

SKANSKA

Sustainability Review 2014

Extract of Annual Report 2014



Skanska's strengths

Developing communities

- Strong focus on clients and users
- Strong local roots in selected geographical markets
- Diverse operations covering various sectors
- Complete solutions from planning to handover
- Driving sustainable development

Employees

- Strong corporate culture with shared values
- Optimizing value through customized solutions
- Skilled in project development and execution
- Committed and responsible
- Developing skills and sharing experience

Financials

- Solid balance sheet
- Solid cash flow
- Proven business model with synergies
- Strength to realize business opportunities
- Long-term value creation



The Oculus project at the World Trade Center in New York is nearing completion.

Contents

Highlighting green certification

Throughout this Annual Report the relevant logos are used to indicate when projects are, or are in the process of being, certified to a green certification scheme. Green certification provides voluntary third-party validation of the environmental design and/or performance of buildings and infrastructure. Skanska has expertise around a number of the schemes most relevant to its home markets. Today over 600 Skanska employees are accredited by external agencies for their expertise in this area – expertise which is used to execute projects for clients and for Skanska's own development units.



**Leadership in Energy
and Environmental
Design, LEED**

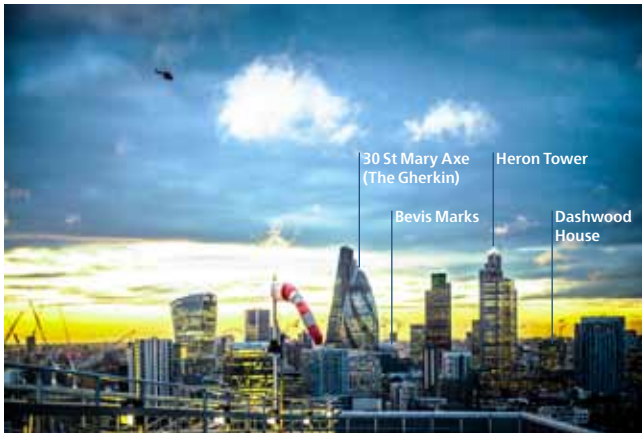


**BRE Environmental
Assessment Method,
BREEAM**



**Civil Engineering
Environmental Quality
Assessment and Award
Scheme, CEEQUAL**

Strong year for Skanska in London



London is a major construction market for Skanska, and in 2014 the company had 10 office projects in progress covering an overall area of 237,000 sq m with a total contract value of GBP 684 M. One of the biggest projects, 1 and 2 New Ludgate, is now being completed close to St. Paul's Cathedral. Another project, 52 Lime Street, has just begun and will be a razor-sharp 190 meter high office skyscraper. Skanska is also working on the expansion of the new Crossrail transport link. The view from the helipad on the Royal London Hospital – completed under a PPP project – shows a patchwork of previous Skanska projects, including the 30 St Mary Axe building (The Gherkin) and Salesforce Tower (previously Heron Tower).

Reporting of revenue and earnings in the first part of the Annual Report (pages 1–84) complies with the segment reporting method. The statements of financial position and cash flow are presented in compliance with IFRS in all parts of the Annual Report.

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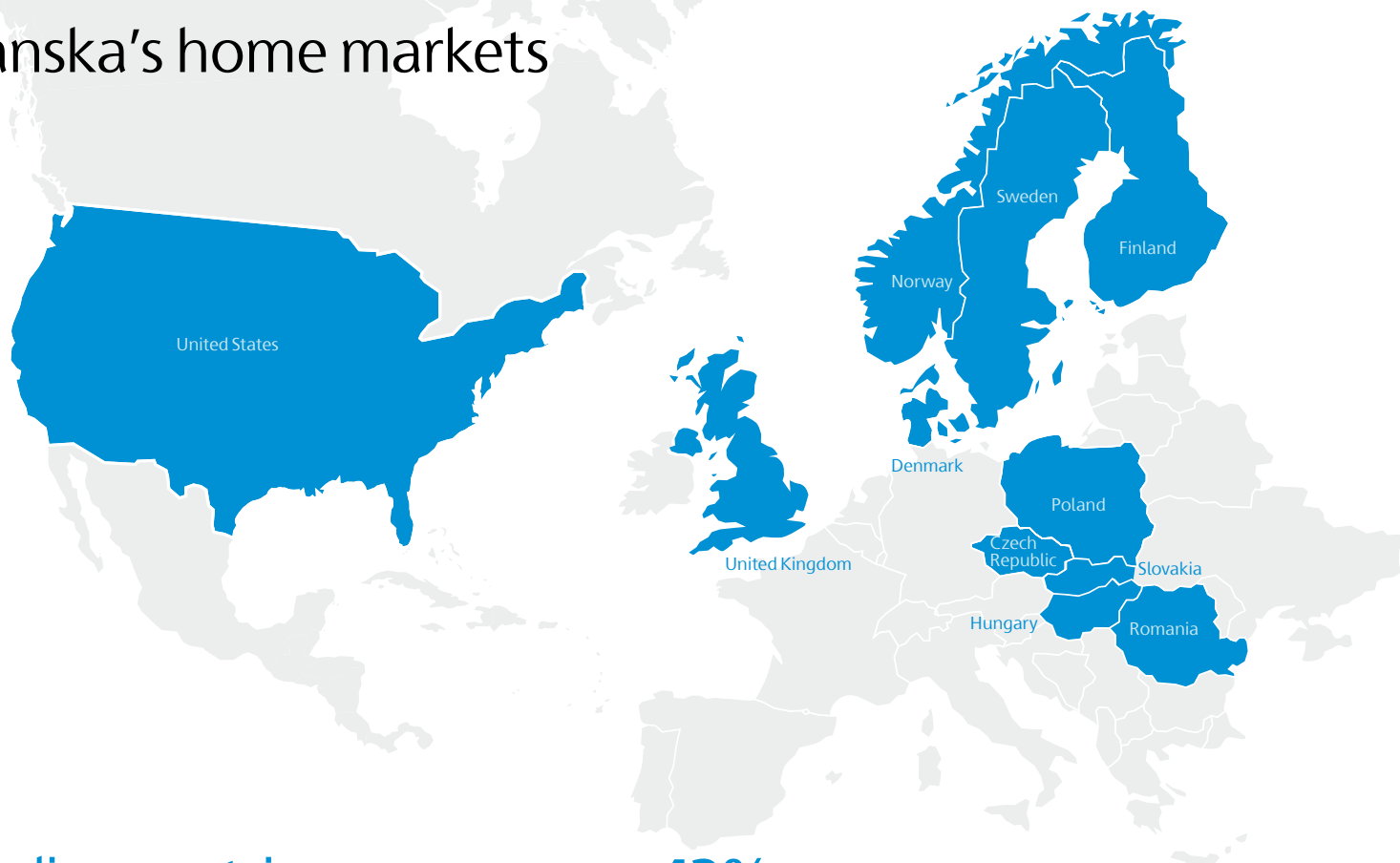
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Skanska's home markets



Nordic countries

43% of revenue

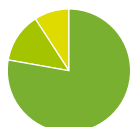
Employees: Around 17,000

Revenue: SEK 64.0 bn

Revenue:

Earnings:

Order backlog:



Revenue

- Construction, 78%
- Residential Development, 13%
- Commercial Property Development, 9%
- Infrastructure Development, 0%

Home markets	Construction	Residential Development	Commercial Property Development	Infrastructure Development
Sweden	●	●	●	●
Norway	●	●	●	●
Finland	●	●	●	●
Denmark			●	

Other European countries

24% of revenue

Employees: Around 17,000

Revenue: SEK 35.0 bn

Revenue:

Earnings:

Order backlog:



Revenue

- Construction, 87%
- Residential Development, 3%
- Commercial Property Development, 10%
- Infrastructure Development, 0%

Home markets	Construction	Residential Development	Commercial Property Development	Infrastructure Development
Poland	●	●	●	●
Czech Republic	●	●	●	
Slovakia	●			
Hungary			●	
Romania			●	
United Kingdom	●			●

North America

33% of revenue

Employees: Around 10,000

Revenue: SEK 49.9 bn

Revenue:

Earnings:

Order backlog:



Revenue

- Construction, 97%
- Residential Development, 0%
- Commercial Property Development, 3%
- Infrastructure Development, 0%

Home markets	Construction	Residential Development	Commercial Property Development	Infrastructure Development
United States	●		●	●

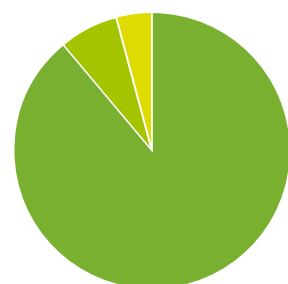
In addition, there are about 14,000 employees in the Latin American operation that is being closed down.

Skanska is one of the world's leading project development and construction groups, concentrated on selected home markets in the Nordic region, other European countries and North America.

Making the most of global trends in urbanization, demographics and energy, and with a focus on occupational health and safety, green construction and ethics, Skanska offers competitive solutions – not least for the most complex assignments.

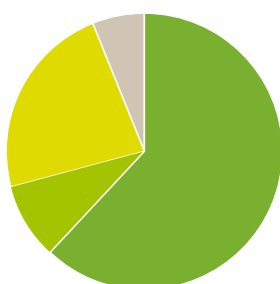
The interaction of its construction and project development operations in the various markets generates added value for Skanska's shareholders.

2014 Revenue



- Construction, **87%**
- Residential Development, **6%**
- Commercial Property Development, **7%**
- Infrastructure Development, **0%**

Operating income



- Construction, **62%**
- Residential Development, **9%**
- Commercial Property Development, **23%**
- Infrastructure Development, **6%**

Key ratios

	SEK M	EUR M	USD M
Revenue	145,029	15,902 ³	21,024 ³
Operating income	5,766	632 ³	836 ³
Income after financial items	5,473	600 ³	793 ³
Earnings per share, SEK/EUR/USD ¹	9.98	1.09 ³	1.45 ³
Return on equity, %	20.1	20.1	20.1
Order bookings ²	147,424	16,165 ³	21,371 ³
Order backlog ²	170,908	18,029 ⁴	21,930 ⁴
Employees, number	57,866	57,866	57,866

¹ Earnings for the period attributable to equity holders divided by the average number of shares outstanding.

² Refers to Construction operations.

