



Skanska Sustainability Report 2003

Skanska 2003



Cover photo

Safety comes first for Skanska. Slattery employees working on the construction of the new Poletti Power Generating Station in Astoria, Queens, New York. In 2003 Skanska signed a health and safety agreement with the client – the New York Power Authority – OSHA and trade unions on safety performance. During 2003 Skanska sharpened its Group safety strategy and highlighted safety as one of the key principles in its Code of Conduct.



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. Additional information is available on our website, in the Annual Report and in other Skanska publications. Also feel free to contact us if you have questions. We look forward to your comments and views.

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Highlights of 2003

Skanska in the marketplace

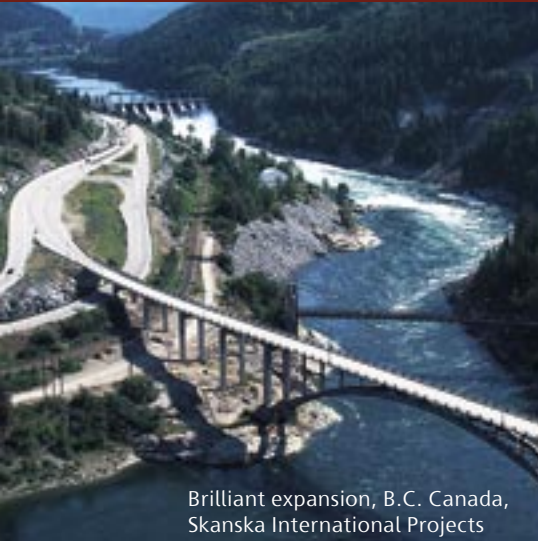
Skanska concentrated on its home markets and on consolidation. Acquisitions focused on strengthening positions in these markets for core construction services, while non-core operations were divested. The global construction market is still weak. In 2003, net sales were slightly down (six percent), while operating income increased.



Gammon Skanska, Hong Kong

Complying with our Code of Conduct

The continued implementation of the Skanska Code of Conduct was a key activity during 2003. A compliance guideline was developed and training sessions are taking place at all levels within the company. The key focus during the year was on safety. Our vision is zero accidents.



Brilliant expansion, B.C. Canada, Skanska International Projects

Environmental progress

Our environmental management systems are becoming an integral part of our way of doing business and the market appreciates our environmental work by rewarding Skanska projects based on these efforts.



Toolbox talk on safety, Skanska India

- During 2003, Skanska participated in an international task force of leading engineering and construction companies that aimed to develop and adopt a set of business principles for countering bribery and corruption. These principles were presented at the World Economic Forum in January 2004 where a number of engineering and construction companies, including Skanska, committed themselves to the implementation of these principles.
- Skanska was the most admired company on the Fortune 500 list for 2003 in the engineering and construction class. Skanska also ranked third on the all categories list of most admired companies in Europe. The Financial Times "World's most respected companies" list ranked Skanska second in the property/construction sector for 2003.
- Skanska ranks first on the Top 225 International Contractors, third on the Top 225 Global Contractors and fifth on the Top 400 Contractors, according to the Engineering News Record (ENR) Sourcebook for 2003, based on 2002 contracting revenue.

Skanska around the world

Skanska is a large international construction corporation with eleven home markets. The Group has 70,000 employees working on a wide variety of construction projects. Some of them were introduced in our 2002 sustainability report, and we follow their progress during 2003.



Delhi Metro

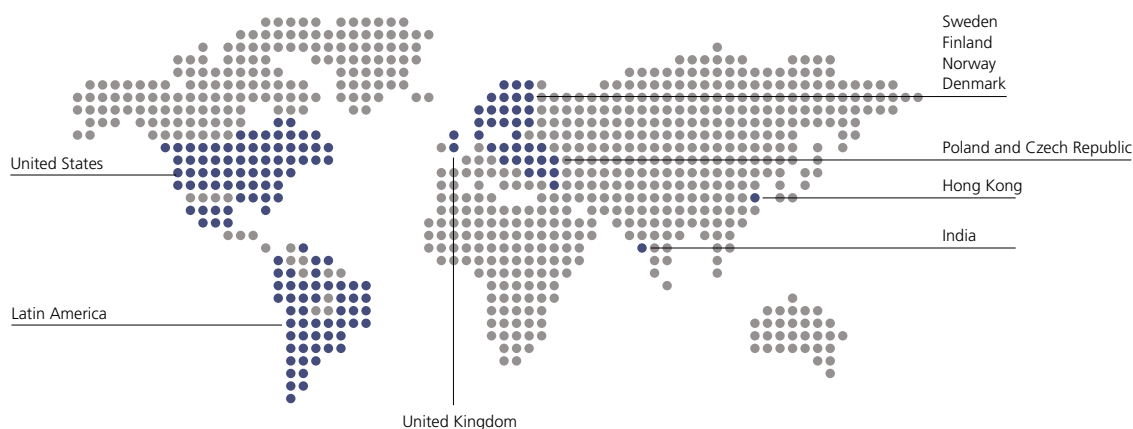
Work on the metro construction project in New Delhi India is progressing as planned. The excavation work is completed and work is shifting to installation and architectural finishing. Skanska has completed over 24 million work hours and registered a loss of only 267 man days due to accidents which implies an extraordinary low accident rate. Our safety activities as presented in the Sustainability Report 2002 have proven to be effective and efforts will continue. The client, Delhi Metro Rail Corporation, received ISO 14001 certification in 2003 at the same time as Skanska India was certified. Skanska project management is aiming to obtain OHSAS 18001 certification in 2004.



Autopista Central, Santiago, Chile

The construction of Autopista Central is advancing according to expectations. Today more than 50 percent of the construction work has been completed. During 2003, some very important milestones for the project were achieved. In May, the project received ISO 9001 certification and in December the debt financing deal for the project was closed. The ISO 14001 certification process is advancing. By the end of 2004 the Autopista Central consortium expects to be fully certified according to ISO 9001 as well as ISO 14001. Furthermore, by the end of 2004, 50 of the total 60 km (37 mi.) of highway are expected to go into operation.

Skanska's operations focus mainly on eleven home markets. It has construction businesses in all these markets. In the Nordic countries as well as in Poland and the Czech Republic, the Group also performs residential project development. In addition, Skanska has certain operations in other countries. Commercial project development is performed by specialized units in Sweden, Poland, the Czech Republic and Hungary. BOT operations focus on Skanska's home markets.



Introduction

This Sustainability Report, Skanska's second, is a presentation of the economic, social and environmental performance of the Skanska Group. Our data collection and streamlining are a constant process of development and implementation. This year, for example, we have focused in particular on our health and safety performance and on the implementation of our Code of Conduct.



ECONOMIC PERFORMANCE

Skanska's economic performance includes financial results for 2003, ownership issues, business ethics and corporate governance.



SOCIAL PERFORMANCE

The chapters related to Skanska's social performance include the Group's broader role in society and responsibilities as an employer, including health and safety issues.



