kanhiya Nagar, Lawrence Road and Kohat Enclave. Again, international safety practices are insisted upon, which are not common to all Indian



construction companies. As a standard procedure, all new workers at the Delhi Metro sites receive a project-specific safety induction in their local language before starting work. During this training, they are told of major hazards and site rules.

Skanska Cementation India is also doing extensive work for the underground portion of the project, including the construction of a 4.3 km (2.7 mile) long concrete tunnel, for two international consortia, including the Skanska consortium mentioned above. The work involves extensive diaphragm walling, various types of piling and soil stabilization.

## A popular ride

The work will be completed in 2005, while the first part of the Delhi Metro was placed in operation in December 2002. In 2005, the system will be able to transport 60,000 commuters per hour in each direction, or a daily ridership of 2.7 million. When the first part was placed in operation in December 2002, 1.2 million people rode the Metro during the first few days and electronic tickets sold out in the first two weeks. Most travelers wanted to experience the clean, shiny new cars, escaping the crowded and polluted streets of Delhi. Authorities had to ask travelers to refrain from pleasure trips for the time being. "A dream coming true" – as proclaimed on the many signs posted in the city of New Delhi.

Population, New Delhi: 15 million  
Motorized vehicles: 4 million  
**Contributions to air pollution as a percentage of the total**  
Households: 8%  
Industry: 12%  
Power generation: 16%  
Transportation: 64%

**Delhi Metro Rail Corporation**  
Construction period:  
May 2001 – July 2005  
Budget: USD 205 million  
Total length of the stations: 1200 m  
Underground rail: 12,5 km (7 mi)  
Total rail length: 62,5 km (34 mi)

# Prosperity and responsibility



Skanska's economic performance includes its wider economic impact on society. Sustainability is about finding the right balance between growth in man-made capital and the positive or negative impacts this has on the environment and society. An essential step is thus to be aware of the social and environmental impacts of our economic decisions.

There is no commonly accepted approach to measuring a company's broader sustainable performance. However, Skanska's efforts to integrate sustainability in the company's management and operations have been recognized by key players in the socially responsible investment community.

Skanska has been listed for the fourth consecutive year on the Dow Jones Sustainability Indexes (DJSI). The DJSI feature companies that combine high economic profitability with long-term sustainable development. The Indexes cover the top 10 percent of the 2,500 world's largest companies in the Dow

Jones Global Index in terms of economic, environmental and social criteria.

Further recognition is illustrated by the inclusion of Skanska on the recently established Merrill Lynch SAM Top 50 Sustainability Europe Index. Skanska is also included in the Eligible Universe register for the Storebrand Principles Funds and the Ethibel Investment Register, used by European banks, fund managers and institutional investors for socially responsible investments. Since January 2003, Skanska has also been included in the Ethibel Sustainability Indexes.

Ownership of the company did not change significantly in 2002 (see table below). The capital stock held by Swedish mutual funds and Swedish companies and institutions is 38.4 percent, 47 percent is owned by other shareholders in Sweden and non-Swedish owners own 14.6 percent.

Ownership responsibility and corporate governance has strengthened the relationship Skanska has with its owners. Key shareholders such as AMF and Robur take an increasing interest and an active stance on such issues as business ethics and environmental and social performance.

Increasingly we see evidence that sustainability related performance can have an impact on share price and the value of the

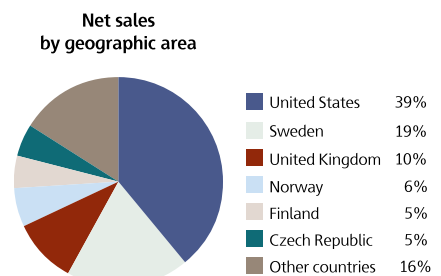
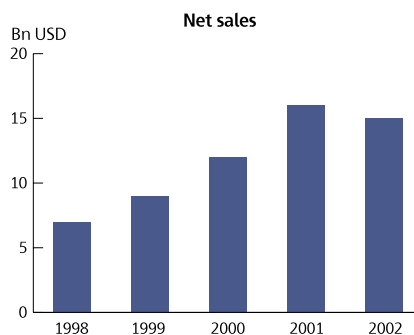
company. Therefore, risks related to environmental aspects and social responsibilities are incorporated into day-to-day business decision making. The Skanska Operational Risk Assessment model does this by assessing the public exposure risks related to ethical, social and environmental performance. The model gives an overview of the technical, legal, financial and public exposure risks of the projects Skanska is considering participating in. Risk assessments have resulted in a number of important decisions regarding Skanska's involvement in projects. For example, Skanska decided in 2002 not to tender for a hydropower project in Iceland due to a combination of several risk aspects.

## Financial performance

Skanska overall market capitalization was USD 2.1 billion at the end of 2002. Net sales in 2002 were almost USD 15 billion. Operating income in construction-related services totaled USD 259 million, compared to USD 38 million in 2001. In 2002, return on shareholders' equity was negative. Return on capital employed (ROCE) is a somewhat better indicator, because it is corrected for capital gains made via divestment of shares and non-core businesses. In 2002, ROCE averaged 4.3 percent, compared to 8 percent in 2001.

Ownership distribution on January 31, 2003

Shareholder	% of capital stock	% of voting power
Industrivärden - investment company	8.0	31.6
AMF Pension - retirement insurance	7.8	4.4
Alecta - retirement insurance	6.1	3.5
Robur mutual funds	4.0	2.3
AFA Försäkring - insurance	2.8	1.6
IKEA Investment AB	2.7	10.7
SHB mutual fund	2.4	1.3
SEB mutual funds	2.1	1.2
Nordea mutual funds	1.9	1.1
AMF pension mutual funds	1.8	1.0
Other shareholders in Sweden	46.0	33.1
Other shareholders outside Sweden	14.4	8.2
Total	100.0	100.0



## Business ethics



“We shall use our leadership position in our home markets to enhance the industry’s ethics and performance...”

Stuart Graham, President and CEO, Skanska

In society at large, general interest in business ethics has increased notably. The changing global landscape in which we operate has sharpened the criteria for acceptable business practices. The role and responsibilities of business have shifted in this era of globalization. There is a clear expectation that business should be transparent and in touch with the norms and values of global society. Scrutiny is increasing, and business practices are being assessed with new eyes and increased intensity.

Skanska is an international company and has to comply with the laws and regulations and adapt to the customs of many different countries and cultures. Business practices acceptable in one country may be illegal in another country. In this global mix of acceptable and unacceptable business ethics, we had to define and implement a minimum level of performance around the world – our Code of Conduct. Over and above this level of performance, business units can raise the bar on ethics, making sure that local customs and practices are incorporated.

Corruption, bribery and unfair competitive practices distort markets and hamper economic, social and democratic development. It is in our own interest that markets function competitively, stimulating our innovative thinking, building trust and reflecting true costs and benefits.