³ Average 2014 exchange rates: EUR 1 = 9.12, USD 1 = 6.90

⁴ Exchange rates on 2014 balance sheet day: EUR 1 = 9.48, USD 1 = 7.79

2014 in brief

First quarter

Skanska awarded additional contract for R&D facility in the U.S. for around SEK 1.7 billion. Work began in 2012 and the total order value is around SEK 8 billion.



More than 1,000 Skanska employees move into the Group's new headquarters at Entré Lindhagen in Stockholm.

Skanska signs a contract with the Norwegian Road Administration to extend the E18 motorway between Bommestad and Sky in Norway.

Skanska wins Financial Times award for corporate responsibility.

Construction of an office building begins in London, with the aim of reaching BREEAM Excellent. The contract value is SEK 1 billion.

In Connecticut, USA, Skanska signs an additional contract to build a new department at Stamford Hospital.

Skanska builds nine kilometers of motorway in Finland with 16 bridges on the road section. The contract value is SEK 400 M.

First quarter, accumulated:

Revenue	SEK 27.9 billion
Operating income	SEK 656 million
Order bookings	SEK 31.2 billion

Second quarter

Skanska offers the capital markets an opportunity to invest in green corporate bonds.

UK Prime Minister David Cameron chooses Skanska's London office to announce planned infrastructure investments.

Part of Skanska's head office in Stockholm is sold for SEK 1 billion.

Skanska's commercial property development in Europe invests a total of SEK 1.1 billion in projects.



Skanska Safety Week, the world's largest occupational health and safety initiative, celebrates ten years – with industry colleagues in all Skanska's home markets participating for the first time.

In Los Angeles, work begins on a transitway in a contract worth SEK 3.8 billion.

The UN Environment Programme (UNEP) launches an initiative to green the building supply chain. Skanska co-authors the final report.

Second quarter, accumulated:

Revenue	SEK 62.4 billion
Operating income	SEK 1.6 billion
Order bookings	SEK 68.1 billion

Third quarter



Green House, the first and so far the only LEED Platinum certified office building in **Budapest, Hungary**, is sold for SEK 323 M.

Skanska reaches financial close on the **I-4 Ultimate Project**, a Public Private Partnership project in **Florida, USA**. Skanska's share of the construction contract is worth SEK 6 billion.

New life is to be breathed into **Battersea Power Station**, a familiar silhouette on the London skyline. Skanska has a contract worth SEK 970 M for mechanical and electrical works in the residential project.

During **Almedalen Week**, a yearly political forum in **Sweden**, Skanska presents solutions for housing, Public Private Partnerships and Öresund 2070.

UN Secretary-General **Ban Ki-moon** holds the first meeting in the General Assembly Hall following its refurbishment by Skanska.

Skanska contributes to the UK Green Business Council's report "**The Next Chapter for Green Building**" about the effects of green buildings on health and productivity.

Third quarter, accumulated:

Revenue	SEK 101.6 billion
Operating income	SEK 3.5 billion
Order bookings	SEK 105.3 billion

Fourth quarter

Skanska reaches 150,000 followers on **LinkedIn**.

Skanska signs a contract with **ESS, European Spallation Source**, to build the first phase of a state-of-the-art research facility in **Lund, Sweden**.

In **New York**, Skanska holds a well-attended and much appreciated **Capital Market Day**.

Four green Skanska projects win **Sweden Green Building Awards**.



Skanska sells the **Green Horizon** office project in **Łódź, Poland**, for SEK 600 M.

Skanska signs an agreement with **Uppsala County** to build an advanced **care and treatment building**. The contract is worth SEK 1.2 billion.

Public Private Partnership agreements are signed generating building contracts totaling SEK 6 billion.

In **central London**, Skanska wins a contract to build a large office property. The value of the contract is SEK 2.2 billion.

Skanska signs a contract with **Stockholmshem** to build **185 rental apartments** and **172 student apartments**.

Fourth quarter, accumulated:

Revenue	SEK 145.0 billion
Operating income	SEK 5.8 billion
Order bookings	SEK 147.4 billion

Comments by the President and CEO

Last year was a good year for Skanska in many ways. Increased revenue and operating income, new record development gains and strong order bookings are clear signs of a successful 2014. We also took another major step into the U.S. Public Private Partnerships (PPP) market. Our strong financial position is a stable foundation from which to continue creating value with our clients in 2015.



The talent and dedication of our employees and cooperation with our clients are our key success factors. It is the employees who win new contracts and are responsible for delivering on clients' expectations.

As we look back on our operations in 2014 we see many bright spots. However the positive events took place against a dark backdrop. Armed conflicts in various parts of the world has cast long shadows, as have the Ebola outbreak, extreme weather and terrorism. Several European countries still suffer from the effects of the financial crisis, and Russia's weakened economy is having a negative impact on parts of the EU area.

Economic development has been more stable in the UK and the U.S. The UK has freed itself from the grip of the crisis through systematic measures. Private and public sector players have regained their investment appetite and a major infrastructure initiative has been launched.

The U.S. economy is getting a boost from the new energy source of shale oil, which is offering competitive advantages and bringing industrial enterprises back to the country. And this is stimulating both job growth and private consumption.

Although low oil prices are generally good for global growth, they are starting to curb demand for offices and homes in oil-producing regions in the U.S. and Norway.

Increasing market share

In both the U.S. and the UK we have grown faster than the construction market as a whole and have increased our market share. We can report very strong order bookings in the U.S., with Interstate 4 as the crowning achievement. Development in Sweden continues in a positive direction too, although the political situation temporarily delayed infrastructure projects such as the Stockholm Bypass, a new route for the European highway past the Swedish capital.

Strong order bookings

All of our construction markets, except for Finland, have developed well. We have increased our order bookings and our revenue. Order bookings have been particularly strong in USA Civil, the UK and Poland. Our margins have improved thanks to the performance of the Swedish, Polish and Finnish operations. The Finnish economy is still weak as the country is in a restructuring phase and suffering from the unrest in Russia. In Norway we can report increased interest in Public Private Partnerships for large infra-

structure projects. Poland has leveled off slightly, but growth is still strong. We are seeing improvement in the Czech Republic and Slovakia after an earlier sharp decline.

We have decided to exit the Latin American market where profitability has been disappointing. Closing our engineering and construction operations there involves costs, but for the long term, this is the right decision. We are finishing ongoing projects, but will not take on any new ones. We are also divesting our operation and maintenance business in the region to focus on markets where we have a greater presence.

Improvement in Residential Development

Residential Development continues to improve, despite weak demand in Finland and parts of Norway. The key factor here is to keep improving execution efficiency and thereby increase the profitability of our residential projects.

Strong commercial property market

The markets for commercial property projects are good and we enjoyed very strong growth here during the year. The development gains realized of just over SEK 2 billion are the highest ever and prove our ability to generate value. Leasing reached 287,000 sq m and, combined with increased investments, provides good potential for future gains.

The property markets in Sweden, Poland and the U.S. remain strong. The Finnish market is still weak, but we see future potential and we are launching new commercial property projects in Helsinki.

Skanska's green property projects have been attracting tenants and investors for many years. Our green bonds, launched in 2014, are also a success. They allow us to reach even more investors who can direct their investments toward green projects.

The biggest Public Private Partnership project

In 2014 we signed a contract regarding the Interstate 4 highway in Florida – the biggest project so far in the U.S. Public Private Partnership market. Our part of the construction contract is worth USD 900 M. We won this contract in tough competition, showing that we can compete in this key growth market.



Johan Karlström, President and CEO

Overall we delivered strong results on almost all fronts. Our clients are expressing their appreciation, and what can be more gratifying than hearing this from UN Secretary-General Ban Ki-moon. At the autumn General Assembly he thanked all those who have worked on the renovations at the UN Headquarters in New York. We are also still active in the UN Global Compact, the world's largest sustainability initiative.

More and better

We are convinced that our tried and tested business model has even more potential. The strong cash flow in our Construction business stream is allowing us to invest more in project development.

It is not just about doing more, but about doing it better as well. We are sharpening our tools – our dedicated employees, our systems and our processes. The latter includes improving project execution. The key is strengthening our risk and improvement processes within our business units. We are also intensifying controlling and risk monitoring throughout the duration of projects. This will allow us to solve any execution problems early on. We can also take advantage of opportunities to make improvements and save costs, which will benefit our clients as well.

The talent and dedication of our employees and cooperation with our clients are our key success factors. It is the employees who win new contracts and are responsible for delivering on clients' expectations. They are also the ones whose behavior and actions demonstrate our values in practice.

Diversity and inclusion

To remain successful we will need to recruit a large number of employees in the next few years and ensure that they embrace the company's values and our way of working.

We are also focusing on increasing diversity and inclusion. Diversity that reflects the wider society is key to increased creativity and a better understanding of the needs of our clients and society.

Together with our clients and partners in various markets, we go beyond our actual construction commitments to improve the lives of many people. One such initiative is our partnership with the Swedish

Public Employment Service to employ people with international backgrounds who, for various reasons, have found it hard to enter the labor market. Here at Skanska we feel very motivated when we help develop the wider community. More and more customers – both public and private – want us to offer training, practical experience and work to people who live and work where we operate.

Early stages

Demand is increasing among our clients for our expertise in designing functional and cost-saving solutions to meet their needs. We can help their core business succeed when we are involved in developing their projects at an early stage.

The development towards greater social responsibility and intensified collaboration with clients will be even more important for us and our clients going forward.

We are proud but not satisfied – we can be even better. We can do even more as we develop communities and create value for our clients and shareholders.

Stockholm, February 2015

Johan Karlström
President and CEO

Mission, goals and strategy

Mission

Skanska's mission is to develop, build and maintain the physical environment for living, traveling and working.

Vision

Skanska's vision is to be a leader in its home markets and to be the customer's first choice in construction and project development.

Overall goals

Skanska will generate customer and shareholder value.


Skanska will be a leader, in terms of size and profitability, within its segments in the home markets of its construction Business Units.

Skanska will be a leading project developer in local markets and in selected product areas.