ENVIRONMENTAL PERFORMANCE

The environmental performance chapters include Skanska's approach to environmental management, including the implementation of management systems and the integration of environmental aspects in our overall operations.

Sustainability is a process of change

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.

To us this means that we incorporate social and environmental aspects in our decision-making processes and work practices. An optimal balance of social, environmental and economic elements helps us to design and build better and safeguard the long-term prosperity of the company. It also

means that our employees are aware of the implications of sustainability and perform in line with, or above, the standards set in our Code of Conduct.

Why is sustainability important for Skanska?

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

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

business to minimize and manage risks. Good risk management can have direct positive financial impacts – for example due to lower insurance premiums, stable share prices, better project profitability and lower costs related to 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, and where they can identify themselves with the values of the company. Because Skanska wants to be competitive in the global marketplace for many years to come, we must continue to recruit and keep the best employees.

CEO Statement



Respect has to be earned, by hard work and genuine results

What does it take to be among the world's most admired companies? How does one win the confidence and respect of clients, employees, shareholders, analysts, NGOs and other stakeholders? At Skanska we work hard to balance our aims to be a company that has solid financial earnings while safeguarding a social and environmental performance that provides a platform for us to prosper for many generations to come. This requires a very proactive strategy. For this we are focused and we are progressing.

Our approach has one key starting point, and that is based on our conviction that in order to be successful and respected, we must be prepared to play a leadership role in our business sector. We are prepared to take the lead on issues such as business ethics, governance, the environment and social responsibility. Not only because this is expected from us, but mostly because I believe that this is the only way to manage a business well in the 21st century. While the traditional "run silent, run deep" approach is still readily applied in our sector, it is our approach to engage stakeholders in our effort to become more sustainable and report in a transparent and open manner. Sustainability has to become an integral part of our business. Not just on paper, but in our day-to-day operations and decision-making.

In 2003, we have continued to press forward on the issues we highlighted in our 2002 Sustainability Report. As CEO, I feel both committed and proud to report on these issues and highlight some of our efforts in this statement.

Implementing our Code of Conduct

We have developed a compliance guideline available for all employees. The guideline document has the objective of facilitating the implementation of the Code of Conduct by giving additional practical information on the principles mentioned in the code, establishing responsibilities and clarifying the implementation and monitoring measures. The compliance guideline and the training, monitoring and audit programs undertaken by the business units are the mainstays in the implementation of the Code of Conduct. Several business units have held training programs and the others will follow in 2004. The members of our Senior Executive Team, including myself, have gone through a training program.

In addition, we are pushing the international agenda on these issues. Our sector has a questionable reputation regarding business ethics and we are determined to improve its performance by setting an example and playing a leader-

ship role. We participated in the development of the "Business Principles for Countering Bribery in the Engineering & Construction Industry," an initiative presented at the World Economic Forum, Davos in January 2004. These anti-corruption principles are a key step in making progress in the construction sector, and I together with my colleagues in other construction corporations are committed to the implementation of these principles.

Through our support to the United Nations Global Compact, we also aim to move the agenda forward on corporate performance related to human rights, labor rights and the environment. We support the Global Compact also in the development of a tenth principle covering issues related to bribery and corruption.

We are increasingly aware of the consequences of our approach and are determined to improve our performance. We also receive signals that these efforts are appreciated by our stakeholders. Again in 2003 Fortune magazine has listed us as the most admired company in our sector. Financial analysts are carefully assessing and ranking our efforts. Our customers provide positive feedback. In general we have seen in 2003 more than ever a realization that ethics, good governance and social responsibilities are intrinsically linked to successful business management. This is a welcome trend and we must continue to improve our performance and report the results.

Corporate governance

The business community is under increasing scrutiny. Accounting scandals, unreasonably high bonuses and doubtful business ethics have highlighted a sensitive point on the business agenda. Around the world we see increasingly how a lack of corporate governance can bring down large corporations, damage a brand name for generations to come and cause a flight of knowledge and resources when employees decide to change employer. It is our responsibility to address these issues. A responsibility we have toward our shareholders, our customers and also to ourselves as Skanska employees. We see this responsibility as a key element in our overall strategy to build and maintain a solid reputation, add value to our company and safeguard our options and opportunities for the future. In light of this we are continuously developing our governance model. Maybe most importantly, our Board and those in management positions at Skanska are very much aware of the fact that we must lead by setting the example illustrating the type of behavior that is expected and rewarded.

Safety at Work

The year 2003 has been a key year in our efforts to address safety as one of our fundamental values. It is a priority

to improve our safety performance. Not because of a bad record. Just because we can never be satisfied until we achieve our zero accident vision. We have sharpened our safety strategy and streamlined data collection and reporting, clarifying responsibilities. We are stepping up our efforts to train employees – not only our own, but also the employees working at our sites through subcontractors. These efforts will be further stepped up during 2004 so that we can see a significant move toward zero accidents.

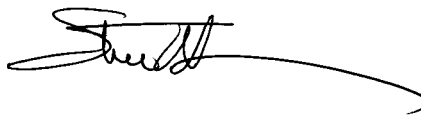
Environment

Our environmental work is increasingly appreciated by the market. It is a key aspect in our customer relationship and we can report on increasing examples of more ecologically sustainable construction. In the U.S., LEED – the voluntary system for labeling the environmental and energy performance of buildings – is being more and more used by clients. Skanska is active in this process and currently more than 20 LEED projects have been completed or are in progress. Environmental management systems cover 97 percent of our operations. Our operations in India became ISO 14001 certified in 2003 as one of the first such companies in India. These examples illustrate our commitment and underline our belief that concrete results are required and no corners can be cut. We aim to be a driving force for improved environmental performance of buildings and infrastructure whenever possible. A good example of this is the initiative of Skanska Sweden to promote environmental labeling systems for residential buildings developed for the Nordic markets.

Not just 2003

This report highlights our performance for 2003. It is a report that can be read in combination with our Annual Report or on its own. This second Sustainability Report also illustrates our commitment to the direction we have taken. It is a statement of performance that will take us well into the distant future. It is therefore not just about 2003; it is a statement and illustration of the kind of company we are.

Solna, March 2004



STUART E. GRAHAM
President and CEO

Skanska in brief



- We develop, build and service the physical environment for living, working and traveling.
- Skanska's 2003 sales were SEK 133 billion.
- Operations take place in eleven home markets.
- Skanska has 70,000 employees.

An internationally leading company

Skanska is one of the world's leading construction companies. After rapid external growth during the 1990s, Skanska became one of the most internationally diversified groups of its sector. Skanska now 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 70,000 people were employed by Skanska in 2003. The company was founded in 1887 in Sweden. Today the U.S., with 34 percent of 2003 sales, is the Group's largest market.

Our business strategy is to focus on our eleven home markets. In these markets, we aim to be the customers' first choice in construction-related services and project development. We are consolidating our operations and strengthening opportuni-

ties in our home markets. During 2003, for example, Skanska announced its intention to sell mining construction in Canada and South Africa.