The building and civil construction sector has historically been a sector with a low profile and limited exposure. Doing business has traditionally involved very little transparency. These traditional practices have only recently been attracting increased attention and scrutiny by key stakeholders in society, such as financial analysts,

lawmakers, clients and the general public. Even though companies including Skanska have anticipated this trend and adapted clear guidelines on acceptable business ethics, the past can catch up, and previous practices may have to be dealt with. We have seen in 2001 and 2002 a number of cartel enquiries in the construction sector in some European countries, including Sweden, Norway, Finland and the Netherlands. In Sweden, Norway and Finland several construction companies, including Skanska, are subject to investigations by the authorities for alleged involvement in asphalt cartels. These investigations are still ongoing.

Transparency International – an international NGO devoted to curbing bribery – publishes an annual bribe-paying index based on an extensive international survey. This index ranks the construction sector as one of the poorest performers. This only underlines and confirms our commitment to improve performance within the sector, and where necessary take a leadership role.

Various initiatives are underway in our business units, such as training programs. We have also included business ethics in the training programs of the Skanska Leadership Institute. As a first step in Sweden, Skanska Sweden developed in 2002 a training program on business ethics for more than 2,000 managers. Upon completion of this program, the managers will sign an agreement, which will be reviewed annually. Another example is in Argentina, where Sade Skanska has communicated its stance on business ethics externally and developed a training and information package for the implementation of the Skanska Code of Conduct.



“Ethics constitute the fundamentals for the kind of people we are and the kind of organization we represent”.

Mario Piantoni, CEO, Sade Skanska

During 2003 Skanska will further strengthen the implementation of the Code of Conduct through a Group-wide implementation and compliance program. The business units will continue their efforts to incorporate the Code of Conduct principles into management systems.

# Employees



It is important for a successful and innovative corporation to create a healthy and stimulating working environment, good employment conditions and development opportunities, both in terms of career and knowledge and skills. These aspects are directly linked to Skanska's ability to keep and recruit the most promising and talented employees, those who will determine the future development of Skanska.

Skanska's successful operations in its home markets are highly dependent on the ability of employees to understand the local market and local requirements. At the same time, Skanska employees must understand the dynamics of working in an international environment with international clients.

Number of employees by business unit, 2002

Business unit	Employees
Project Development Sweden	113
Project Development Europe	64
Project Development USA	153
Skanska BOT	24
Skanska Sweden	13,359
Selmer Skanska (Norway)	4,694
Skanska Denmark	2,005
Skanska Oy (Finland)	4,943
Skanska Poland	6,220
Skanska CZ (Czech Republic)	6,513
Skanska UK (United Kingdom)	13,262
Gammon Skanska (Hong Kong)	3,660
Skanska Cementation India	2,072
Skanska USA Building	5,427
Skanska USA Civil	3,870
Sade Skanska (Argentina)	4,178
Skanska International Projects	3,926
Skanska Services (incl. Telecom)	1,389
Skanska Teknik	211
Skanska Financial Services	48
Skanska Executive Team and Group staff units	56
Others	171
<b>Total employees, Skanska Group</b>	<b>76,358</b>

In 2002, Skanska employed on average more than 76,000 people worldwide. This figure fluctuates depending on the number of projects started and finished every year.

Skanska's business units have responsibility for all matters concerning human resources management, including recruitment, training, career development and employee satisfaction. At Group level, Skanska's efforts are largely related to its talent management program and coordination of international human resources efforts.

### Diversity

Skanska is a globally operating company, and its work force reflects this in its diversity. Diversity is an asset for Skanska, ensuring a richer variety of talents, skills, backgrounds and perspectives. It is also clearly an important element of our human resources management strategies, for example in assessing career development and equal opportunities. Skanska does not report on diversity in such terms as religion, cultural heritage and race, since a number of countries have legal restrictions on tracking and reporting these issues.

Construction is traditionally a male-dominated sector, and efforts to recruit a higher percentage of women take time in showing results. Currently, Skanska has 3 percent women at the higher management levels of the Company (defined as a group of around 250 top managers). Skanska

currently has one woman on its Board of Directors who was appointed by trade unions as an employee representative.

### Talent management

Skanska has developed a special talent management program for the selection, support and evaluation of its 250 highest-level managers. The program includes a process of management audits and development assessments. One result of this effort was the identification of the Skanska Leadership Profile. The key elements of this profile address client management, personnel management and work efficiency and effectiveness. All 250 managers participated in a review against this profile during 2002.

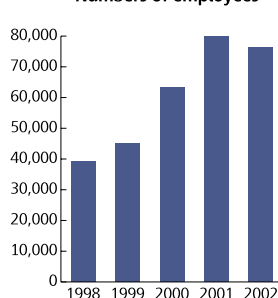
Skanska invests a considerable amount of effort in the development of these top managers in recognition of their importance to the company's future. A key element is a leadership development program managed by the Skanska Leadership Institute and aimed at both the 250 selected managers and other managers who may soon be part of this group. The program is tailor-made for individual managers and may include special seminars, development training or special assignments at Skanska projects. High-level managers also play a key role in the implementation of the Skanska Code of Conduct. They define and represent the common values that Skanska stands for and wants to strengthen in the future. During 2002, nearly 500 managers participated in this leadership development program.

In 2003, Skanska's Human Resources unit will continue the development and implementation of its Leadership Profile and Management Review.

### Developing and exchanging knowledge

When operating in eleven different geographic home markets on four different continents, it is of strategic importance to share available expertise and know-how within the company and strengthen the knowledge base where it is needed. There-

Numbers of employees







fore Skanska increasingly supports internal and external research. Skanska allocates a certain amount of resources directly to scientific research. In addition, it makes significant indirect investments via research and development work related to projects and cooperative research activities with other participants.

Total investments are difficult to estimate but as a general measure Skanska allocates about 0.2 percent of its sales to research and development.

A result of Skanska's research and development activities is the increase in the number of professors and Ph.D. degree holders among Skanska employees. In 2002, Skanska employed eight professors and more than 50 people with Ph.D. degrees – in 1995 the figures were two professors and ten employees with Ph.D. degrees.

Another aspect of building Skanska's knowledge base is the exchange of information with other multinational corporations. As part of its sustainability work, Skanska participates in a number of networks and organizations, including the World Business Council for Sustainable Development (WBCSD). The WBCSD is a coalition of 160 international companies committed to sustainable development.

Skanska participated in the Young Managers Team of the WBCSD in 2002 to exchange experience and learn from each other about the implementation of sustainable development within multinational corporations. This team also participated in the United Nations World Summit on Sustainable Development in Johannesburg, South Africa during September 2002, discussing scenarios for the future and contributing a "young managers' perspective."

In recognition of Skanska's efforts in talent and human resources management, U.S.-based Fortune magazine ranked Skanska first in the 2003 list of Global Most Admired Companies in the Engineering & Construction class. Skanska received maximum points for "Innovativeness, Use of cor-

porate assets, Social responsibility, Quality of management and Globalness" and scored high in the "Employee talent" item.

#### Trust, motivation and results

Selmer Skanska in Norway has developed a values-centered program that will involve all

employees. The program results are based on the work of a group of employees that started in 2002 and will be finished in 2003. Company culture is driven by three values: Honesty creates Trust - Motivation creates Well-being – Cooperation creates Results.