Global market trends

The world is currently experiencing the highest growth rate in urbanization in history; now more than half of all the people in the world live in cities. At the same time, people are living longer lives and demanding a higher standard of living, leading to growing energy needs in society. These global trends are increasing the need for new and more sustainable solutions for the future:

- Infrastructure
 - Roads
 - Power and energy
 - Water and waste management
- Healthcare
- Housing
- Education



Hammarby Sjöstad is growing to the west. Skanska is developing the first phase of Stockholm New, including 20,000 square meters of office space in two projects and 422 eco-labeled homes. Skanska is also building a bus depot and offices for SL, the local transit company for the Stockholm region.



New and more sustainable solutions are needed for the world's cities.

Business plan 2011–2015 Profitable growth

All four business streams will **grow in terms of profit**.

Return on equity will total 18–20 percent annually.

Net operating financial assets/liabilities will be positive.

Operating margins in Construction will average 3.5–4.0 percent over a business cycle and thus be among the best in the industry.

Activities in project development operations will increase.

The combined return on capital employed in Skanska's three project development operations will total 10–15 percent annually.

The company will be an industry leader in terms of occupational health and safety, risk management, employee development, green construction and ethics.

Strategy

To focus on the core business in construction and project development in selected home markets.

To focus on recruiting, developing and retaining talented employees and to take steps to achieve increased diversity and inclusion.

To be a leader in identifying and systematically managing risks and opportunities.

To be an industry leader in sustainable development, particularly in occupational health and safety, the environment and ethics.

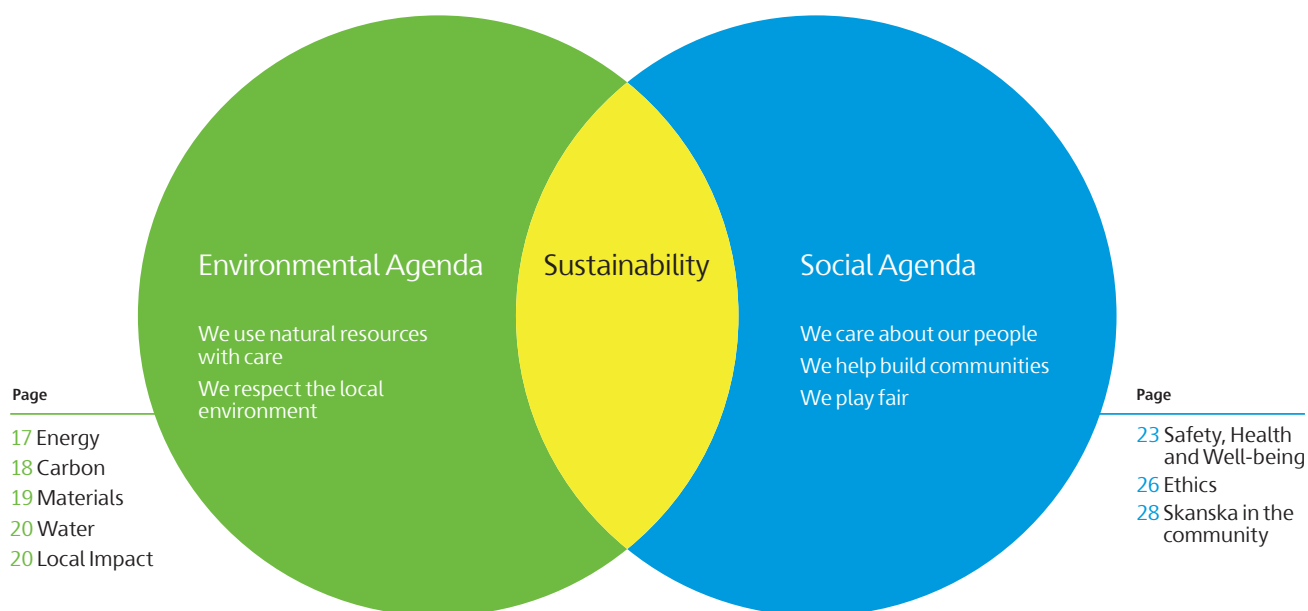
To take advantage of financial synergies within the Group by investing the cash flow from construction operations in project development.

To utilize potential efficiency gains found in greater industrialization of the construction process and coordination of procurement.



Skanska Sustainability Review

Skanska aims to be an industry leader in sustainable business practices and believes there is no other way forward. This Review highlights Skanska's progress within sustainability in 2014.



Skanska's Sustainability ambitions

Skanska believes that sustainability is an integral part of good business practice. Skanska's Sustainability Agenda includes the aspects that have the biggest impacts on the environment and society, and are of the greatest importance to the stakeholders.

Skanska's current Business Plan, Profitable Growth 2011–2015, formalizes its ambitions to be an industry leader in sustainability, particularly in occupational health and safety, employee development, green construction and ethics.

Realizing such ambitions is not straight-forward for a company with a significant international presence. It employs 58,000 people across two continents to deliver thousands of contracts annually. It is a constant challenge to make sure that all the people involved understand and live by Skanska's values.

Communicating progress

The diversified nature of Skanska's operations mean that consolidated statistics do not tend to reflect the many positive impacts it creates. Given the increasing expectations placed on corporate reporting by stakeholders – and recognizing the continuing development of international and voluntary reporting frameworks – Skanska has during 2014 improved its collection and management of information regarding Safety, Energy & Carbon and Community presence, giving stakeholders a more robust picture of the sustainability performance.

Global leadership

Skanska has been a signatory of the UN Global Compact (UNGC) for over a decade, and its Communication on Progress is uploaded annually to the UNGC website as a public statement of this commitment.



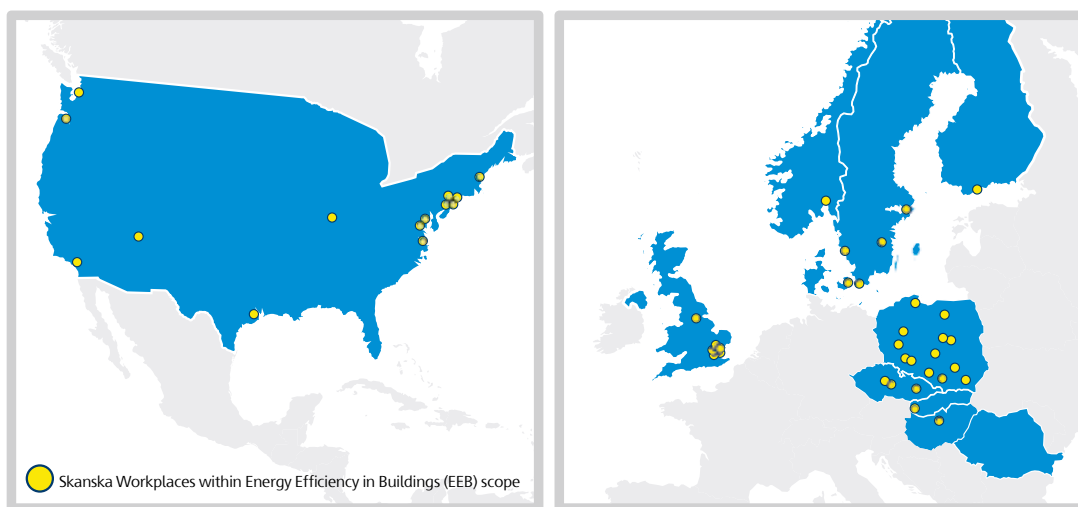
This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Environmental Agenda

Energy

Energy use remains a key issue within the built environment, accompanied by new legislation and growing market demand. Skanska aims to reduce the amount of energy used by all the buildings and infrastructure it delivers.



Skanska offices that demonstrate our commitment to the World Business Council for Sustainable Development's global Energy Efficiency in Buildings program.

Norway

Skarpnes, Arendal, Residential Development Nordic.

Skanska's first residential development using Nullhus, a net zero energy housing design. The properties use established technologies such as solar panels and energy wells, but combine them in an energy-optimized and cost-effective way. Once complete, Skanska will provide training for new home owners.

Skanska's operations are increasingly influenced by energy efficiency legislation and binding energy end-use targets. In some markets, ideas for creating near-zero energy buildings and for green renovation of existing buildings are already being realized. In certain cases Skanska is able to offer Energy Performance Contracts to underwrite clients' future energy savings.

USA

Catskill-Delaware Ultraviolet Light Disinfection Facility, New York, Skanska USA Civil.

The Catskill-Delaware UV disinfection facility ensures the supply of safe and high quality water to New York City. It has been equipped with efficient low-pressure high-output UV disinfection units that use 30 percent less power than conventional medium-pressure units.

Work with external organizations

To increase awareness Skanska is continuing to work with various external organizations such as the World Green Building Council and the World Business Council for Sustainable Development (WBCSD).

Skanska's Color Palette™ is a strategic framework for green business and for how projects handle the issue of energy. Skanska continues to use Life Cycle Cost, Life Cycle Assessment and Building Information Modeling (BIM) as support tools at project level.

Internally, Skanska is progressing with implementation of the WBCSD Energy Efficiency in Buildings manifesto to benchmark and improve the energy efficiency of its own buildings.

Poland

Atrium 1, Warsaw, Commercial Development Europe.

A LEED Platinum certified office building in central Warsaw, designed and developed with the ambition of being the most resource-efficient building in Central and Eastern Europe. It uses 40 percent less energy than the Polish Code and incorporates Skanska Deep Green Cooling technology, a method for cooling buildings.

Global leadership

Skanska acted as project manager for the WBCSD Warsaw EEB Laboratory, engaging local stakeholders to deliver an action plan for achieving market transformation in Poland. The EEB project, seeks to unlock financially viable investments in energy efficiency and similar events are carried out in at least seven more locations around the world.



Carbon

The world's buildings account for an estimated 24 percent of all energy-related greenhouse gas emissions. However, as buildings become more energy efficient, it is increasingly important that Skanska reduces the carbon that is embodied in the buildings and infrastructure it designs and delivers.

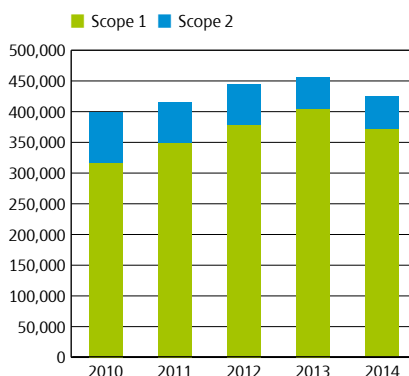
Sweden Solallén Vikaholm, Växjö, Skanska Sweden.