Today the Skanska group is organized around four main business streams: Construction and Services, Residential and Commercial Project Development and BOT (Build Operate Transfer).

Different focus in different regions

The types of services, or core competences, vary among the business units. In Europe, Skanska's business units offer the entire chain of construction-related services from feasibility studies and design to actual construction and facilities management. The US-based business units are generally more focused on construction management. While Nordic business units have a signifi-

cant part of their work in residential and commercial buildings, the Skanska business unit in Latin America has focused on energy infrastructure and power generation projects.

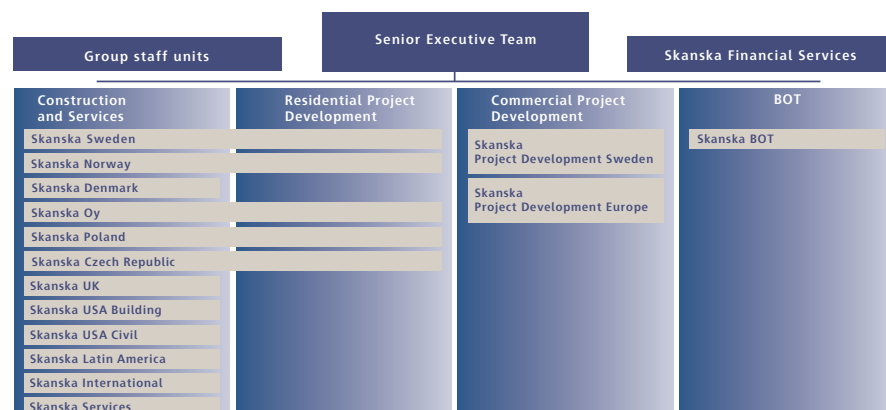
Accountability and responsibility

All business unit Presidents report to the Skanska Group's Senior Executive Team. In addition to the Chief Executive Officer, the Senior Executive Team consists of four Executive Vice Presidents, each with responsibility for a particular market segment or staff function, plus the Senior Vice President Human Resources. 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's Senior Vice President for Sustainability – who reports to the Senior Executive Team – has an overall role in coordinating and developing Skanska's sustainability work.

The largest global construction companies¹ Total sales 2002

Company	Country	USD bn
Vinci	France	16.6
Bouygues	France	15.2
Skanska AB	Sweden	14.0
Hochtief AG	Germany	12.0
Bechtel	United States	9.7
Fluor Corp.	United States	7.8
Centex, Dallas	United States	7.1
China State Const. Engineering Corp.	China	6.4
Grupo Dragados	Spain	6.2
China Railway Engineering Corp.	China	5.7

¹ Excluding Japanese construction companies
Source: Engineering News Record



Skanska's 15 business units, depicted above in gray, are active in four different business streams. Five of the business units have operations in both Construction and Services and Residential Project Development.



Construction and Services

Construction and Services is Skanska's largest business stream. Construction refers to building construction (both non-residential and residential) and civil construction. The business stream also includes Skanska Services, which specializes in facilities management.

SEK M	2003
Net sales	121,602
Operating income	1,685
Capital employed	9,529
Operating cash flow	3,301



Residential Project Development

This business stream develops residential projects for immediate sale. Housing units are tailored for selected customer categories. The construction assignments are carried out by Skanska's construction units in each respective market. Skanska is one of the largest residential developers in the Nordic countries and also has a sizable presence in Prague (Czech Republic) and St. Petersburg (Russia).

SEK M	2003
Net sales	6,334
Operating income	298
Capital employed	2,931
Operating cash flow	970



Commercial Project Development

The business stream initiates, develops, leases and divests commercial property projects. Its project development operations focus on office buildings, shopping centers and logistics properties in the Swedish cities of Stockholm and Gothenburg, in the Öresund region (Malmö, Sweden–Copenhagen, Denmark), Warsaw (Poland), Prague (Czech Republic) and Budapest (Hungary). It works through two companies: Skanska Project Development Sweden and Skanska Project Development Europe.

SEK M	2003
Net sales	8,861
Operating income	3,061
Capital employed	9,459
Operating cash flow	7,110



BOT

BOT (Build Operate Transfer) specializes in identifying, developing and investing in privately financed infrastructure projects such as roads, hospitals and power generation plants. Its operations focus on creating new potential for projects in markets where Skanska has construction units.

SEK M	2003
Net sales	87
Operating income	27
Capital employed	1,243
Operating cash flow	-172



Skanska's home markets

USD	GDP/capita	Construction/capita	Construction, % of GDP
United States	38,255	3,219	8.4
Sweden	31,636	3,145	9.9
United Kingdom	29,833	2,278	8.0
Norway	48,258	3,777	7.8
Finland	30,960	3,282	10.6
Czech Republic	8,246	801	10.7
Denmark	39,064	4,212	11.2
Poland	5,253	372	7.1
Hong Kong	20,973	1,085	4.8
Argentina	13,014	651	5.0
India	48	3	5.2

Sources: Swedish Construction Federation, United Nations, Swedish Institute of International Affairs

Consolidated

SEK M	Change	2003	2002
Net sales	-6%	132,879	142,033
Operating income	362%	4,532	981
Capital employed	-23%	24,460	31,640
Operating cash flow	253%	11,317	3,206

Skanska Code of Conduct

In 2002 Skanska implemented a Code of Conduct to strengthen our performance related to employee relations, business ethics, human rights, the environment and stakeholder relations.



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.

Implementing the Code of Conduct

The continued implementation of our Code of Conduct focused on three main elements: the issuance of a Compliance Guideline document for our employees, training and monitoring/follow-up.

Compliance Guideline

The objective of this guideline is to support our business units in the implementation of our Code of Conduct. It is designed to facilitate implementation by providing additional information and clarifying responsibilities. In particular, employees find support in the added information on ethics in business practices, labor rights and requirements when dealing with suppliers and subcontractors. The document also specifies a number of issues relevant for the successful implementation of the Code, such as whistle-blowing, monitoring and reporting. The Compliance Guideline has been distributed with a personal note from the CEO to the top 250 managers in the Group, with the charge to implement it throughout the organization. In addition, the guideline is available to all employees via their business units and the Skanska intranet.

The Code of Conduct has been translated into the languages of our home markets. Our intentions and the content of our Code are communicated to clients and subcontractors on a routine basis. During 2003, more than 7,300 suppliers and subcontractors were informed about our Code. Several business units have the Code of Conduct posted on their website.

As part of our own training process, we are continuing to work together on the issues included in our Code of Conduct with international organizations like the United Nations and non-governmental organizations such as Amnesty International. In Sweden, Skanska is a member of the Amnesty Business Group.

Training

Several business units have developed and implemented training seminars for employees. In particular, the Skanska business units in Sweden trained 2,500 managers in business ethics during 2003. This training focused on competition regulation, applicable laws related to bribery and corruption and the guidelines specified by the Skanska Code of Conduct. During 2004, the remaining employees (over 10,000) in Skanska



Sweden will participate in a training program. The Skanska Senior Executive Team, the Skanska Group staff units and Skanska Financial Services are also undergoing a Code of Conduct training program.