# Health and safety



## "Love responsibly."

That is one message sent out to all Cementation Mining Skanska employees in South Africa during their attendance at workplace training sessions. The fight against HIV/AIDS is a continuous one, and Skanska is trying to help make a difference.

The very nature of Skanska's business extends health and safety issues to a far larger population than our direct employees. A majority of workers, either on site or working in our supply chain, are employed by subcontractors. However, our responsibility must extend equally to all those present at our sites. Providing a safe, healthy working environment is a priority and we are committed to continual improvements.

Construction, though showing improvements in some countries, remains one of the more risk-exposed sectors of the economy. This is unacceptable, and a concerted effort is required to move from the mindset that construction is by definition a dangerous activity. Firm health and safety legislation is necessary but cannot, on its own, achieve the improvements required.

### A decentralized approach

Skanska has recognized that the diverse nature of both its activities and of the social contexts it operates does not lend itself to unified reporting and control of health and safety programs. A clear structure has been adopted by Skanska AB's Board of Directors. In line with having a decentralized but integrated approach, the role of the Senior Executive Team is to ensure that each business unit has an active management system to both monitor performance and actively seek measures and programs to improve performance.

Each business unit remains responsible for ensuring that continual improvement measures are in place that are effective for them and are adapted to local requirements. This leads to a wide range of differing reporting metrics that are not comparable. Skanska's policy is to seek the lead in the local industry by achieving better performance than comparable local standards and to continually improve from there. The following chart gives some examples of accident rates in Skanska business units, compared to the local construction industry average.

Other Skanska business units are developing and streamlining data management



and evaluation to be able to benchmark performance with local industry averages.

The business units in Finland, Hong Kong, United Kingdom and Argentina have chosen to certify/register their management systems according to BS 8800 or OHSAS 18001 standards.

### Performance in practice

Performance starts with awareness and expertise, and most of our employees receive regular health and safety training and information. We also have a responsibility for subcontractors working at our sites, and during 2002 we provided basic health and safety training to more than 70,000 subcontractor employees. Specialist training is important, especially for preventive work, and during 2002 we provided 7,700 training opportunities of one day or more.

Most of Skanska's health and safety work is carried out at the local level, where good examples and initiatives are also recognized. Examples of business units that have received awards and recognition for their health and safety work are: Gammon Skanska, Tidewater Skanska, Sade Skanska, Skanska USA Building, Skanska Cementation South Africa, Skanska Poland and Skanska Sweden.

The following examples illustrate our performance in practice:

Skanska USA Building has established a Safety Leadership Team. Its mission is to develop initiatives, policies and programs that will maintain Skanska USA Building's position as an industry leader and increase the profitability of the organization by reducing insurance claims and costs. It will serve as a network and technical resource for health- and safety-related issues at all Skanska USA Building operations.

In response to the rise in the number of fatal accidents in the British construction industry, the Major Contractors Group (MCG) which consists of 23 of the largest building and civil construction companies, reached agreement on a Health and Safety Strategy in 2002. As Chair of the MCG, Skanska UK led the development of this strategy. Skanska UK is the only MCG member to have its own mobile health and safety testing center. It is intended to assist the subcontractor work force in meeting company targets for a fully qualified work force and is available to other MCG members. Skanska also introduced a 24-hour Health and Safety Contact Line. This is currently unique within the British construction industry.

In 2002, Gammon Skanska introduced a system of Project League Tables to monitor the performance of each individual project on a monthly basis. Altogether eight measurable targets related to both safety and environment are selected as criteria for assessment. These league tables are presented monthly, both internally and to subcontractors. By having peer pressure as well as ongoing attention from top management, the project teams try their utmost to stay ahead and in any case stay away from the bottom of the league table at all times.



# Human rights



Via the United Nations, governments worldwide adopted a Universal Declaration of Human Rights in 1948. The declaration is a comprehensive overview of human rights issues, aimed at protecting and respecting the rights of the individual. Articles that are relevant to business include such issues as discrimination, personal safety and security, forced and child labor, freedom of opinion, expression and association, and the rights of minorities and indigenous peoples.

Skanska has taken concrete steps to address the human rights aspects of our day-to-day work. The UN Universal Declaration of Human Rights is incorporated in the Skanska Code of Conduct.

Areas of international concern include issues such as child labor and forced labor. Skanska needs to make sure that suppliers and subcontractors do not use these forms of exploitative labor. As a first step, we informed more than 6,000 suppliers and subcontractors of our Code of Conduct in 2002.

## Indigenous peoples

As a part of our effort to address human rights issues we have incorporated the needs of indigenous peoples in those areas where this is relevant. In 2002, Sade Skanska was contracted to build a natural gas pipeline in the jungle of Peru close to the Camisea river. Skanska, in cooperation with the client, made a special effort to employ people from native communities close to the project. A total of 245 indigenous individuals were employed during the project. This accounted for about 37 percent of the total work force. In addition Skanska provided emergency medical assistance for the people of the main communities within the project area, monitored epidemics, and supplied information to members of these communities on matters such as health, hygiene and sanitation.



Furthermore, in some cases Skanska operates in politically sensitive countries and projects. Human rights are often a major concern in these regions and projects. The business principles embodied in the Code of Conduct help to minimize risks related to these issues and guide decisions vis-à-vis host countries and business partners.

Skanska participates in the Amnesty Business Group in Sweden. This group is associated with Amnesty International, the global human rights organization. Its objective is to influence and support Swedish multinational corporations to take their responsibility in respecting, protecting and supporting human rights where they operate, through benchmarking and exchange of experience.

## Granite for construction

In conjunction with a large order of granite from China, Skanska initiated a learning journey for its employees involved in procurement, for its sustainability staff and for those involved in the development of the corporate Code of Conduct. In cooperation with a client, Skanska Sweden decided to buy a large shipment of Chinese granite. An assessment of the environmental impacts of transportation showed no increased carbon dioxide emissions when comparing boat transport from China to truck transport from southern Europe. However, it was decided to ask a third party to visit a selected number of factories and quarries in China as a "fact-finding mission" on working conditions. The sites were assessed on the following issues: forced labor, child labor, health and safety, wages and working hours, contracts, freedom of association and discrimination. Skanska wanted to make sure that the granite was produced in line with acceptable standards. It was also a good test case on the applicability and reality of Code of Conduct efforts and an opportunity to train staff members involved in procurement.

The results of the project showed that working conditions varied but were mostly in line with Chinese practices. Conditions were sometimes difficult to assess due to a lack of administrative procedures and management. The most important issues that need attention are related to health and safety and working hours. In cooperation with our suppliers, we intend to address these issues in current and future business with Chinese colleagues.



## Skanska in society



With our products and services we impact the lives of many people around us. Skanska builds homes for families, creates efficient and attractive working environments and provides transportation infrastructure by constructing roads, tunnels and bridges. Skanska also impacts the people around us when we build, by generating noise, dust, and heavy traffic. Skanska creates employment through our more than 10,000 projects, and sometimes we have to reduce our work force when we finish a project. This is the nature of the construction business, and thus a serious and important responsibility.