A development of town-houses in Vikaholm will be Sweden's first block of homes built according to net zero energy principles. Skanska has completed a project carbon footprint to increase understanding of how the construction process and materials used influence embodied carbon.



Emissions and carbon footprint

Direct (Scope1) and indirect (Scope2) green house gas emissions – five year trend



Number of "project carbon footprints" performed, an increase of **40 percent** since 2013.

UK

May Park School, Bristol, Skanska UK. Straw bales and timber helped reduce embodied carbon emissions by 75 percent compared with a typical UK school building. Skanska trialed a mobile "flying factory" to prefabricate straw bale and timber wall elements at a nearby farm, and has secured a UK government grant to further develop this novel production technique.

Reducing carbon emissions in construction is Skanska's ambition for its projects. To achieve this, carbon must be considered from the earliest design stage of projects, and collaboration with suppliers and clients is essential. Skanska has developed tools for project-level carbon footprinting to enable presentation of alternative solutions reducing embodied Carbon in the projects.

Improved reporting

In 2014 Skanska continued to improve the reporting of its global carbon footprint. For the last five years Skanska has been the highest ranked construction company in the CDP Nordic report, and in 2014 Skanska was once again on the Nordic Climate Disclosure Leadership Index.

Finland

VT8 Highway / Sepänkylä Bypass, Skanska Finland. A project carbon footprint for a new section of highway, redesigned and built by Skanska in Western Finland, led to an alternative solution that achieved a 57-percent reduction in embodied carbon compared with the original design.

USA

101 Seaport, Boston, Commercial Development USA. This new 17-story office building was the first project using an in-house developed carbon app. Using the app allows Skanska to achieve more consistency in what information is collected and how it is reported. Ultimately, the Business Unit intends to utilize the app in all of its projects.

Global leadership

Skanska is the only Nordic construction company active in the Corporate Leaders Group (CLG). In 2014, Skanska signed the CLG Trillion Tonne Communiqué. The Communiqué is a call from business for a policy response to the explicit scientific warnings of the risks posed by the continuing rise in atmospheric greenhouse gases.



Materials

Each year around three billion tons of raw materials – up to half of the total flow in the global economy – are used in the manufacturing of building products and components. This means the built environment, and more specifically the design and construction of buildings and infrastructure, must be central to any attempt to use resources more efficiently.

Greening the Building Supply Chain

Skanska co-chaired the “Greening the Building Supply Chain” task force with the United Nations Environment Programme’s Sustainable Buildings and Climate Initiative and, in 2014, co-wrote its final report. This includes heatmaps to assist the industry in reducing environmental impacts from key construction materials.

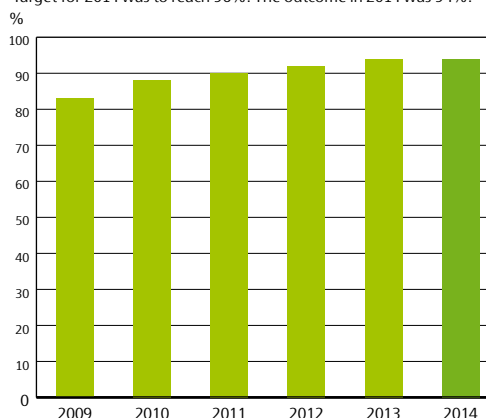


Sustainable Buildings and Climate Initiative
Promoting Policies and Practices for Sustainability



Total average amount of waste diverted from landfill 2009–2014

Percentage of waste diverted from landfill 2009–2014. Target for 2014 was to reach 96%. The outcome in 2014 was 94%.



UK

Barts Health NHS Trust, London, Infrastructure Development. Working in partnership with Skanska, Barts Health NHS Trust has become the first Trust in the UK to be awarded the Carbon Trust standard for waste. Over the past two years, clinical waste levels have been reduced by 20 percent, with none of the waste produced by the Trust now sent to landfill.

Norway

Powerhouse Kjørbo, Oslo, Skanska Norway. Already well known for its energy performance, this renovation of two existing buildings into energy-plus buildings is also notable for its use of environmentally responsible materials and for diverting over 97 percent of construction waste from landfill. This includes re-use of glass windows in the interior design.

Poland

Ostobramska, Residential Development Europe. The project took a decision to manage all waste segregation and disposal for this development, unusual in Poland where waste is normally the responsibility of subcontractors. The end result is that less than four percent of waste has been sent to landfill. Subcontractors also received training on waste management.

Life cycle impacts, material transparency and the concept of a circular economy are all likely to become increasingly important trends as the industry attempts to reconcile increasing demand with diminishing material resources.

Improved resource efficiency

Skanska’s Deep Green approach to materials focuses on zero waste, zero unsustainable materials and zero hazardous materials. Skanska has developed a “stepping stone” approach to sustainable resource use. The initial focus is on declared product transparency requested from suppliers to cover product and material specification, chronological history and life cycle impact. Subsequent stepping stones will increase resource efficiency in terms of reused, recycled or renewable content and eliminate use of hazardous substances.

Skanska remains to participate in the CDP Forests program, a review of the use of forest products, including timber and biofuels, by companies.

In Sweden, Skanska’s Nordic Procurement Unit has arranged framework agreements for waste management, resulting in more robust waste statistics and an increased ability to set and compare waste targets between sites, regions and contractors.



Global leadership

In 2014 Skanska produced an Environmental Product Declaration (EPD) for the Autosalon Klokočka glass building envelope with aluminium façade – the first to be completed in the Czech Republic. An EPD is an independently verified document that reports, in a standardized way, the overall environmental impact of products based on life cycle assessment.

Water

Skanska's projects strives to both reduce its direct water use and design buildings and infrastructure that are water efficient.



Sweden **Vivalla, Örebro, Skanska Sweden.** Skanska has designed the landscaping to absorb and delay stormwater runoff, while sedum green roofing reduces runoff by up to 75 percent in the summer. These measures also help enhance biodiversity.

In some of Skanska's home markets, water stress and drought are a challenge. At the same time, in several regions where Skanska operates, changes in precipitation extremes are also increasing the vulnerability of the built environment to flooding.

Skanska strives to reduce its direct water use in the construction of civil/infrastructure projects and to design buildings that are water efficient. This encourages developing solutions that are likely to be more resilient to consequences of climate change.

Skanska's approach to water is threefold

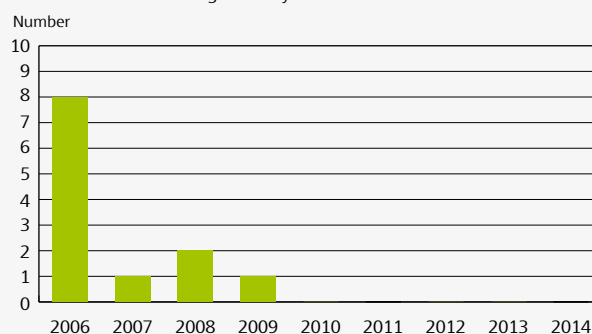
- To increase water efficiency in its construction processes and in operational phases. In 2014, Skanska's Czech and Slovak Business Unit became a signatory of the Businesses and Water 2014+ declaration, a national industry-led initiative that commits it to measuring and reducing water consumption.
- To substitute potable water for alternative quality grades, and reuse and recycle water where possible. For example, the Nordea House / Green Corner commercial development in Poland was designed to include a greywater reuse system, which collects and treats water from sinks and showers before using it to flush toilets, to reduce the need for potable water.
- To utilize its expertise and risk management to help its customer address changing water risks brought about by climate change, as at the Vivalla project.

Local impact

Skanska recognizes that there are opportunities for proactive environmental management at site level to minimize negative impacts and maximize positive benefits to the local environment.

Frequency of major nonconformities (MNCs) in 2006–2014

A nonconformity in ISO 14001 shows a non-fulfilment of the standard in an environmental management system



ISO 14001 and Skanska's Risk Management System are the primary means of ensuring effective management of local impacts. Skanska became the first global construction company to have all its businesses certified to the international standard for environmental management systems, ISO 14001, in 2000. With a revised standard expected in 2015, Skanska is reviewing how environmental management systems are applied across the company.

Reporting environmental incidents

In 2014 Skanska introduced a new revised procedure for reporting environmental incidents. In an international and decentralized organization like Skanska, it is a challenge to report significant environmental incidents in a consistent way, yet important to share awareness and knowledge to ensure that similar incidents are avoided. The procedure requires that all environmental incidents are recorded using a common scale, including corrective and preventive actions taken, making it easier to share this information across the company.

A diverse range of actions and initiatives are used by Skanska to proactively manage local impacts and promote awareness. For example, Skanska is represented in the UK Business Council for Sustainable Development's Natural Capital and Ecosystem Services Valuation Business Group, which helps the industry better understand its role in managing and measuring the use of natural capital.

Green business

All of Skanska's office development projects and most of its infrastructure development projects are already green. In Skanska's Construction business, the demand for green continues to increase for both building and civil/infrastructure projects.



The Väla Gård office in southern Sweden is Skanska's greenest office building to date and the building has achieved LEED Platinum.



Skanska believes there is ever-stronger awareness of the benefits of green building. An increasing portion of the actors on the home markets believes that green buildings do not necessarily cost more to develop yet are cheaper to run, more easily attract tenants and command higher rents and sale prices. Research also shows that green buildings positively influence the health, well-being and productivity of those who occupy or use them.

Some customers are in fact starting to place a value on green building by incorporating contractual incentives or penalties that are subject to energy performance or environmental certification at a pre-agreed level. At the same time, Skanska has seen the green requirements for civil works grow in the UK, the Nordics and the U.S.

Skanska, as a partner of the EU-funded RenoValue project, is helping to develop resources and training for valuation professionals on green building, to help them better understand its impact on building performance and property values, so they can advise their clients accordingly.

The Skanska Color Palette™ is Skanska's strategic framework for green business. A Deep Green project is future-proof, which means that both the construction process and the product's performance have a near-zero impact on the environment in four priority areas: energy, carbon, materials and water.

In 2014 some of Skanska's Business Units for the first time began categorizing orders based on the Color Palette™ to allow them to better understand the size of

green business as well as the margins and relative profitability of Green and Deep Green projects compared to projects without specific green ambitions. All remaining construction business units will follow suit from 2015.

The Skanska Color Palette™ is also an effective communication tool, showing how Skanska's deep green ambitions go far beyond most existing green certification schemes. The green leadership it demonstrates attracts like-minded clients and suppliers, as well as potential employees.