Reporting and accountability

All business units are responsible for the implementation of the Code of Conduct. Skanska has developed an annual reporting mechanism to assess the implementation and track performance. Code of Conduct implementation is thus reported by each business unit President to the appropriate Executive Vice President and member of the Senior Executive Team.

A follow-up assessment of Code of Conduct implementation during 2003 shows that business units have procedures in place to address a majority of the Code of Conduct principles. The emphasis is now on completing the training and employee certification programs. Other areas that will get further attention are implementation of whistle-blower programs and communication of the Code of Conduct principles to suppliers and subcontractors.

Leading by good example

As a result of our experiences in developing and implementing a Code of Conduct, we are often invited to participate in related activities by industry organizations, academia, international organizations and others. During 2003, for example, Skanska Finland was extensively involved in developing a sustainability strategy for the Finnish construction industry. Skanska has also been active in supporting the implementation of the UN Global Compact.

Tyin, Norway

A good example of a project where an integrated approach and improved performance toward financial results, environment, safety and cooperation was applied with great success is the Tyin hydropower project of Skanska Norway.

The Tyin hydropower plant lies in the mountains near the village of Årdal, in the western part of Norway. Skanska was contracted by the customer, Norsk Hydro, to build a new tunnel system to guide water from Tyin at 1,080 meters (3,540 feet) above sea level, via the power station, down to the outflow at Årdalsvannet close to sea level. The new plant, on which construction started in the autumn of 2001, is expected to be finished late in 2004.

Skanska Norway is in charge of comprehensive planning, procurement, installation and construction. As an incentive, the customer developed a bonus system based on ten performance criteria related to safety, environment, cooperation, creativity and problem solving. If performance continues as now reported, Skanska Norway will receive a total of USD 1.4 million in bonuses by completion 2004. Better social and environmental performance is thereby directly having a positive impact on the financial results of the project.

Prosperity and responsibility

Skanska's economic performance includes its wider economic impact on society, and the challenge is to strike the right balance between economic growth and environmental and social considerations.



Skanska CZ, Prague, Czech Republic

Skanska has an economic impact on society through its construction of infrastructure, commercial and public buildings and housing. Skanska works with customers on better solutions regarding environmental performance and management of social conditions. These can, for example, include conducting social impact assessments, establishing relationships with the local community and the using a local workforce. Such measures are directly linked to good economic performance. This approach helps us to anticipate and manage risks and deliver value to the client, beyond expectations.

Ownership

Skanska's ownership did not change significantly during 2003. Current ownership is listed in the table on the right. The major shareholders are still largely the same group. Over 46 percent of Skanska shares are owned by "other shareholders" besides the ten largest in Sweden. Foreign ownership increased slightly, from 14.4 to 17.0 percent.

Increased interest in our sustainability related performance is clearly indicated by the interest of specialized financial analysts. The socially responsible investment (SRI) community is including Skanska in a number of key listings and eligible registers. Skanska is again listed on the Dow Jones Sustainability STOXX Index. In addition, Skanska is included in the Merrill Lynch SAM top 50 Sustainability Europe Index, the Ethibel investment register, the FTSE4Good, the Storebrand Eligible Universe register, and a number of Swedish based indexes and funds including the Banco Swedish Environmental Fund.

An important vote of confidence is also the fact that the United Nations pension fund has become a foreign shareholder in Skanska after considering its economic, social and environmental performance.

Financial performance

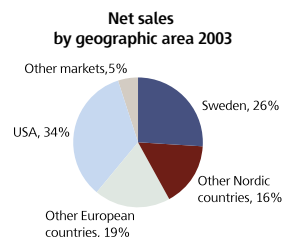
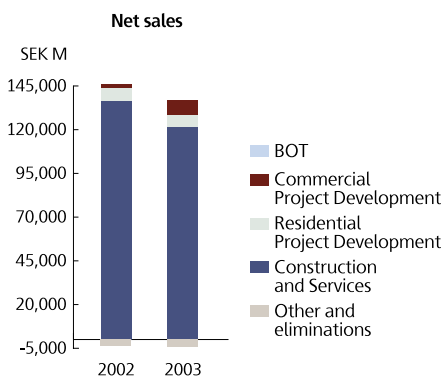
Skanska's overall market capitalization increased to SEK 26.6 billion in 2003. Skanska's net sales fell from SEK 142 billion in 2002 to SEK 133 billion in 2003. Operating income totaled SEK 4.5 billion, compared to less than SEK 1 billion in 2002. In 2003, the net profit per share was positive (SEK 6.60) and return on capital employed (ROCE) reached 17.1 percent, compared to 4,2 percent in 2002. ROCE is a good indicator of financial performance because it corrects for capital gains made via divestment of shares and non-core businesses.

In line with the strategy to consolidate around core-business and home markets, Skanska announced in 2003 its intention to sell mining construction in South Africa and Canada. Actual sale is planned for 2004.

A key trend for Skanska is the increasing interest in public-private partnerships. Skanska is involved in a number of such initiatives around the world, including the United Kingdom, Finland, Russia and Chile. Especially in the United Kingdom the Private Finance Initiative (PFI) program is successfully transferring part of the risks of constructing and operating hospitals, schools, prisons and other infrastructure projects to the private sector.

The largest shareholders in Skanska AB, holdings on December 31, 2003	% of capital stock	% of voting power
Industrivärden (investment company)	8.0	27.2
AMF Pension (retirement insurance)	6.6	4.0
Alecta (retirement insurance)	6.5	3.9
SHB/SPP mutual funds	3.7	2.2
AFA Försäkring (insurance)	3.1	1.9
Robur mutual funds (Swedbank)	2.7	1.6
Inter IKEA Investment AB	2.7	11.4
State of New Jersey Pension	1.9	1.2
AMF Pension mutual funds	1.5	0.9
Svenska Handelsbanken (bank)	1.4	3.4
10 largest shareholders	38.1	57.7
Other shareholders in Sweden	46.8	33.1
Other shareholders abroad	15.1	9.2
Total	100	100

Sources: VPC, SIS Ägarservice



Business ethics

Ethics constitutes the foundation of the kind of people we are and the kind of organization we represent.



Business ethics seminar, Skanska AB, Stockholm, December 2003

Bribery and corruption are destructive to the business environment. These practices are not sustainable, distort markets and hamper economic, social and democratic development. It is in Skanska's interest that markets function competitively – stimulating our innovative thinking, building trust and reflecting true costs and benefits. It is clearly our responsibility towards clients, employees, shareholders and other stakeholders to safeguard a healthy business environment.