### Taking responsibility for the quality of our products and services

It is of key importance to be alert, to listen to and understand the concerns and ideas of our clients and others. We also need to have management systems and mechanisms in place to deal with the issues raised by our stakeholders and the general public. This includes the implementation and certification of ISO 9001 and ISO 14001 management systems. Several business units and divisions are ISO 9001 certified, safeguarding quality management. Among them are Skanska Oy, Gammon Skanska, Sade Skanska and certain units of Skanska Sweden.

Special initiatives also include the appointment of a person responsible for dealing with complaints and concerns raised by clients or others. For example, Skanska Sweden announced in 2002 the appointment of an ombudsman responsible for dealing with outside complaints related to real estate construction and for fostering a serious dialogue between Skanska and our clients.

The quality of our products and services is a particular concern. During 2002, several business units focused on the development and use of a global knowledge network to disseminate and make worldwide use of the know-how at Skanska. Information on hazardous substances and tropical hardwoods is another example of issues being addressed in some business units.

In 2002, Skanska took the initiative to address moisture and mold in the construction sector through a special project. Moisture and mold are not new problems for the construction industry. They have long been an issue in certain regions of the world where temperature and moisture are at levels that allow mold to grow. In the 70s, the "sick building syndrome" was recognized as a health issue in society. In its new project, Skanska looks at the options for the construction industry to further minimize the risks of mold by assessing and developing construction methods and material use. Mold is among the most important indoor air quality issues. Related health risks are allergic reactions and respiratory infections. Recent cases, such as the discovery of mold in Hammarby Sjöstad, a large new residential development in Stockholm, illustrate that this is a serious issue. Skanska is now focusing on identifying alternative building methods and material choices at the design stage and raising awareness among employees throughout the construction services chain. We intend to provide an update on the project in our next sustainability report.

### Quality of living

Aside from continuously seeking improvements in construction methods and the use of materials, we develop new ways of offering better and – most importantly – low-cost concepts for living and working. As in many other regions of the developed world, housing costs are a significant part of a family's budget in Scandinavia, and low-cost housing is a scarce commodity. Skanska and the home furnishings retail company IKEA developed the "BoKlok", or LiveSmart, concept. A joint venture company offers a modern living solution – and more recently a workplace solution, WorkSmart – aimed at trimming costs without sacrificing quality. Families and companies can enjoy lower costs; municipalities can cut their housing



"We just got ourselves a new tool"

waiting lists and offer opportunities for new businesses. Both concepts use pre-fabricated designs and modular solutions, with cost savings of up to 40 percent. So far the LiveSmart product has been a success in Sweden, Norway and Finland, with customer satisfaction between 80 and 100 percent. A first Work Smart office building was completed in 2002 and additional projects are underway in Sweden. Included in both concepts is free interior decoration advice from IKEA, focusing on customer requirements and wishes, using either existing or new furniture.

### Building bridges in Honduras

Large civil construction projects in developing countries have an impact on the lives of those living close to the construction site. This is a responsibility that includes many aspects, both positive and negative, for example job opportunities or re-location. Managing these responsibilities well is not only the right thing to do, but in our experience it can contribute directly to a project's profitability and successful delivery. One of the clearest examples of this occurred when Skanska was commissioned by the Swedish International Development Cooperation Agency to build eleven bridges and five kilometers (3 miles) of road in Honduras after Hurricane Mitch. Skanska started rebuilding the infrastructure in some of the worst-hit areas, and the project delivered most of the bridges several months ahead of schedule. The key reason identified was the effective cooperation and mutual respect between Skanska employees and local Honduran workers. Providing good, clean working conditions resulted in a low turnover of



staff. Skilled and motivated workers do a better job, have fewer accidents, need less supervision and make better use of materials, vehicles and equipment. The communities that were affected by the construction work were consulted and certain local suppliers were supported in their quality and environmental management efforts. Even small efforts like providing bank accounts for all employees can be important, as this helped reduce the number of robberies on pay day.

#### Being a good citizen

Skanska has initiated a good citizenship program to guide its global sponsorship efforts. For Skanska, being a good citizen means playing an active role in societal development. We focus on social sponsorship activities aimed at improving the quality of life for people around the world. In addition we sponsor environmental and cultural activities when they relate to our core business.

A wide variety of activities have been supported in 2002. Some examples in a quick round of the globe:

- Skanska USA Building New England Division has supported the United Way for over 30 years. Skanska employees annually contribute more than USD 30,000 to the Massachusetts Bay Campaign of United Way. United Way supports charities and community agencies that feed the hungry, provide shelters, and counseling to people in need and help the disabled.
- In the Czech Republic, Skanska is involved in establishing a house constructed, equipped and adapted for mentally handicapped people. As a main partner in the project, Skanska is providing financial support, fundraising assistance and expertise.
- In United Kingdom, in recognition of Skanska's continued commitment to social causes, the Lighthouse Club

invited Skanska's Executive Vice President Keith Clarke to be President of its fund. The Lighthouse Club is a construction industry benevolent fund that Skanska has supported over the past three years, raising GBP 30,000 in donations.

- The Swedish Asthma and Allergy Association has announced that 2003 will be The Year for Children with Allergies. Skanska will be one of its primary sponsors.
- In Hong Kong, Gammon Skanska has established strong relationships with the university community. Gammon Skanska has established a safety research center and a one-year fellowship program for university students. In addition, Gammon Skanska provides scholarship support to a number of students at three different universities in China: in Beijing, Shanghai and Guangzhou.
- In Finland, the Helsinki University of Technology offers one of the top programs in Construction, Economics and Production. Since Skanska Oy's headquarters are located in Helsinki, the company maintains close cooperation with the university and its students. Skanska provides funding for five to ten students per year to cover the costs of their Master's theses.

#### Disaster relief

One way to contribute to society is by providing materials and expertise when disasters strike. Such an occasion in 2002 was the catastrophic floods in Central Europe. Skanska provided heavy construction equipment and trucks to assist rescue personnel. In addition, Skanska supported relief initiatives by donating over USD 440,000. In cooperation with a trade union, Skanska CZ also initiated a fundraising drive for those hardest hit by the floods and provided interest-free loans to employees of up to USD 3,000 each to repair or replace damaged and lost property.

On a more comprehensive scale, Skanska is among the Founding Committee members of the Disaster Resource Network (DRN), an initiative of the World Economic Forum. The DRN's objective is to leverage the resources of corporations to assist disaster relief efforts. The non-profit network recruits and coordinates corporate commitments of engineering, construction, transportation and logistics emergency assistance in cases of natural or man-made disasters. The DRN was launched at the World Economic Forum in February 2002.





**“Just building this highway impacts the lives of 2.5 million people. A responsibility we cannot underestimate.”**

**Johan Nilsson, Technical Director  
Autopista Central**

# Autopista Central – making connections in Santiago

Every day in Santiago, the capital of Chile, 10.3 million trips are made by people living in the greater metropolitan area. Fifty percent of these trips are made with private transportation and the rest on public transportation (by bus and subway).