New version of LEED is being evaluated

Skanska continues to support green certification schemes, which provide voluntary third-party validation of the environmental design and/or performance of buildings and, increasingly, the infrastructure it delivers. In 2014 the Skanska-developed Malmö Live office in Malmö, Sweden, was registered in the LEED v4 beta test, to help test the new version (v4) of the LEED rating system, with its stronger focus on building performance.

An increasing number of civil/infrastructure projects are being certified with CEEQUAL and Skanska is working to introduce the scheme more widely through projects such as Spårväg City in Stockholm. In the U.S. Skanska's upgrade of Interstate 4 in Florida – the largest transportation project in the state – will be the first project in the world of its size to use the new Envision™ Sustainable Infrastructure Rating System when construction commences in 2015.

Spårväg City, Stockholm, Sweden

Skanska Color Palette™ – Civil/Infrastructure

	Vanilla Compliance	Green Beyond Compliance	Deep Green Future Proof
Energy	✓ Not Applicable.		Net Positive Primary Energy
Carbon		✓ Embodied carbon footprint reduced.	Near Zero Carbon Construction
Materials		✓ Product declaration for all prioritized materials. ✓ Less hazardous materials used. Collaboration with suppliers reduced waste.	Zero Unsustainable Materials Zero Hazardous Materials Zero Waste ✓
Water		Rainwater collected and used for dust control. ✓	Zero Potable Water for Construction

Skanska Sweden is currently redeveloping an existing line, and designing and constructing an extension, to the Spårväg City tram in Stockholm. Although not initially required by the client, Skanska proposed use of CEEQUAL for the line redevelopment to provide a focus on sustainability, targeting a "Very Good" rating. Its success led the client, Stockholm County Council, to widen its use of CEEQUAL to include the network extension, enabling the incorporation of further green solutions and enhancing the benefits for the client.

The project won the award for innovation and partnership in sustainable development of infrastructure projects at the Sweden Green Building Awards 2014.

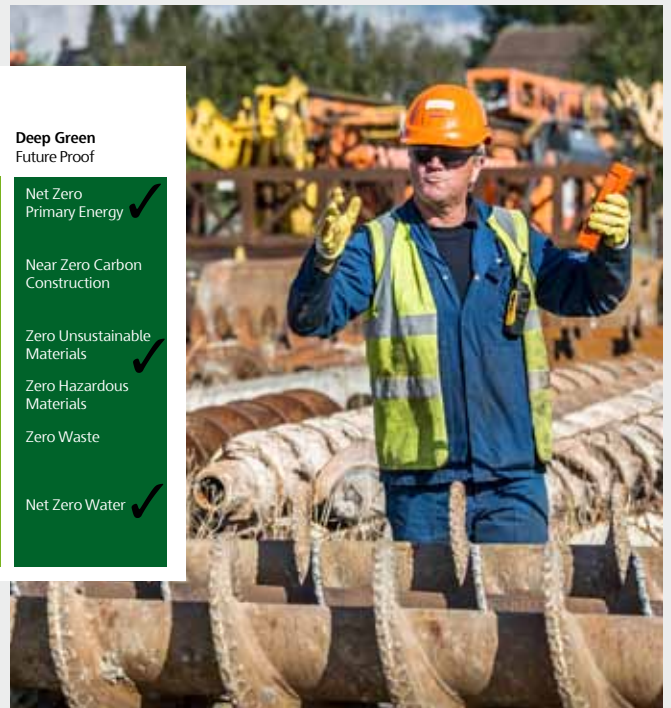


Bentley Works, Doncaster, UK

Skanska Color Palette™ – Building

	Vanilla Compliance	Green Beyond Compliance	Deep Green Future Proof
Energy		Energy efficient design with photovoltaic panels and biomass boilers.	Net Zero Primary Energy ✓
Carbon		✓ Embodied carbon reduced through alternative construction solutions.	Near Zero Carbon Construction
Materials		Responsibly sourced products and zero hazardous materials specified. Modular construction minimizes waste with 100% recovery targets.	Zero Unsustainable Materials ✓ Zero Hazardous Materials Zero Waste
Water		Rainwater harvesting to meet non-potable supply and water recycling for plant wash areas.	Net Zero Water ✓

Skanska UK is investing nearly GBP 12 million in modernizing its Bentley Works site in Doncaster to make it a hub for its business in the north of the UK. This Deep Green redevelopment will create 5,000 sq m of workshops and offices designed to very high environmental standards. Whole-life cost analysis confirms that the additional green investments will pay for themselves in 15 years.



Global leadership

Skanska worked actively with the World Green Building Council on its new report "Health, Well-being and Productivity in Offices: The next chapter for green building," as well as being a sponsor and on the Steering Committee. The report provides overwhelming evidence that office design influences the health, well-being and productivity of staff, and provides a simple toolkit for businesses to measure how their buildings impact their people.



Social Agenda

Safety

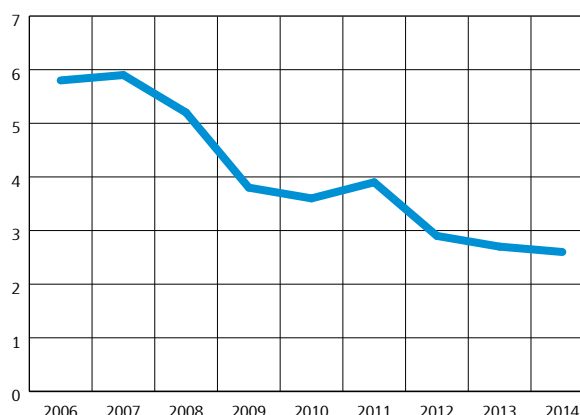
Skanska's Safety Vision is that all its workplaces become injury free by creating a culture of respect and caring where everyone feels empowered to lead improvement through their behavior at work and at home.



Safer by Design is the concept where designers, manufacturers along with construction managers and craft workers collaborate to design elements of a building that eliminate the safety risk during construction, maintenance or occupation. Using lean construction techniques with BIM technology, the team identifies potential safety hazards during the design phase and makes changes to reduce risk, cost and increase efficiency.

Lost Time Accident Rate (LTAR) 2006–2014

Number of employee lost time accidents times 1,000,000 hours divided by total labor hours.



Safety Peer Reviews

Safety activities

In 2014 Skanska continued its program of Safety Peer Review in the U.S., UK and Czech Republic, where teams of senior managers and safety specialists review the safety performance of projects. The purpose of the Review is to exchange ideas and transfer this knowledge across Skanska.

Safety Week 2014

To mark the 10th anniversary of Skanska Safety Week, Skanska invited other organizations in its home markets to jointly plan and execute Safety Week activities. In the U.S., Skanska in partnership with 29 other major contractors organized the first ever national construction contractors safety week. The initiative saw thousands of employees and contractors get involved in safety activities across the country. In Poland Skanska joined forces with six other major contractors and their supply chain to plan and participate in safety events across Poland. This again was the first event of its kind.

Near Miss Incidents

A safety culture can be assessed by the way non-injury events are reported. In Skanska serious near-miss incidents are regularly reported and shared within the Business Unit, and when the learnings are significant, are shared with employees across Skanska. There has been a fivefold increase in the reporting of these incidents, capturing many learning opportunities that were previously being missed.

Skanska takes its role as a leader in safety to mean that it not only aims to provide a safe working environment for its employees and contractors, but also to influence the safety performance of the industry in all its home markets. It does this by being an agent of change.

It is part of the Skanska safety philosophy that it cares about the well-being of all people within the industry. This philosophy is supported by creating a structure, developing and realizing a safety policy, and devising a strategy to deliver it.

Across Skanska, safety is a line management responsibility. This responsibility begins with the Senior Executive Team through the Business Unit Presidents to the Business Unit managers. Management of safety in Skanska is supported by global and national safety leadership teams that oversee progress towards strategic objectives and provide advice to management on overcoming barriers to change and future actions. These groups are in turn supported by a network of safety specialists at both the corporate and national level.

Skanska aims to be an organization that continuously improves its safety performance in order to reach its zero accident goal. It is becoming an organization that learns from its experiences and from those of others, with reporting and investigation of accidents and incidents enhanced in recent years.

Skanska's ultimate goal is to achieve zero fatalities and zero lost time accidents at its workplaces. By 2015 the goal is to have zero fatalities and a maximum of

a one day Lost Time Accident Rate (LTAR) of less than one accident per million hours.

In 2014 the LTAR was reduced from 2.7 to 2.6, an improvement that continues the long-term trend of the past eight years with a 56-percent reduction since 2007.

In 2014 there were three work-related fatalities at Skanska work sites; in Poland, Norway and the U.S. This acts as a reminder that, despite improvements, Skanska still has much to do. In conjunction with a fatality, a Global Safety Stand Down is held at every workplace across Skanska and includes contractors and clients, where the accident is discussed, lessons can be learned and respect paid with a minute's silence. Skanska regularly reports and monitors the number of lost time accidents as well as serious and potentially serious incidents for all Skanska operations. These are all still too high,

but through increasingly rigorous investigations and sharing lessons learned, Skanska continues to work toward eliminating all accidents at its work sites.

// In a globalized, politically correct business world almost everybody says the right thing. Skanska not only means it, but also acts on it.

Alexandros Ignatiadis, Owner of Octagon Contracting and Engineering, Bucharest, Romania

// Safety has become a positive thing, not something that is enforced by management. But there's still more to do with pre-task planning and engaging subcontractors in our safety programs.

Tuomas Särkilahti, Business Unit President, Skanska Finland

Safety Road Map

In 2011 Skanska introduced the Safety Road Map as the framework for future safety planning and execution. The five strategic areas of the Safety Road Map – safety culture, communication, safety competence and learning, working with contractors and developing and implementing controls – provide the framework for strategic actions and opportunities for exchange of experiences and ideas.

Culture

Safety leadership is a central element in a strong safety culture. In the U.S. and UK, the adoption of the Injury Free Environment (IFE) philosophy is the core to developing safety leadership throughout the organization, irrespective of role or status. In 2014 Skanska in Sweden began its IFE journey using the knowledge and experiences gained in the U.S. and UK.