International engagement to counter corruption

During 2003 Skanska has been actively engaged in the international debate on bribery and corruption. This is part of our commitment to take a leadership role in improving performance in the construction sector. In the run-up to the 2004 World Economic Forum in Davos, Switzerland, during 2003 Skanska participated in an international task force together with a number of other leading engineering and constructing companies aimed at developing and adopting a set of business principles for countering bribery. These principles were developed in cooperation with the Berlin-based non-profit Transparency International and the Basel Institute on Governance and adopted at Davos in January 2004. The principles include two fundamental actions, firstly the formulation of a zero tolerance policy and secondly, the development of a practical and effective program of internal systems and controls for implementing such a policy.

In addition, Skanska is supporting the United Nations Global Compact in an effort to formulate a tenth principle covering

corruption and bribery. This work will take place during 2004 and result in an extended scope of the principles of the UN Global Compact that already cover human rights, labor rights and environmental protection.

Implementation at business unit level

It is crucial to make sure that the principles outlined in our Code of Conduct are understood by all employees. With respect to areas or projects where bribery is generally known to present a problem, the affected Skanska business units are developing and implementing special measures.

As an element in communication with customers, business partners and employees, Skanska Sweden has produced a brochure entitled "Golf-trips and bar visits are not part of our project estimations". Since 2000, Skanska Sweden has also had an ethics advisory council. This council is available for employees with general questions related to business ethics or to discuss possible cases of corruption or conflicts of interest.

Together with several other construction companies, Skanska is under investigation for alleged participation in asphalt cartels in three Nordic countries. None of the cases have yet been concluded.

Corporate governance

Corporate governance is rapidly climbing the board room agenda of businesses around the world. The objective of corporate governance is to make business accountable to shareholders and other stakeholders. Strengthening corporate governance is intrinsically linked to the implementation of our Code of Conduct. However, a number of governance issues are highlighted as particular priorities for the Skanska Senior

Executive Team and the Skanska Board of Directors. Skanska is actively working on the clarification of accountability issues for the Board and senior management. Key events during 2003 were changes in the Board and assessment of existing reward systems. In 2003 Skanska Board was strengthened and diversified with two female members elected at the Annual Shareholders' Meeting.

Skanska provides information on the decision-making process for the remuneration of directors and executives. The Skanska AB Compensation Committee is composed of the non-executive Chairman and a non-executive member of the Board. The task of the committee is to make recommendations to the Board on the remuneration package of the CEO and set upper limits for other executives. Executive remuneration packages are reported individually for the CEO and as a total for the other members of the Senior Executive Team. Executive remuneration is broken down into basic salary, incentives, pension benefits and other benefits or remuneration.

It is clearly our responsibility towards clients, employees, shareholders and other stakeholders to safeguard a healthy business environment.

Skanska in society

With our products and services we affect the lives of many people around us.



Residential project in Prague, Skanska CZ, Czech Republic

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 every year, and sometimes we have to reduce our workforce when we finish a project. This is the nature of the construction business, and thus a serious and important responsibility.

Quality of products and services

Our reputation is one of our most important assets and we aim to safeguard it by delivering high quality products and services. The first step in delivering high quality product and services is to know exactly what customers and other stakeholders want. We must know their needs and expectations and be responsive. This requires regular and close contact in the field before, during and after construction.

The next step is to manage quality via an internalized management system. Clear reporting, accountability and mitigation guidelines support our work in quality assurance. Several Skanska business units have chosen to certify/register their quality management systems according to ISO 9000, including Skanska Finland, Skanska UK, Gammon Skanska, Skanska Latin America, Skanska Poland and parts of Skanska Sweden.

Other initiatives include the appointment of a person responsible for managing complaints and concerns raised by stakeholders. Skanska Sweden appointed such a person, an ombudsman, in 2003.

The ombudsman facilitates discussions and can function as an objective mediator in case of conflicts between a Skanska Sweden project and a customer. The ombudsman had over one hundred large and small cases to address during 2003, mostly related to issues raised by private homeowners. The ombudsman is also part of Skanska's effort to become more customer-oriented and service-minded. It is therefore an important part of this person's work to turn conflicts, complaints and concerns into learning experiences within the organization in order to avoid similar situations in the future.

Moisture and mold

Moisture-induced damage to buildings is not a new problem nor is it unique to Skanska – it is a construction industry problem in certain regions of the world where temperature and relative humidity allow for mold growth. Following an evaluation in 2002 of the situation related to moisture induced damage in buildings, Skanska initiated a project to develop systematic methods to reduce these risks by using the most appropriate methods and materials. Extensive risk evaluations have been done on moisture-induced damage in buildings in the Nordic countries, with some complementary studies undertaken in the U.S. Key findings are related to the lack of knowledge on available materials and best methods to be used during all stages of a construction project. This has led to the development of a Moisture Plan, where moisture issues are addressed in a structured and systematic manner in each relevant building project. A large number of building designs have been evaluated related to moisture damage result-

ing in reduction of the number of design solutions and risk levels. In addition, certain construction materials will be replaced to further reduce the risks. These efforts will be accompanied by extensive training efforts to raise awareness and further improve the quality of our products.

International engagement

Skanska supports the UN Global Compact. This is a partnership between the United Nations and the business community with the objective of encouraging good business practices and learning experiences related to human rights, labor rights and environmental protection. Skanska has submitted two cases to the best practises database of the Global Compact. Both cases – building bridges in Honduras and the Kukule Ganga project in Sri Lanka – are described in our 2002 Sustainability Report. During 2004 Skanska will support the Global Compact in the development of a 10th principle on combating bribery and corruption.

Good citizenship program

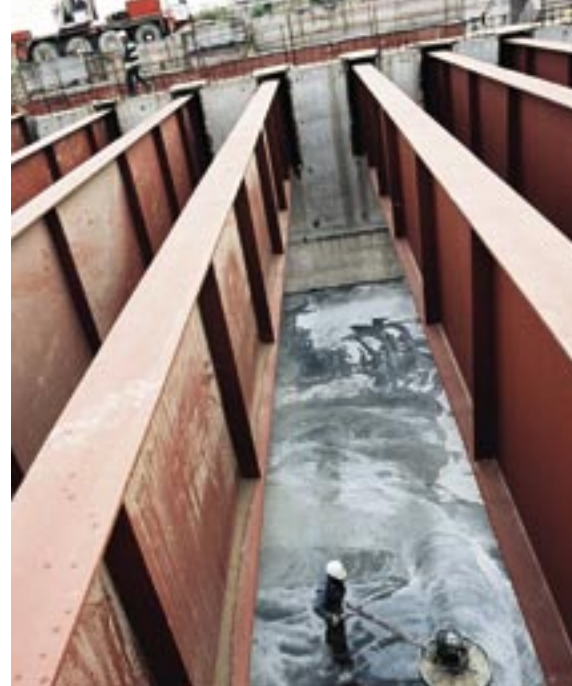
Skanska continues its good citizenship program to guide its local sponsorship efforts. The objective of this program is to engage Skanska in society and be an example within the business community. Skanska thus focuses on activities that improve the quality of life for people around the world. Skanska supports activities financially and through the personal engagement of Skanska employees. This personal engagement is the most important difference compared to traditional corporate sponsorships. Personal engagement by employees is often much more appreciated by both the sponsored party and the Skanska employees.