## Congestion and pollution

Santiago has very severe air pollution, a situation requiring a number of actions to improve both the public and private transportation systems. The existing road infrastructure cannot handle today's volume of traffic, so the Chilean Ministry of Public Works awarded the Autopista Central consortium a concession to build and operate a North South highway link through the heart of Santiago. A 41 km (25 mi) section and a parallel 20 km (12 mi) thoroughfare are being developed and extended into a four- to six-lane highway with complementary service lanes. When completed, some 140,000 vehicles will use the highway daily. It will have South America's most modern toll system, a free-flow system where drivers will have accounts with the Autopista Central company. The system will record usage and handle payments, without drivers having to stop on the road.

## Build-Operate-Transfer

The Autopista Central consortium, in which Skanska has 48 percent ownership, will construct the highway, maintain and operate it for 30 years and then transfer it to the client, the Chilean authorities. The project involves a total investment of USD 440 million, of which USD 355 million has been allocated for civil works and traffic systems, USD 40 million for the toll system and USD 45 million for property expropriation.

## Improving transportation

The overall purpose of the Santiago highway project is to integrate new housing developments at the north and south ends of the city, while also linking the industrial zone in the north and west and the downtown area with its administrative, financial and commercial activity. At the same time, the Autopista has to be user-friendly and efficient. The free-flow system will reduce congestion and eliminate the stop-and-go systems of traditional toll roads, thus also reducing emissions of air pollution.

The Autopista Central administration has developed and implemented a comprehensive policy covering customer service, community involvement and communications and a policy covering quality and environmental management.

In addition, the company developed and implemented a community outreach plan for the areas surrounding the project. The strategy aims to foster relationships with the members of these communities, understanding their concerns and where necessary clarifying operations and providing information about upcoming activities. The company is thus



also such activities as organizing neighborhood environmental clean-up campaigns, or via the "Help Us Clean" campaign aimed at drivers to eliminate trash. Every year, the company also awards scholarships to support education opportunities for children aged 10–15 from disadvantaged families. With regards to road safety, Autopista Central has initiated the "I drive myself" campaign, to educate primary school students on safety issues.

Skanska, as a partner in Autopista Central, has as one objective to manage quality and environmental performance in line with the requirements of the ISO 9001 and ISO 14001 standards.

Environmental management at this stage has focused on the obligations and requirements for environmental performance identified by the client, the Chilean authorities, the Environmental Impact Assessment undertaken before the start of the project and the activities specified in the Environmental Management Plan. This plan includes such issues as environmental mitigation, repair, compensation and follow-up action identified for the construction period. A final environmental management report will be delivered at the end of the construction period.

Population of Chile: 15.5 million  
Capital: Santiago, founded in 1541  
Population of Santiago: 5 million

### Autopista Central:

- 60 km (37 mi) of highway
- 80 km (50 mi) of service lanes
- 39 pedestrian bridge crossings
- 85 split level road crossings
- 2 bridges over the Mapocho River
- 64 security cameras
- 845,000 m<sup>2</sup> (910,000 sq ft) of open green space
- 2,000 lampposts.

# Management



Environmental management has focused on setting a common level of performance for the whole of the Skanska Group. Working with the same fundamental requirements and guidelines is a prerequisite for achieving credibility, both internally and externally. One clear example of this approach is that all business units and the Skanska Group's headquarters have had the same time frame for certification and registration of their own environmental management systems. All units were certified by the end of 2000, and newly acquired companies have been given two years to establish an environmental management system certified/registered according to ISO 14001 requirements.

The business units acquired in 2000 were able to obtain close to 100 percent certification by 2002. In 2001, Skanska acquired a majority holding in Cementation India, part of the Skanska UK business unit, and certification is planned for 2003. Within Skanska Cementation Mining in South Africa, also part of the UK business unit, certain project sites remain to be certified in 2003. In addition, a number of newly acquired companies in some of the other business units have ongoing work on the development and

implementation of environmental management systems aimed at certification within two years. In all, by the end of 2002, 95 percent of our net sales were covered by certified environmental management systems.

So far, Skanska is the only major global construction company that has implemented certified environmental management systems throughout the organization. However, the whole industry is improving its performance and a cooperative effort within the industry will help further the implementation of environmental aspects and foster more effective collaboration with clients and suppliers worldwide.

### The life-cycle approach

Skanska has systematically built up increasing knowledge and tools to handle the environmental aspects of building and civil construction projects in each phase of their life cycle. The aim is to use the right instruments for each phase of a construction project.

Environmental performance in construction is a cooperative effort between client and contractor. In many cases, the client-contractor relationship has resulted

in innovative solutions and important lessons learned for both parties. We are working closely with clients to continually improve environmental criteria for the procurement of construction materials and the required environmental performance of suppliers and subcontractors.

Skanska implements many projects with environmental standards beyond legal requirements. A yearly analysis of all major construction projects worth more than USD 1 million indicates that both clients and Skanska are gradually raising the standard of environmental performance. Skanska's analysis of order bookings in 2002 shows that a total of 667 large construction projects were being implemented with higher environmental standards than legally required.

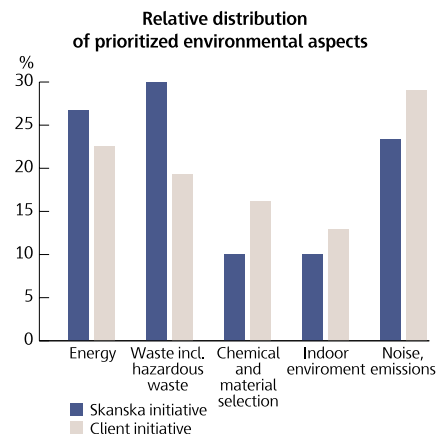
The smaller number of projects and total contract value for 2002 is explained by the lower net sales of the Skanska Group during the year. The total contract value of projects with higher environmental standards than required was SEK 62 billion, or about 45 percent of total order bookings in 2002. This was the same percentage as in 2001. The most common priorities are energy efficiency, waste management and local environmental impacts, such as noise, dust and emissions to water and air.

### Some examples of tools used by Skanska during the life cycle of a building

1. Feasibility study	→	Environmental project database Risk evaluation procedures Environmental Impact Assessment
2. Pre-design	→	Eco-design
3. Pre-construction	→	Database on building materials Database on chemical products
4. Construction	→	Environmental evaluation of suppliers
5. Operation and facilities management	→	Environmental logbook
6. Renovation or demolition	→	Recycling plan

### Construction projects with higher environmental standards

	Number of projects			Total contract sum, SEK bn		
	2002	2001	2000	2002	2001	2000
Client's initiative	350	350	156	27	18	19
Skanska initiative	317	424	391	35	53	41
<b>Total</b>	<b>667</b>	<b>774</b>	<b>547</b>	<b>62</b>	<b>71</b>	<b>60</b>







**Training**

For some years, Skanska business units have provided employees with basic environmental training. By 2002, 67 percent of the Group's more than 76,000 employees had received this type of training (by 2001, 55 percent). The reason behind this increase is that the business units acquired in 2000 have finalized their work on the introduction of environmental management systems. Skanska also provides specialized training to employees who need increased knowledge about the environmental aspects of their jobs. Trainings courses include environmental auditing, environmental legislation, environmental design, environmental aspects of construction materials and the handling of hazardous waste.