Communication

It has been the role of the Senior Executive Team to communicate Skanska's safety vision collectively and individually. However it is the role of everyone to effectively communicate safety issues on a daily basis through face-to-face discussions on-site during executive site safety visits, at meetings and conferences, through webinars, newsletters or via a range of digital methods. Skanska's safety communication strategy ensures that there is a two-way exchange of knowledge and ideas.

Competency

Safety competencies are key to safety performance which is why Skanska has developed online and classroom workshops and courses for line managers and safety specialists.

Contractors

Skanska recognizes that to make great strides in its safety performance it must work with its entire supply chain, raising their performance as well. This is difficult and even more challenging when operating in a new market. In Romania, Skanska is working with its contractors to provide an improved working environment. By making our expectations clear and providing support through training and instruction, the safety performance of the work sites in Bucharest has delivered good results. Taking a leadership role to get buy-in from contractors, and insisting that the rules are complied with, are all parts of the Skanska safety experience.

Controls

Responding to events to deliver improvement is part of the continuous improvement culture. In the UK, following a series of incidents with tools dropped by workers from heights, Skanska introduced the "Stop the Drop" campaign. The extended controls introduced will help to eliminate repeat incidents.

Health and Well-being

Poor health related to the work environment is often not apparent until many years after the events that caused it. Skanska strives towards preventing and identifying potential health risks. Regular monitoring of employee health can contribute to a happier and healthier workforce, which is beneficial to both the individual and the company.



Skanska in Sweden offers health checks every third year to all of its 10,500 employees. Health monitoring can also be used to gain an overall picture of employees' well-being. To protect personal privacy, personal information cannot be shared, but group statistics is analyzed to identify strategic issues related to employee health. The photo shows a warm-up session called "Stretch & Flex" which is conducted daily at many Skanska workplaces around the world.

Health risks in construction come in many forms, including physical risks (noise, vibration, manual handling), exposure to hazardous substances (including solvents, cement and dust or to cancer causing materials such as asbestos or silica dust) and exposure to the sun. For example, in the UK it is prohibited to wear short-sleeved clothing or shorts on-site.

Skanska's office-based workers are exposed to a different range of risks associated with the layout of the office, their workspace and the equipment they use. Office workers are also more likely to suffer from work-related stress than those working on construction sites. Skanska's new and renovated offices in Sweden, the Czech Republic, Poland and the UK are all green. Not only have green buildings been shown to improve the health and well-being of their occupants, they are often designed to allow flexible use of space and accommodate "activity-based working" (ABW). ABW is the concept where office design supports a range of work activities, rather than everyone based at a fixed desk. For example, ABW offices offer stand up meeting tables, a brainstorm area, multi-media rooms, a lounge area, stand up working stations and recreational facilities; employees can work in the zone best suited for their activity. The Skanska philosophy of learning and sharing knowledge applies to health and well-being as much

as it does to safety. The global health group regularly discusses and exchanges ideas and experiences about the identification and management of health risks at the workplace. Health and well-being are considered from two main angles – the work environment and personal health – and involves activities that involve both Human Resources and Safety.



Within Skanska Finland, the intensified cooperation between health and safety personnel resulted in a combined health and safety start-up meeting for the construction sites and 'Zero occupational diseases' workshops.

Helena Pekkanen, responsible for occupational health, Skanska Finland

Ethics

Considering the number of employees, suppliers and subcontractors in Skanska's sphere, it is vital that Skanska takes a lead in ethics. Skanska's ethical values bring a responsibility for every employee to make the right decisions every day. According to Skanska this in turn effects our relations and the business we do with our customers.

Bringing ethics to life in the UK

The world-famous Royal Academy of Dramatic Art helped to bring ethical dilemmas to life for senior managers at Skanska UK. Actors played out courtroom scenes focusing on harassment and discrimination as part of two interactive sessions held at the UK management conference. Around 100 employees debated how ethical issues can be seen from legal, media and employee perspectives. The lessons learned are helping Skanska's employees to think more broadly about ethics in their day-to-day work.



Poland

Activities in Ethics

Workshops were organized for over 70 managers in 2014, leading to a series of open and honest discussions about ethics. The results of these workshops helped establish an Ethics Plan for 2015. Skanska has also teamed up with a think tank on a project called Values Laboratory which aims to share experience and gain knowledge on business ethics in the Polish market.

Finland

Skanska Finland has been developing a zero gift policy to replace its existing gift policy, so that there is clarity about what is expected and permitted. Skanska has observed an increasing trend with policies like these. According to Skanska's own benchmarking we are one of the first in Finland with such a policy.

Czech Republic and Slovakia

Skanska is active in the following external initiatives:

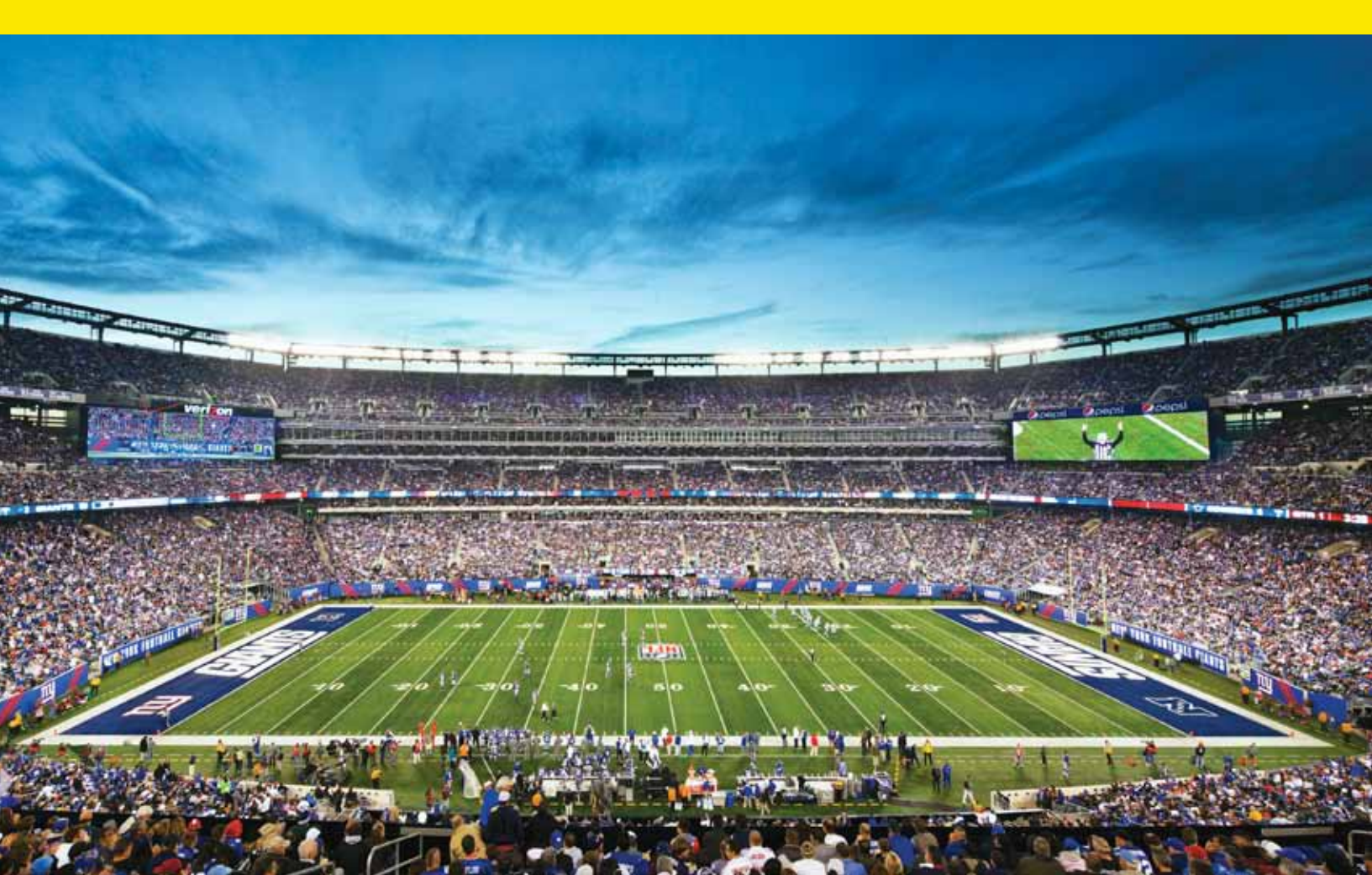
- Program 4Etika (4Ethics). Skanska and Transparency International are jointly holding an annual competition for projects that have brought ethics to life.
- Transparency as Nordic value. Skanska is a member of a working group of the Nordic Chamber of Commerce in the Czech Republic that is preparing a sample Code of Conduct based on values common to Scandinavian companies.
- Platform for transparent public procurement. Skanska was an active member of an initiative run by the American Chamber of Commerce for transparent regulation of public procurement, and was active in a working group to create a Code of Conduct for potential public contractors.

Skanska sees that ethics is a growing and important differentiator for its clients, and knows from regular client feedback that it is appreciated for being an honest and responsible partner.

To remain a trusted and successful company, Skanska is determined to become recognized as a role model in ethics by 2015, including the goal of zero ethical breaches as one of its "Five Zeros." Still, it is often difficult to isolate ethics as a discrete set of activities for Skanska, as an ethical culture underpins everything that it does.

Each home market has its own Ethics Committee that is responsible for identifying and reviewing issues and disseminating best practice. All Skanska employees must understand and live by the ethical values expressed in the Skanska Code of Conduct. Regular training is undertaken to embed this commitment in Skanska's operations. All employees receive Code of Conduct training every two years, with new employees trained within three months of recruitment. Further training is provided as necessary, including Ethics Leadership training for management teams.

Skanska's Code of Conduct Hotline and Ethics Scorecard remain important tools for maintaining a consistently high standard of ethics. The Hotline, managed by the Group Ethics Committee, is an anonymous reporting tool to which 59 reports were made in 2014. The Ethics Scorecard uses evidence from



MetLife Stadium, New Jersey, USA. Skanska's high ethics standards were a deciding factor when the customer was choosing between companies to construct the new stadium.

the Skanska Brand Survey, employee feedback, ethical investigations and training activities to help Skanska's management track the development of a strong ethics culture.

The most significant advance in 2014 was the implementation of the Skanska Ethics Roadmap and Ethics

Plan across all business units. These two tools are used together to allow business units to evaluate their existing ethics performance – from “Compliant” to “Best in Class” – across all areas of their operations, as a basis for establishing future actions to ensure continuous improvement.