Youngsters visiting Skanska in Stockholm

A number of activities in various business units of Skanska can be highlighted here:

- Inspiring young citizens. In Sweden, Skanska invites 30 young people from the northern suburbs of Stockholm to get a taste of working life. The youngsters participate in seminars and study visits. Skanska gives them an opportunity to see construction projects from the inside and Skanska likewise sees this as a learning experience. A similar program runs in the U.S., where Skanska USA Building invites a number of disadvantaged teens and gives them practical training by letting them work with coaches in different departments of Skanska during the summer months.
- Skanska CZ in the Czech Republic has been engaged in a number of projects including assistance in raising funds for the construction of a special facility for the mentally disabled. Skanska CZ also helped the employees of the Prague Zoo with temporary housing after the floods in the fall of 2002. During early 2003, while Skanska worked on the completion of the Indonesian Pavilion at the zoo, Skanska provided housing for those employees who had lost their homes to rising water levels, until new housing was arranged by the Prague authorities.
- In Finland, Skanska Oy has been extensively involved in bringing youth activities and community spirit to a newly constructed area near Helsinki. Skanska sponsored a local basketball league, Pussihukat, to help get young people involved in sporting activities.
- In Russia, the local Skanska unit won the Skanska 2001 Project of the Year award for the construction of Arena 2000 in Yaroslavl, outside Moscow. The prize money was used to renovate the city's children hospital. In 2003 Skanska completed a much needed renovation of the Selective Surgery Department at the Third Yaroslav Children's clinic. Skanska employees also donated toys for the hospital's playroom.
- Skanska UK construction sites participate in the Considerate Constructors Scheme. This is a voluntary Code of Practice, aimed at promoting good relations between contractors and the local community. It commits contractors to be considerate and good neighbors.
- Skanska USA Building is involved in a mentor program for small companies run by minorities and women, under the auspices of the Port Authority of New York and New Jersey. In this program, executives of large construction firms, including Skanska USA Building, meet with protégés once a month and are available for questions by phone when they arise. The program also includes a number of seminars on issues such as preparing bids and managing employee costs. Proteges are expected to participate for a period of three years. The mentors advise on business practices and can be an important reference for a small company trying to win a contract.



Wastewater treatment plant in Russia

A project where Skanska has a longterm commitment to social and environmental issues is the construction of a wastewater treatment plant near St. Petersburg, Russia. Skanska takes part in a consortium that is to complete a treatment plant that the Soviet Union started constructing in the 80s. Skanska played a crucial role during more than two years of preparatory work. Skanska was actively involved in financing and legal issues, and its local expertise was essential for the development process. Skanska will be involved in operation of the plant for several years after completion in 2005. Once the plant goes on stream, untreated wastewater discharges from the city of St. Petersburg will drop by 50 percent, and phosphorous emissions into the entire Gulf of Finland will be reduced by close to 15 percent. Today poor water quality in the Gulf of Finland causes a large algae bloom every summer and is a hazard to swimmers. Furthermore the unique flora and fauna in the Gulf is threatened and the area of dead seabed is spreading. The project is also a milestone in its innovative approach to implementing projects in this region where resources are limited and environmental and social challenges are abundant. Hopefully the project will stimulate similar developments elsewhere in the region.

Employee relations

For our continued prosperity as one of the top global construction corporations, we must ensure that we are able to recruit and keep the best employees.



In 2003 Skanska employed an average of 69,669 people worldwide. The actual figure fluctuates somewhat due to the employment created by the start of new projects and the loss of employment opportunities when projects are completed. The Senior Vice President Human Resources at Group level is responsible for the overall international HR strategy, including issues related to talent management, recruitment and tracking Groupwide facts and figures on human resources management. At the business unit level, human resource managers are responsible for all other aspects such as training, career development, employee satisfaction and the implementation of the Skanska Code of Conduct.

In the past decade, the number of Skanska employees around the world has doubled. With this rapid expansion in mind it is important to strengthen and streamline data collection efforts. In order to effectively manage human resources at the Group level, additional facts and figures are starting to be gathered on age distribution, gender, career development and training opportunities. Further interaction between business units on HR experiences will help

to spread good ideas and best practices, and give an opportunity to benchmark performance among business units.

Recruitment and talent management

One important element in our strategy to retain and develop managers is the Skanska talent management program. This program is developed for the selection, support and evaluation of Skanska's 250 highest level managers. The program includes a process of management audits and development assessments. During 2003 Skanska carried out a talent review of some 300 managers in the company. The review compares performance with a leadership profile and a number of key areas including customer focus, work effectiveness and people management.

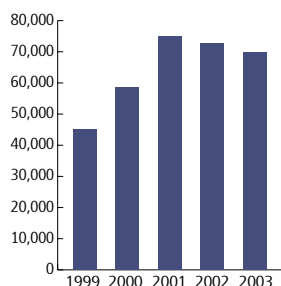
During 2003 the talent management program was also upgraded. In 2003 the Skanska Transition for Executives Program (STEP) became operational. This education development program is aimed at leaders in the company who are on their way to becoming part of Skanska's top 250 managers, or people that are changing responsibilities within the company's top 250 management positions.

Working for diversity

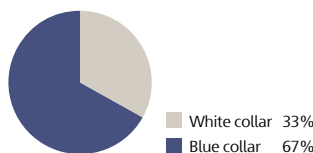
Skanska is a multinational company and the workforce reflects this in its diversity. Diversity is an asset for Skanska, ensuring a richer variety of talents, skills, backgrounds and perspectives. Diversity is also an important element in our human resources management strategies, for example by integrating aspects of diversity into recruitment strategies, career development, talent management and equal opportunity guidelines. Skanska does not report on diversity in such terms as religion, cultural heritage and race, since a number of countries in which we operate have legal restrictions on tracking and reporting such information.

Skanska Sweden started participation in a diversity project entitled PlusCompetence in 2003. This is a cooperative effort of the public and private sector in Sweden to address diversity as a strategic issue. The project highlights the positive effects of a diverse workforce such as a more dynamic environment and increased productivity. The project's starting point is that diversity pays. Skanska participates in diversity seminars and provides academically trained professionals from outside the Nordic region opportunities to gain working experience. Other corporations involved in the initiative are Volvo and IKEA.