**Environmental training at Skanska, number of employees**

Type of training	2002	2001	2000
Specialist training	2,730	1,254	1,804
Auditors training	318	393	289

Skanska also organizes and provides training for suppliers and subcontractors, especially in markets where most construction work is subcontracted, such as in the U.S. In 2001, we trained some 20,400 people working for suppliers and subcontractors. In 2002 this figure was over 40,000 people.

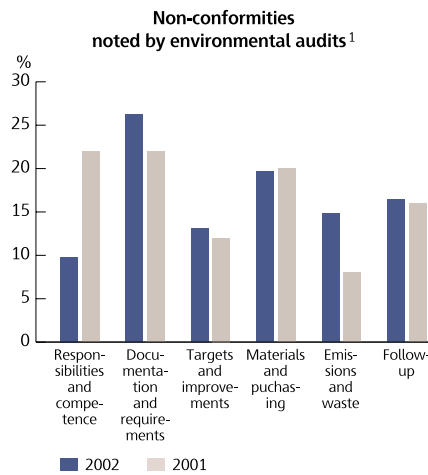
**Follow-up**

At the project level, compliance and continual improvements are assessed by using, among other things, internal environmental audits. The audit results are regularly followed up within each business unit, for example as part of the management review of the environmental management systems. The number of audits has increased as the business units have been certified.

**Audits in 2002**

Type of Audits	2002	2001	2000
Internal	1,753	1,431	1,234
External	204	185	125

The external audits resulted in a number of minor and seven major non-conformities. The types of non-conformities from internal and external audits are illustrated in the figure below.



1 Relative frequency of reasons for non-conformities.

The non-conformity reported in the 2001 Skanska environmental report related to the shortcomings in target setting and action programs at the project level has been remedied through, among other things, increased exchange of experiences and best practices.

**Best practices**

In 2001 Skanska has initiated a number of working groups to identify and strengthen best practices in construction. These working groups have members from a mix of business units and focus on issues such as legal requirements, environmental training, internal and external auditing, supply chain management and environmental indicators. In 2002 the working groups reported on progress at the annual Groupwide forum meeting for environmental and health & safety coordinators. The approach had worked well in supporting the dissemination of knowledge about the effective and efficient use of tools and instruments and the strengthening and

streamlining of environmental efforts in general. As a next step it has been decided to set up working groups to tackle four additional environmental issues:

- Eco-labeled wood
- Eco-design tools
- Contaminated land
- Energy efficiency in buildings

**External recognition**

Several Skanska business units were recognized by outside institutions for their environmental management efforts.

In 2002, Skanska Poland received the Polish Ecology Award twice. This award is given for specific environmental contributions and is administered under the patronage of the Polish Minister of the Environment.

The New England Division of Skanska in the U.S. received the Massachusetts Environmental Stewardship Program in recognition of exceptional environmental performance.

Gammon Skanska won the Grand Award in the prestigious Hong Kong Eco-Business Awards for its innovative solution for re-using concrete: the creation of an artificial reef in the sea near the coast of Hong Kong.



# Operations



Operational environmental performance is strongly influenced by the type of construction. The follow-up of environmental work at each project and the certified environmental management system are currently supplemented by a reporting system that focuses on a set of parameters that are compiled and monitored yearly at Group level. This reporting system supplies the documentation on which the environmental performance chapter in this Sustainability Report is based. Conclusions are related to the following areas:

- Analysis of the environmental work at major construction projects
- Environmental training programs
- Internal and external environmental audits
- Non-conformities
- Evaluation of chemicals
- Evaluation of suppliers
- Contaminated land
- Waste management
- Environmental projects

## Energy

One of the biggest threats to the global environment is climate change due to greenhouse gases in the atmosphere. The most important cause of this threat is the use of fossil fuels. The construction sector therefore faces a major challenge, because a sizeable percentage of energy used by humans is related to buildings and their utilization. The European Commission has estimated this at 41 percent within the European Union, which means that buildings contribute more greenhouse gases than traffic, 31 percent, and industry, 28 percent.

A large proportion of this energy use can be prevented. Given today's technology, it is fully possible to substantially lower the energy use of buildings. When renovating existing office buildings, Skanska Project Development Sweden is able to achieve improvements of 20–30 percent in energy

efficiency and at least 30 percent in new construction. There is consequently a very large potential for energy savings. The table below shows the total energy use for heating, air conditioning, and electricity for operations other than tenants' electricity use, in Skanska Project Development Sweden real estate portfolio, calculated per square meter. The second table shows the related emissions of carbon dioxide. The results show that it is possible, through the choice of suppliers and energy systems, to achieve substantial reductions in carbon dioxide emissions, especially in renovations and new construction.

Energy use in Skanska properties in Sweden, kWh/m<sup>2</sup> per year.

Type of property	2002	2001	2000
Average existing properties	131	142	142
Properties renovated during the year	91	89	115
Properties newly constructed during the year	86	87	75

Carbon dioxide emissions from Skanska's properties in Sweden, kg/m<sup>2</sup> per year

Type of property	2002	2001	2000
Average existing properties	12.9	14.6	12.3
Properties renovated during the year	11.0	6.8	9.2
Properties newly constructed during the year	7.0	7.2	6.1

In the EU, Skanska has worked actively to win broad support for the Directive on Energy Performance of buildings, which was formally adopted in 2002.

## Hazardous substances

Handling of hazardous substances is often regulated in detail by national legislation, which means that the procedures developed must be nationally adapted. The efforts of Skanska Sweden provide an example of how

chemical issues can be handled. Based on available information on the environmental characteristics of chemicals, three different lists of chemical substances have been compiled:

- A list of 29 substances under surveillance
- A list of 25 substances to be phased out by the end of 2004
- A list of 15 restricted substances

With these lists as a starting point, a database of more than 4,800 commercial chemical products has been developed.

Skanska Sweden's database of chemical products

	2002	2001	2000
Total number of evaluated products	4,843	4,749	3,184
Approved	2,174	2,249	1,415
Approved under surveillance	1,546	1,540	956
To be phased out	1,026	878	765
Restricted	12	11	8

Skanska Denmark has been a leader in the task of developing a national industry-wide chemical database. This database now contains 2,416 products. On the basis of these, Skanska Denmark has then selected 716 products that may be used in its own operations. The industry-wide database of chemical products is evolving all the time, and the number of chemical products listed is rapidly increasing. Skanska Denmark has further refined the standard version of the industry-wide database so that each individual chemical product is classified on the basis of a number of criteria, taking into account both environmental and working environment as well as quality and economic factors. Products are classified in three categories: permitted products, products that should be phased out and non-permitted products. In total more than 7,500 chemical products have so far been evaluated in the Skanska Group.



### Evaluating and influencing suppliers

Efforts to persuade Skanska's suppliers to expand their environmental work continued in 2002. During the year 6,300 key suppliers were informed of our Code of Conduct. A number of Skanska's business units in Europe have carried out environmental evaluations of prioritized suppliers. These evaluations are carried out regularly on the basis of established procedures and are gradually being extended to include an increasing number of suppliers. This year's assessment also shows that 980 prioritized suppliers to Skanska are ISO 14001 certified.