How ethics come alive in Skanska



Denny Quinn, Executive Vice President, Skanska USA Civil, is an Ethics Roadmap champion and was tasked with using the Ethics Roadmap to develop the Ethics Business Plan 2015 for Skanska USA Civil.

“We didn’t want to use the roadmap simply as a box-ticking exercise, but rather wanted to maximize the opportunities it provides to have a deeper dialogue about what actions are needed to create the most ethical culture. While the Code of Conduct and Business Ethics training are a good check-up to

make sure everyone understands the company's expectations and responsibilities around ethics, the Ethics Roadmap looks at what we are doing every day, and provides a basis for continuous improvement and shifting the culture around ethics.

To me, the value of the roadmap is that it provides clear guidance around a common set of principles, which allows all Business Units to map out a plan to move from wherever they currently are to a better position. Generally speaking, the

roadmap articulates the best-in-class destinations with respect to ethics in various parts of the business, but it is up to each Business Unit to decide the right path to arrive at those destinations based on the business dynamics within their unit.

With so many things competing for people's time, the Ethics Roadmap is an effective way of getting the senior management teams within Skanska talking about ethics on a routine basis; a conversation starter.”

Skanska in the community

Skanska's commitment to being a responsible member of the communities in which it operates requires it to execute projects well and, where possible, make a wider contribution to society.

With thousands of contracts delivered each year for its customers, effective connection with local communities can contribute significantly to their successful completion. Building a business case for local presence in the community, rather than relying just on corporate philanthropy, is the approach adopted by Skanska in its policy, Skanska in the Community.

Skanska's preferred approach respects the significant cultural differences that exist across its home markets. The policy focuses Skanska's community engagement activities on education, especially in the areas of safety, technical skills and its green agenda. Transferring

expertise to local communities from kindergarten through lifetime learning is a key aspect of the company's long-term community strategy.

In 2014 Skanska started to report and measure its community presence. The key performance indicators relating to Skanska's community presence were developed together with LBG, acknowledged experts in assessing companies' community activities.

With the help of this Skanska will be able to get an overview of the Group's community activities and what impact these have on the local societies.

Housing School opens doors for new arrivals

What risks are there in your home? What should you do if there is a fire or a water leak? How do you interact with neighbors and how do housing associations work? How can you get a home of your own? If you suddenly find yourself in a completely different culture in another part of the world, you may have lots of questions – and this is the situation that many immigrants to Nordic countries find themselves in. Housing School in Norway discusses these issues, along with cultural differences.

Skanska and ByBo, part of the Church City Mission (Kirkens Bymisjon) in Norway, have started an initiative to help new arrivals acclimatize to their new environment. ByBo's slogan "Room for everyone" reflects the fact that until you have a home, it is hard to move on in life. Without a home, everything else is a problem too.

The joint Housing School (Boligskolen) project has been going on for two years, bringing together dozens of participants on each occasion. Volunteers, including employees from Skanska in Oslo, help run the courses.

A women built new home for Tanika



Skanska employee Barb Daum gathered a team of 15 Skanska women who worked 140 hours to put a roof on Tanika's new home.

In the U.S. Skanska is working with Habitat for Humanity's Women Build initiative, which aims to encourage vulnerable women to create their own place to live. The idea is to help women to help themselves by working together on construction and financing. The work is carried out jointly by Habitat for Humanity and Women Build volunteers along with the person selected. In 2014, Tanika Stewart of Evansville, Indiana, was able to move into the first home of her own along with her two daughters and a friend's son that she looks after.

The volunteers included 15 women from Skanska, who contributed their time and expertise – enabling construction costs to be kept down to a level that Tanika can afford on her nurse's salary. Being prepared to put in the work yourself is one of the selection criteria for a Habitat for Humanity Women Build project.

"I'm learning something new every step of the way. When you start, there is nothing, and then it becomes a house. That's a home for someone. I want to show my children that if you work hard you can get what you want out of life," says Tanika, who in her younger years lived in low quality rented housing.

Leadership program for foreign-born engineers

In Sweden people with a foreign background often find it difficult to get a job that matches their qualifications. Skanska has launched a targeted initiative to help foreign-born engineers get a job while also increasing the number of Skanska employees who come from other countries. After completing Skanska's International Leadership Program, six people were given jobs. An additional nine started the program during the autumn. The program is aimed at engineers with workplace experience from building production and the goal is employment.

The Swedish Public Employment Service (Arbetsförmedlingen) likes the initiative and proposed a number of candidates who were then interviewed in several rounds. The program involves an introduction to Skanska with a focus on the work environment and company values as well as practical experience at building sites.

The practical experience is alternated with training at the Yrkesakademien (profession training academy) so participants can learn the necessary skills to take on management roles at production sites.



Skanska's International Leadership Program prepares foreign-born engineers for employment.

Students and mentors at Skanska's office. Jordanna Phillips is sitting on the far left.



Partnership for diversity and recruitment

Three young men from the Stockholm suburbs have been given probationary employment as assistant supervisors on Skanska building sites. These young men have no academic qualifications, but their drive and leadership qualities were noticed by the Up & Coming project organized by Fryshuset. The nonprofit organization, which focuses on activities for young people who are excluded, and Skanska have started a long-term partnership focusing on young people and diversity.

In addition to training and guidance, each of these young people also has a personal mentor. Pierre Olofsson, President of Skanska Sweden, is one of them.

"We need to broaden the diversity within the company and this is a very exciting recruitment base. It's rewarding to be able to help with someone else's development by being a mentor, and I'm learning just as much myself," says Pierre.



Johan Oljeqvist, Managing Director, Fryshuset and Pierre Olofsson, President, Skanska Sweden, working together to promote diversity.



Creating brighter futures

Trouble at school, problems at home, poor grades and no hope for the future; that's the reality for many young people from challenging London communities. Communities where Skanska has been working with an award-winning social enterprise called Arrival Education which gives young people an important opportunity for an alternative future.

Arrival Education aims to support the most opportunity-starved students so that they can flourish and become positive role models. Skanska is one of the companies that has been providing both volunteer and financial support to inspire and develop around 50 young people each year since 2009.

Arrival Education's program includes coming to regular sessions, completing assignments and demonstrating a suitable level of engagement via their "credit system" which requires them to improve at school and at home, and to produce positive results in their lives – the program does not just focus on school work, but also covers discipline, conduct and attitudes. For example, in conflict situations they might be required to rebuild relationships with teachers and other adults.

All of this is achieved with input and assistance from Skanska employees.

During her teenage years, Jordanna Phillips from the Shepherds Bush area of London was at risk of dropping out of her school and home life and getting into gang culture. Coming into contact with Skanska and Arrival Education in 2009 was a turning point for her, impacting both her school results and her relationships at home.

Now she is in her second year at the School of Oriental and African Studies and hopes to graduate in International Management in 2016.

"I knew I was smart but the odds were against me, nothing seemed to work out – it always ended in trouble. Without this support it's very likely that I would have taken the wrong path, ended up in jail or on benefits like so many people with a background like mine. I'm so happy now," says Jordanna, who often acts as an ambassador for the program.

"Companies with strong values make the perfect partners for our work. Skanska seems to have ethics at the heart of its organization," says Arrival Education's founder and CEO Dan Snell.

Lend a hand to a community or charity project

Contribute a working day towards making a difference in your community. In the UK, all Skanska colleagues are given the opportunity to help a community or charity project during their paid working hours. Skanska's volunteer initiative is called Lend a hand and colleagues can donate their time towards something that they are already involved in or in one of Skanska's community projects, such as supporting students as part of Arrival Education (see article above). The Community Involvement team helps to organize the opportunities, which are then recorded in the same way as vacations and the like.

As part of the Lend a hand volunteer programme, almost 300 employees have already volunteered within their local community. Some ten Skanska colleagues in the UK have trained as Brake ambassadors for the road safety charity Brake, aiming to make young people aged 16 to 19 safer on the roads.



Skanska employees in the UK doing voluntary work for charitable organizations.

Talent, dedication and values

The key to Skanska's success and profitable growth is having high-performing employees with strong values. As a responsible employer and actor in society, Skanska prioritizes the employees' working environment and professional development. The vision is an inclusive corporate culture where everyone is given the opportunity to contribute by using their full potential.

Clear expectations and values are the common theme in HR work at all levels within Skanska. This is explained in the Skanska Leadership Profile, which is used as a mainstay in recruiting new employees and in evaluating, developing and career planning for existing ones.

Skanska's ambition is for leaders to be largely recruited internally. The company therefore works actively on succession management and succession planning, and on employee development within the company.

Everyone is a leader

A basic principle is that all employees are leaders – for a project or a specific task – and not least for their own personal and professional development, which they plan in cooperation with their manager or supervisor.

To execute its business plan for profitable growth, Skanska needs to recruit a large number of employees in the next few years and introduce the new employees to the company's values and working methods.

Strong values

Skanska's strong values and focus on sustainability strengthens the company's brand as an employer, which is key to securing a supply of talented employees.

Promise to the employees

Skanska's promise to new and existing employees is to offer:

- a sustainable future for people, communities and companies;
- a place to work with dedicated colleagues in an open corporate culture with sound values;
- opportunities to learn and develop in an international company.

A number of platforms exist to support global recruitment, greater diversity, mobility, people development, professional development, exchanging experiences and evaluation of senior managers.

Female employees

%	2014	2013
Skilled workers	2	2
White collar employees	27	26
Senior executives	22	22
Skanska AB Board	12	12
Total	13	12

Diversity that reflects society

A new diversity vision and strategy were launched in 2014. The vision has three parts:

- Skanska mirrors the diversity in society on all levels of our organization.
- Skanska's leaders are excellent in fostering an inclusive culture.
- Skanska is recognized as a leader in diversity and inclusion in all home markets.

The new diversity vision and strategy emphasize inclusiveness. An inclusive culture is essential in ensuring that talented recruits remain and develop within the company.

"An inclusive culture allows us to benefit from the opportunities that greater diversity brings. These include increased dedication and creativity, a greater understanding of different customer groups as well as an increased ability to act on changes in society," says Pia Höök, Diversity Manager, Skanska.