Average number of employees

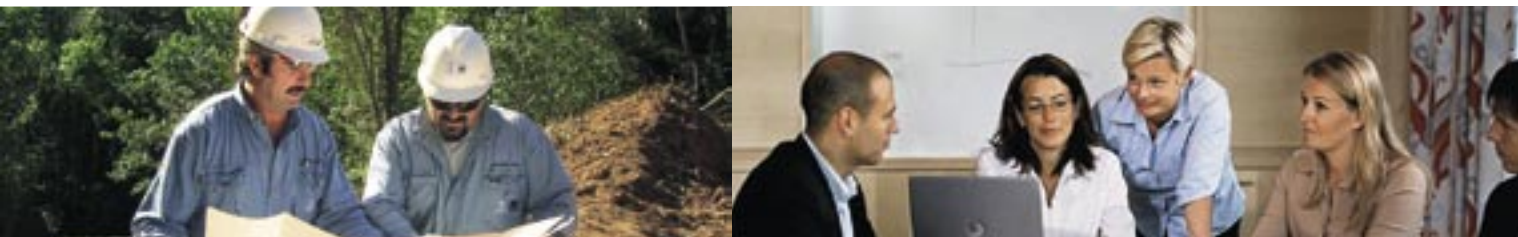


White collar/
blue collar employees



Percentage of female employees at Skanska

Blue collar employees	8%
White collar employees	26%
Skanska Group top 250 managers	6%
Skanska AB Board	22%



The construction sector is traditionally male dominated. Currently around 14 percent of the Skanska workforce is female. Most female employees are working as white collar employees. In 2003 two new female members joined the Skanska Board, bringing the female percentage on the board to 22 percent.

Some business units in the Skanska Group have initiated networks where women can exchange experiences and gain contacts in other parts of the organization. In Stockholm, a network of Skanska women employees discusses such issues as mentor activities, leadership, negotiation and mediation, stress management, combining work and family, career development and issues related to an increased knowledge about Skanska as a multinational corporations.

Knowledge development

When operating in eleven different geographic 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. Therefore Skanska increasingly supports internal and external research. Skanska allocates resources directly to scientific research. In addition, the Group makes significant indirect investments in improving the knowledge base via research and development work related to projects and cooperative research activities together with other organizations.

A clear measurable 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 2003 Skanska employed seven

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 the Skanska knowledge base is the exchange of information with other multinational corporations. Skanska participates in a number of networks and organizations related to sustainability, including the World Business Council for Sustainable Development (WBCSD). The WBCSD is a coalition of 160 interna-

tional companies committed to sustainable development.

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

Staying on top in healthcare at Skanska USA Building

Working for a healthcare client requires being an almost "invisible contractor." Disruptions should be kept to a minimum,

while perfecting techniques to effectively maintain an equilibrium between a sterile, therapeutic environment and the operation of a construction site. Customers attach great value to how companies operate, train employees, stay updated on developments in the healthcare sector and are engaged in community activities.

To stay updated, Skanska managers receive training and other opportunities to increase their skills and knowledge. Current issues that are on the agenda, for example, are infection control, mold abatement and issues related to the Americans with Disabilities Act. Skanska managers also attend seminars several times per year, participate in international training programs and exchange experiences via the Skanska nationwide healthcare division network. Key aspects of the training program are the special requirements of a relationship with clients in the healthcare sector.



Skanska USA Building working on the expansion of the University of Medicine and Dentistry of New Jersey

Health and safety

Continual improvements toward achieving a vision of zero accidents



Safety first at two construction projects, Saska Arena (Czech Republic) and the JFK AirTrain light rail system in New York

Providing a safe and healthy working environment is a top priority at Skanska. Health and safety issues are also among key principles in our Code of Conduct, not only in relation to our own employees but also the employees of our subcontractors and suppliers. Although both health and safety are equally important, we have focused our efforts at Group level during 2003 on improvements in safety. Business units will, however, continue their activities to improve health performance, addressing issues such as stress management, sick leave reduction and ergonomics.

During 2003 Skanska sharpened its safety strategy. The points of departure for this strategy are the requirements set in the Code of Conduct.

Safety management

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. The safety performance of all business units is monitored quarterly, and performance is evaluated against targets set for each business unit. Incentives such as safety awards are used to recognize and honor good performance.

Skanska has established best practice groups on health and safety. During 2003 these groups addressed best practices in auditing, supply chain management, training, indicators and legal compliance. A key element in the Skanska safety strategy is the implementation of a health and safety management system in all Skanska business units before January 1, 2005. Such a

management system has to include a policy, objectives, targets and action plans. In addition, the management system specifies responsibilities, risk assessments, training programs, monitoring, audits and management reviews. In most cases these systems are already in place and will be further refined to meet all requirements of an effective management system.

The business units in Hong Kong, the United Kingdom, Latin America and Denmark and major portions of operations in Russia and Finland as well as part of Skanska Poland have chosen to certify/register their management systems according to BS 8800 or OHSAS 18001 criteria.

Performance follow-up

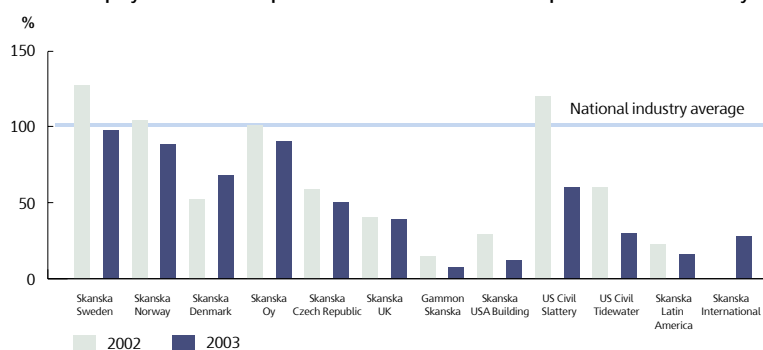
At the business unit level, Skanska monitors accident rates according to each market's national requirements, benchmarking against the national construction industry average. Each business unit is responsible for ensuring that improvement measures are in place that are effective for them and are

in accordance with national requirements. This leads to a wide range of differing reporting metrics, which may not always be directly comparable within the Skanska Group. This is why Skanska reports on safety performance in percentages against national industry averages. Skanska is determined to be a leader in the local construction industry by achieving better performance than comparable local standards and continually improving from there. The chart below illustrates accident rates in Skanska business units that have comparable local construction industry data.

Skanska India, Skanska Poland and Skanska Russia are not presented, because comparable national industry averages are not available in these countries. Skanska India and Skanska Poland improved their accident rates during 2003 by 26 percent and 41 percent, respectively.

Even though safety performance is clearly improving, construction remains one of the more safety exposed sectors in the economy.

Skanska employee accident rate performance in 2002 and 2003 compared with local industry averages¹





A concerted effort is required to change this, and large corporations such as Skanska have a responsibility to work with employees, subcontractors, public agencies and legislators to create an environment where accidents are prevented. Skanska takes accidents most seriously, and all accidents are evaluated to ensure that they will not happen again.

All major accidents and other important safety related incidents are immediately reported to the Skanska Executive Team.

Monitoring and reporting of accident rates on Skanska sites related to the performance of subcontractors and suppliers will be further enhanced during 2004.

Health and safety training

Performance starts with awareness and knowledge, and our employees receive regular health and safety training and information. In 2003, 52 percent of the Skanska workforce had participated in basic health and safety training. In addition, Skanska provided specialist training to over 4,500 employees. This training is aimed at measures for the prevention of accidents, inspections and regulations related to health and safety performance. We also have a responsibility for subcontractors working at our sites, and during 2003 we provided basic health and safety information to more than 82,000 subcontractor employees.