Skanska Sweden has continued to develop its Internet-based self-evaluation for suppliers. Currently more than 1,000 suppliers have completed these self-evaluations of their environmental work.

### Contaminated land

An analysis of the occurrence of contaminated land on Skanska-owned properties, and of sites where the remediation costs are expected to be substantial, takes place annually. The analysis during 2002 reported three such cases of contaminated land that is owned by Skanska, which were previously known. Decontamination of soil is a relatively common element of Skanska's work at large construction projects. An analysis of new projects in 2002 with order values exceeding USD 1 million indicated that 70 projects included soil decontamination (126 such projects were reported for 2001). Over the years, Skanska has built up wide-ranging expertise and experience in soil decontamination to enable sites to be used for residential or other buildings.

### Waste and recycling

Decreasing environmental impacts requires efficient procedures for reducing the quantity of leftover materials from the construction process. Meanwhile it is important to take advantage of opportunities for a high degree of reuse and recycling of waste that nevertheless arises.

Five business units covering close to 30 percent of Skanska Group report that 100 percent of their projects undergo at-

source waste separation into at least three material types.

Where at-source separation is possible at the construction site, Skanska's U.S. business units maintain a high degree of waste separation. Furthermore, relatively new Skanska business units such as Sade Skanska and Skanska Sp illustrate that over a short period of time, good results can be achieved in waste separation (90 percent at Sade Skanska and 83 percent at Skanska Poland).



### 2002 Skanska Award for Outstanding Environmental Contribution

An internal environmental prize has been established in order to encourage and call attention to initiatives within the Group for improved environmental performance. The prize is divided into two categories: construction projects and innovative solutions. With this activity Skanska is building up a project database, available for employees, clients and other Skanska stakeholders.

### Channel Tunnel: 2002 Environmental Prize for Construction Projects

Channel Tunnel Rail Link is a high-speed line connecting London and the Channel Tunnel under the English Channel. Skanska UK is involved in three of the contracts in this GBP 5.2 billion project, which is scheduled for completion by 2007.

In one of Skanska UK's contracts, the Stratford Box, a far-reaching waste management program has been implemented. By investigating waste streams on site, looking at new ways to manage and follow up supply chains and subcontractors, finding new products and measures to promote waste minimization on site and other initiatives, the project has shown outstanding results. In ten months from the start of the waste management program, the financial savings are estimated to be GBP 6,000 per month compared to similar projects.



### Cool Twin: 2002 Environmental Prize for Innovative Solutions

Drawing on three decades of experience with heat exchangers, IV Produkt, a subsidiary of Skanska Sweden, has developed a new product called Cool Twin™.

The base stations for the Universal Mobile Telecommunications System (UMTS) require an output more than twice as large as the base stations in today's GSM mobile system. This means that they generate twice as much heat, making it necessary to invest in effective cooling technology. IV Produkt has developed a cooling system that controls cooling output variably as needed, thereby reducing energy consumption. This technology makes it possible to reduce a base station's power consumption by 60 percent or 20,000 kWh, compared to conventional cooling systems. This is equivalent to the electricity consumption of one electrically heated single family home in Sweden.

# Kukule Ganga



## POWER FOR DEVELOPMENT

Sri Lanka is in great need of electric power to support industrialization and development. Since Sri Lanka lacks coal, oil and natural gas, but has high rainfall, hydroelectric power presents itself as the obvious power alternative. A hydroelectric power station on the Kukule Ganga river, 70 kilometers (43 miles) southeast of the capital of Colombo, was planned as early as the 1960s. At that time a study highlighted the possibility of extracting electricity from the river, sketching a 110-meter (361 ft) high dam. The environmental consequences of this project were considered severe and 1,000 families would have to be relocated. Protests from environmental organizations eventually stopped the project.

Instead, a plan for a small "run of the river" dam emerged, and construction started in 1999. This means that a certain amount of water will be diverted from the river channel, led through an 8 kilometer (5-mile) long mountain tunnel with a height of fall of 176 meters (577 ft). At the end of the tunnel the water will run through two turbines, powering two generators, and then be discharged back into the river channel. The finished hydropower station is calculated to yield 80 MW (2 x 40 MW) and an average annual energy production of 317 GWh.

The forest surrounding the project is part of the UNESCO World Heritage-listed Sinharaja Forest Reserve, one of the last untouched rain forests of Sri Lanka. The area is rich in biodiversity and vulnerable to human disturbance. The farmers in the area cultivate rubber and tea.

Skanska's labor force during construction reached 900 people at its peak, including 50 expatriates from Sweden. Skanska's work at Kukule Ganga HPP is pioneering in the sense that it is the first international hydropower project that Skanska is completing within the framework of its ISO 14001 certified environmental management system.

In 2002 the UN Global Compact was looking for projects that could be evaluated by external experts from academic institutions for their Learning Forum. In consultation with the Stockholm School of Economics, which was asked to carry out the evaluation, the Kukule Ganga project was selected. The assessment was done in late 2002 through on-site visits and interviews with a wide variety of stakeholders. Project performance was assessed against the three environmental principles of the Global Compact. Some of the major findings of the assessment include a description of Skanska's efforts to implement the environmental management system. Skanska decided to establish a project environmental unit, and from the start of the project it stressed the importance of environmental awareness. Skanska staff conducted inspections every week. Twice yearly, external auditors would do a comprehensive audit. In line with the environmental management system's requirements, all employees of Skanska received training in environmental awareness. Other aspects highlighted in the assessment were environmentally friendly waste oil disposal, purchase restrictions on chemicals and the cleaning of tunnel water.

The assessment also emphasized the importance of transparency and an active dialogue with stakeholders.

Sri Lanka's population: 19 Million  
Capital: Colombo and Sri Jayawardenapura Kotte (legislative)

GDP: USD 62.7 billion (PPP)  
GDP by sector:  
Agriculture: 21%  
Industry: 27%  
Service: 52%

**Electricity production**  
6.6 billion kWh (2000)  
By source: fossil fuels 32%,  
hydropower 68%

**Skanska's involvement:**  
Time: June 1999 – April 2003  
Budget: USD 50 million

# Outlook for 2003

## Continual improvement

This Sustainability Report presents an overview of our performance during 2002. Although we believe that Skanska has come a long way, we see our commitment to sustainability as a process of change and continual improvements. Sustainable development is a long-term process, and during 2003 Skanska will focus on improvements of a number of key issues addressed in this report.

While working on this report, it became apparent that data collection and internal benchmarking can be further streamlined within the company. Some new key consolidated data, in particular related to health & safety and employee relations, need to be developed and assessed. We aim to strengthen some of these aspects in time for our next Sustainability Report.

## Skanska Code of Conduct

The implementation of the Skanska Code of Conduct will be a key priority for our work in 2003. Skanska will develop an implementation and compliance program and the business units will continue their work to integrate the Code of Conduct into their management systems. Special attention will also be given to the business ethics elements of the code. The ongoing training program developed by Skanska in Sweden can be a pilot for similar programs undertaken by business units in other countries. By including the implementation of the Code in the Talent Management program of Skanska's 250 top managers, a common value platform is fostered that will support sound business development for many years to come.