Inclusion Advocates in all Business Units

During the year all of the Business Units appointed an Inclusion Advocate – a senior line manager who works closely with HR to drive diversity and inclusion progress within their Business Unit. Each Business Unit has conducted an analysis using a framework based on the global diversity strategy.

"In general our industry has lagged behind in terms of diversity. If we want to remain successful, it's very important that we reflect our customers and users so that we can recruit and retain the best talent," says Paul Heather, Director and Inclusion Advocate, Skanska UK.

Local goals and actions

The analysis provides a platform from which the Business Unit can set actions and targets. Since the Business Units are in different home markets with somewhat different opportunities and challenges when it comes to diversity, actions and targets are set locally.

Region South in Skanska Sweden has implemented an initiative to secure an inclusive work culture. This has involved workshops for the executive team, an e-learning program for all white collar employees and special training for internal facilitators who provide reoccurring workshops at the various workplaces. One question that has been discussed and linked to the various aspects of diversity is: "What can you do at your workplace to increase openness, acceptance, mutual respect and care?" The concrete suggestions on ways to improve will be implemented within the region.



An inclusive culture allows us to benefit from the opportunities that greater diversity brings.

Pia Höök, Diversity Manager, Skanska



Pia Höök, Diversity Manager, Skanska

No place for intolerance

"Respecting the equal value of all people is necessary in order to be a successful and responsible company over time. If we are to attract the best and build an even stronger Skanska, there can quite simply be no place for intolerance here," says Magnus Persson, Regional Manager, Skanska Sweden.

Raghad has her dream job

Despite a degree in construction engineering and 15 years of experience, all of Raghad Jasim's job applications were rejected in Sweden. But thanks to Skanska's International Leadership Program (ILP), she finally has her dream job.

"I knew what I was capable of, but it was hard to prove it. When the public employment agency told me about Skanska's International Leadership Program I saw a glimmer of hope. I was really glad when I was selected and I'm even happier now that I've been given a job. It feels fantastic," says Raghad.

After a series of introduction courses at the beginning of the year, Raghad was given an internship at Bildcentrum, Skanska's construction project worth SEK 400 M for Sahlgrenska University Hospital in Gothenburg.

"The internship was very valuable thanks to my mentor who taught me everything. I asked for more practical experience at the site because I already know the theory," says Raghad.

Sourcing work

Now Raghad is employed as a project engineer working on sourcing of materials and subcontractors for the project. She is one of the 22-person strong project team. Raghad is happy with her work, her colleagues and Skanska.

"My job is really interesting. A big hospital project consists of so many different installations that you wouldn't otherwise come across. And the atmosphere is very upbeat. Everyone is happy and friendly. We often do fun activities together, like bowling or going to ice hockey games."

Broad construction experience

Raghad gained her engineering degree at the University of Technology in Baghdad in 1992. She came to Sweden in 2003 after working on constructing buildings and roads in her homeland of Iraq and in the United Arab Emirates. After a three-year



stay in Qatar, where she worked on a luxury residential neighborhood, her family – which had increased in size by then – moved back to Gothenburg in 2010.

Raghad was very familiar with Skanska due to the many large projects the company has been involved in since the 1950s in Iraq. She even celebrated her wedding at a hotel built by Skanska, the Al Rasheed Hotel.

"Now that I'm familiar with Skanska's working methods, its Five Zeros vision and the focused initiatives to ensure a safe working environment, there is nowhere I would rather work," says Raghad.

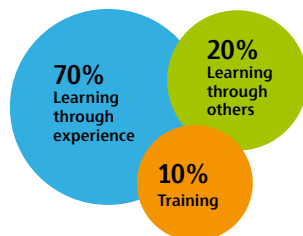
"There are always lots of interesting projects and plenty of development opportunities that I want to take advantage of so I can be even better in my profession," says Raghad.

"Through Skanska ILP we've created a means of tapping into unutilized resources in the form of qualified people with a foreign background," says Jonas Naddebo, Skanska's Attraction Team, who works on attracting and recruiting future employees.

Global initiative to develop skills and leadership

Developing the company's employees and future leaders is an important factor in securing replacements for people who change jobs and for passing on Skanska's values and working methods to all of the employees. There are several global programs and local ones within the various Business Units to develop employee skills.

Professional development within Skanska is in general closely linked to day-to-day operations and is based on three interacting elements: learning through experience, learning the theory and learning through others.



Developing and learning through experience involves employees working with their manager or supervisor, and sometimes with a mentor as well, on setting appropriate career goals and having the right job – in other words, being in a role and working on a project that matches the employees' skills while allowing them to develop.

Theoretical education may involve learning core competencies or participating in specialist courses or leadership training – internally or externally. In general this constitutes a small part of an employee's overall professional development.

A corporate culture that embraces learning

Learning through others is traditionally an important aspect of Skanska's corporate culture, where most of the projects are managed by a team of both young and more experienced employees. This provides rich opportunities for learning and exchanging experiences. Developing while receiving support and guidance from a mentor or through continuous coaching is also important. Ongoing feedback is key for growth.

The employees also receive feedback through so-called 360-degree analysis, where employees assess their colleagues' performance and how they behave in a team and contribute to projects.

Performance review with managers

The performance review provides the basis for additional conversations between employees and their supervisor or manager to plan their continued development based on a number of parameters: What goals are to be achieved, how will progress be evaluated, is work sufficiently challenging, are goals attainable and realistic, and is the timeframe appropriate for an optimum outcome for the employee.

Here are a few examples of employee development activities in 2014:

- 20 employees participated in the Skanska Unlimited exchange program.
- The fourth round of the Skanska Stretch leadership program began and 28 people participated in it.

Development programs

Skanska Unlimited

An annual global exchange program allowing employees to experience working in a different department or unit, either abroad or in their home country.



Skanska Stretch

A global development program providing leadership training and postings abroad for promising employees.



Skanska STEP

Skanska Top Executive Program, a global leadership program for Skanska's senior executives that focuses on strategic work.



Tools

Skanska Recruit

A recruitment tool for the external and internal labor market.

Skanska Talent

A tool to evaluate the employees and define personal goals and development plans.

Other initiatives

Skanska Leadership Profile

The purpose of the Leadership Profile is to secure the supply of future leaders and to develop and evaluate Skanska's leaders.



Seop

Skanska employee ownership program is a stock purchase program that offers all permanent Skanska employees the opportunity to purchase shares in the company on favorable terms.



- During the year, 4,800 job openings were announced at the recruitment tool Skanska Recruit.

Through Skanska Talent Review, Skanska Performance Review and Skanska Leadership Profile, around 24,000 Skanska employees and managers are evaluated annually.

Affinity and dedication

One way of promoting affinity with and dedication to the company, and of retaining employees is the three-year Skanska employee ownership program (Seop), which is open to all permanent employees. Participation in the program requires a personal investment and the allocation of additional shares is tied to how well each unit meets its yearly targets. Each participant thus has the opportunity to receive a personal reward for the company's success and for their own efforts. Skanska's Annual General Meeting decided to extend Seop for a third round starting in January 2014. The employees participating in Seop now together make up the fourth largest shareholder in Skanska. In 2014 the program had 8,900 participants.



Ivette Vanas sees the opportunities

After receiving her degree in economics with a focus on accounting, Ivette Vanas worked in the fashion industry in New York.

"I never thought I would end up in the construction industry," says Ivette Vanas, Vice President in charge of risk management for Skanska USA Building.

But after 25 years in the construction industry – 14 of them at Skanska – she is a big fan of the industry and the opportunities it offers.

"The most exciting thing about our industry is that what we do is so tangible; we build cities, buildings and infrastructure that people use every day. It feels great that we're helping people and companies live and grow. I've been fortunate enough to work with all kinds of people on different projects with plenty of opportunities to learn and develop."

In 2000 Ivette left a small local company to become head of accounting for Skanska's projects for pharmaceutical companies. In 2007 she was put in charge of accounting for Skanska USA Building. Her days were filled with developing accounting standards and making forecasts while increasing transparency. In 2013 Ivette started working in risk management.

"It's fantastic because I get close to the projects. I want to help them be successful by making the right decisions, improving efficiency and achieving better end results."

Ivette was selected for the E2L leadership program in the U.S. and for the Group's STEP program where she shared her knowledge and increased her network. She was also appointed as Inclusion Advocate to work on increasing diversity, and she is chairman of the women's network within Skanska in the U.S.

Bo Sandström, carpenter became coordinator

During his 41 years at Skanska Bo Sandström has worked for 31 years as a carpenter and foreman and for 10 years on health, wellness and HR issues. In Stockholm he has built subway stations and high-rise wooden buildings – a dream job for a carpenter. In 2004 Bo felt he had done all he could as a carpenter and applied to be a health and wellness advisor. He gave talks to 7,000 Skanska colleagues, trained numerous health coaches and introduced morning exercise classes at the building sites. He also helped to produce the CDs for the warm-up exercises he encourages everyone to do to prevent injuries and physical wear and tear. Today Bo uses his large network of

contacts in his role planning and coordinating the body of skilled workers in Stockholm.

"I've taken opportunities to develop and do things I enjoy. This, combined with good camaraderie and bosses, makes you want to stay with Skanska. If you want to build things you should work for Skanska where there are opportunities. It makes you proud to build things that people want: good homes, schools and preschools close by and transport infrastructure," says Bo, who also works with diversity issues in his new role.

"The way we used to talk wasn't always the best. We need to improve the way we use language so that everyone feels welcome," concludes Bo.



Building good health with Kristin Hovland

Kristin Hovland works for Skanska Construction in Norway. But instead of building houses, she builds good health. Kristin is a company doctor and part of the Health, Environment and Safety Team which works to provide the employees and others with a safe and healthy workplace.

"It's crucial that we work in a focused way on prevention, informing people and trying to minimize risk. The challenge for everyone is to stay focused every day in all projects. It's easy to get off track, just like working out," says Kristin, a specialist in occupational medicine who recently completed a PhD research project on the effects of occupational exposure on lung function.

The research relates to the construction of buildings and subterranean spaces.

"We often visit the project sites to get a better understanding of what they do there. We pass on our knowledge and we're available for questions and to give advice."

Kristin started working at Skanska in spring 2014 because she wanted to make a difference in health and the working environment. She understands that Skanska has a strong commitment in this area.

"A good working environment, health and quality all work together for a good end result that benefits individuals, companies and society," says Kristin.



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