## Environmental management

After the environmental accident at the rail tunnel project in the Halland Ridge (Hallandsåsen) in 1997 the project came to a halt, and permit applications for a new phase were submitted. In November 2002 a consortium between Skanska and Vinci was awarded the contract for completing the tunnel. This is both an opportu-

nity for Skanska to demonstrate the improvements in its environmental performance and a vote of confidence from the client, the Swedish National Rail Administration. While many improvements have been made in Skanska's environmental performance, further efforts are planned for 2003. Skanska has played a key role in the European energy efficiency debate related to residential and commercial buildings. Additional efforts will focus on international cooperation to develop and implement policy incentives for improved energy efficiency in buildings. A key aspect of this is to include environmental aspects in the design of buildings. Skanska has good experiences with new tools in eco-design from both the U.S. and United Kingdom. In the U.S., Skanska has trained employees in the use of LEED, a tool that rates buildings and evaluates construction methods and materials from an eco-design perspective. Increasingly, clients have demanded that this approach be included and experiences to date are very promising for further application. A similar tool has been developed in Britain This tool, called BREEAM, also addresses eco-design aspects in buildings. In 2003, the Skanska best practices group on eco-design will follow the progress of these initiatives and share experiences within the Group.

## Health and safety

Skanska health and safety efforts will focus on addressing performance monitoring at the business unit management level. Other aspects to be addressed in 2003 are the quality aspects of performance measuring, including the benchmarking of Skanska performance with national industry averages. Similar to the implementation of environmental management systems throughout the Group, Skanska will

continue to integrate health and safety aspects in existing management systems.

## Moisture and mold

The Skanska assessment of moisture and mold initiated in 2002 will continue in 2003, aiming at further assessment and development of construction methods and building materials.

## International involvement

Skanska will continue to participate in international networks, organizations and gatherings where we can contribute effectively. In particular our commitment to the United Nations Global Compact will continue. We will continue to work with the World Business Council on Sustainable Development (WBCSD) and will further develop our dialogue with key stakeholders like Amnesty International and WWF.

Skanska is also actively taking part in the Millennium Ecosystem Assessment (MA), which was launched in April 2001. The purpose of the assessment is to improve understanding of the conditions of ecosystems and the consequences of ecosystem change, and of the response options.

## Stakeholder dialogues

Skanska will use this Sustainability Report to engage a wide variety of stakeholders in dialogues. The views and suggestions of our clients, employees, shareholders, suppliers and subcontractors, public agencies, academics, business partners and the general public will help us to further improve our performance.



# Abbreviations and glossary

## Average exchange rates for currencies used

SEK per unit	2002
U.S. dollar	9.73
British pound	14.57
Euro	9.16

BOT – Build Operate Transfer  
 BREEAM – Building Research Establishment Environmental Assessment Method  
 CEO – Chief Executive Officer  
 DJSI – Dow Jones Sustainability Indexes  
 DRN – Disaster Resource Network ([www.weforum.org](http://www.weforum.org))  
 FM – Facilities Management  
 GDP – Gross Domestic Product  
 GRI – Global Reporting Initiative ([www.globalreporting.org](http://www.globalreporting.org))  
 GWh – Gigawatt hour  
 HIV – Human immuno-deficiency virus  
 HPP – Hydropower project  
 IFBWW – International Federation of Building and Wood Workers ([www.ifbww.org](http://www.ifbww.org))

ILO – International Labor Organization ([www.ilo.org](http://www.ilo.org))  
 ISO – International Organization for Standardization ([www.iso.org](http://www.iso.org))  
 kWh – Kilowatt hour  
 LEED – Leadership in Environmental and Ecology Design  
 MA – Millennium Ecosystem Assessment ([www.millenniumassessment.org](http://www.millenniumassessment.org))  
 MCG – Major Contractors Group  
 MW – Megawatt  
 NGO – Non-governmental organization  
 OECD – Organization for Economic Cooperation and Development ([www.oecd.org](http://www.oecd.org))  
 ORA – Operational Risk Assessment  
 PPP – Purchasing Power Parity

ROCE – Return on capital employed  
 SAM – Sustainability asset management  
 SET – Senior Executive Team  
 SFS – Skanska Financial Services  
 UN – United Nations ([www.un.org](http://www.un.org))  
 UNCED – United Nations Conference on Environment and Development  
 UNUDHR – United Nations Universal Declaration of Human Rights  
 UNESCO – United Nations Educational, Scientific and Cultural Organization  
 USD – United States dollar  
 WBCSD – World Business Council for Sustainable Development ([www.wbcd.org](http://www.wbcd.org))  
 WCED – World Commission on Environment and Development  
 WWF – World Wide Fund for Nature ([www.wwf.org](http://www.wwf.org))

## BS 8800

A British standard guide to occupational health and safety management systems.

## Certification / Registration

An independent examination of an operation and a confirmation that it meets a standard, for example the ISO 14001 international environmental management standard.

## Code of conduct

A set of business principles used by a company or organization to set a standard of performance for employees, subcontractors and suppliers regarding labor practices, human rights, business ethics, environment, product safety and more.

## Corporate governance

The system or process by which companies are directed and controlled. It is based on the principle that companies are accountable for their actions and therefore broad-based systems of accountability need to be in build into the governance structures of companies.

## Dow Jones Sustainability Indexes

The first global index, developed by Dow Jones Index and the Swiss Sustainability Asset Management Group, for tracking and assessing companies that are leaders in their respective sectors in terms of economic, environmental and social performance. ([www.sustainability-index.com](http://www.sustainability-index.com))

## Environmental audit

A systematic, objective review of an organization's environmental work aimed at examining whether its operations are run in accordance with the commitments specified in the environmental management system.

## Environmental management system

The portion of an organization's management system that includes organizational structure, planning, responsibility, practice, procedures, processes and resources for developing, introducing, fulfilling, revising and maintaining an environmental policy.

## Global Reporting Initiative

A international multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental and social impact of an organization's activities, products and services. ([www.globalreporting.org](http://www.globalreporting.org))

## ISO 14000

A series of standards for environmental activities issued by the International Organization for Standardization - ISO. ([www.iso.org](http://www.iso.org))

## ISO 14001

An international standard for environmental management systems.

## Ombudsman

A person who acts as independent referee between individual citizens and a government, administration, organization or private company.

## OHSAS 18001

An international specification for health and safety management systems.

## Sick-building syndrome

The presence of health syndromes due to impairment of air quality, related to the physical properties of a building.

## Stakeholders

Individuals, a group of individuals or an organization affected by or affecting the behavior of another company or an organization.

## Sustainable development

Defined in the 1987 report from the WCED as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

## Transparency International

An international organisation devoted to curbing bribery. Founded in 1993 with a mission to build coalitions of civil society, governments and the private sector to cooperate in abolishing corruption. ([www.transparency.org](http://www.transparency.org))

## United Nations Global Compact

A United Nations platform for encouraging and promoting good corporate practices and learning experiences in the areas of human rights, labor and the environment. ([www.unglobalcompact.org](http://www.unglobalcompact.org)).

# Contact info

Skanska's website has more information about our work on sustainability. You can find us at [www.skanska.com](http://www.skanska.com)

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