Working toward zero accidents

Several projects around the world illustrate that our ambition of achieving zero accidents at Skanska workplaces is a reality.

- Within the Skanska USA Civil business unit, at Bayshore concrete products, part of Tidewater Skanska, management reported for 2003 that over 1,000,000 work hours were completed without any accidents.
- In Brazil, Skanska Latin America completed the construction of a thermo-electric power plant without accidents. A workforce of over 1,000 people, all but 30 from the local area, worked in an accident-free environment during a construction period of five months.
- In 2003 both Skanska International Projects and Skanska Cementation India received awards for exceptional safety performance in the construction of the New Delhi subway.
- In the Czech Republic, Skanska is working on the construction of the Sazka Arena in Prague, currently one of the largest projects in the country. While the risks are substantial, serious accidents have so far been prevented.
- The Oregon division of Skanska USA Building is working hard to achieve an accident-free workplace and was awarded the Intel Supplier Safety Leadership Excellence Award in 2003. This award, received three years in a row by Skanska in Oregon, illustrates how key clients appreciate safety performance.
- A health and safety program at Skanska UK Integrated Projects during 2003 resulted in an OHSAS 18001 certification and a 56 percent reduction in accident rates.



In 2003 Skanska USA business units engaged in partnerships with OSHA.

The purpose of these strategic partnerships between the construction industry, labor and the U.S. federal government's Occupational Safety and Health Administration (OSHA) is to achieve a high level of worker safety and to eliminate injuries. Such an agreement was signed between OSHA, Skanska USA Building and its subcontractors involved in the

construction of the IKEA home furnishing store in New Haven, CT. The partnership at this project site will aim at the development of a program to encourage Connecticut area construction contractors to improve their safety and health performance and strive for the elimination of serious accidents, while recognizing those contractors that demonstrate exemplary safety and health performance. Skanska USA Civil also signed an agreement to improve health and safety at the construction of the Poletti power plant in Astoria, New York (see the cover photo of this Sustainability Report). The agreement was signed with the customer, the New York Power Authority, as well as with OSHA and trade union officials, and illustrates Skanska's commitment to providing a workplace with zero accidents.

Environmental Management

Improving environmental performance in construction is a cooperative effort with the client.



Working with the same fundamental requirements and guidelines is a prerequisite for achieving credibility, both internally and externally. The clearest 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. By the end of 2003, 97 percent of Skanska net sales were covered by certified environmental management systems. The remaining 3 percent is due to newly established and acquired units in some parts of Eastern Europe, Asia and the U.S. where implementation of environmental management systems is underway. So far, Skanska is the only major global construction company that has implemented certified environmental management systems throughout its organization.

Going beyond requirements

Skanska is working closely with customers to continually improve environmental performance and find innovative solutions. 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 customers and Skanska are gradually raising the standard of environmental performance. Skanska's analysis of order bookings in 2003 shows that a total of 398 large construction projects were being implemented with higher environmental standards than required

by law. Increasingly the projects with higher environmental standards are larger and therefore the number of projects is decreasing while the total order value is increasing. In 2003, about 56 percent of order bookings fall under this category of projects with higher environmental standards.

In Sweden, Skanska has signed a voluntary agreement between government and the construction sector for a sustainable building and property sector. Prioritized issues are related to indoor environment, energy efficiency and resource efficiency.

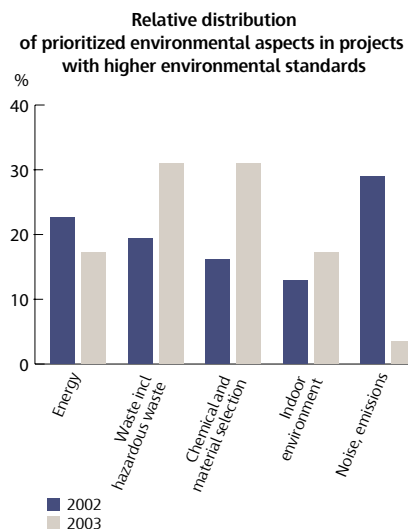
Using environmental tools

Increasingly, tools are being developed to stimulate and measure the degree of environmental considerations included in the design and construction of buildings. One such example is the LEED rating system administered by the United States Green Building Council (USGBC). LEED is a standardized framework with four levels of performance, a basic level or LEED certification level as well as silver, gold and platinum levels. These levels are used for assessing building performance and meeting ambitious goals in the areas of sustainable sites, water savings, energy efficiency, materials selection, and indoor environmental quality. For example, if a building is certified to the platinum level, industry affiliates

will recognize that the facility was built to the highest possible "green" standards, and understand that the owner takes environmental responsibility seriously. Presently, only two U.S. buildings have earned platinum certification. Skanska has 15 project managers and estimators accredited as LEED professionals and 20 projects have been completed or are in progress.

Training

In line with the Group's requirements to implement environmental management systems, Skanska business units provide basic environmental training to employees. By the end of 2003, 68 percent of the Group's 70,000 employees had received this type of training. Skanska also provides specialized training to employees who need increased knowledge about the environmental aspects of their jobs. Training courses include



Order value of projects with higher environmental standards

MUSD	2003	2002	2001
Customer initiative	4,699	2,701	1,843
Skanska initiative	3,636	3,549	5,320
Total	8,335	6,250	7,163

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	2003	2002	2001
Specialist training	2,689	2,730	1,254
Auditor training	261	318	393

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 2003, we trained more than 38,000 people working for suppliers and subcontractors.

Auditing

As a key element in our efforts to achieve continual improvements, Skanska performs a large number of internal and external audits. These audits help us to assess the current performance level and identify areas for improvements. 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 environmental management systems. The number of audits increased as more business units were certified, then decreased as units became more efficient.

Environmental audits

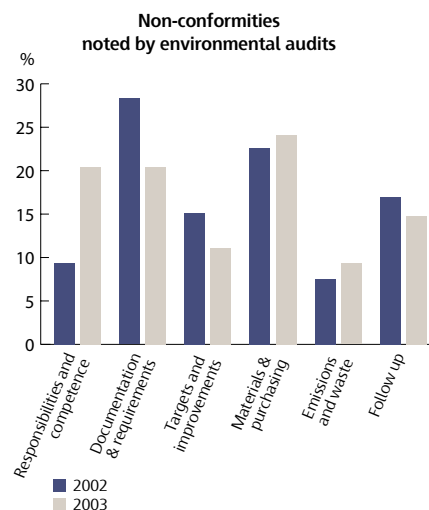
Type of audits	2003	2002	2001
Internal	1,568	1,753	1,431
External	143	204	185

External audits performed by an ISO-certification body resulted in a number of minor and three major non-conformities related to shortcomings in environmental target setting at the project level. These were remedied and due preventive action has been taken. The types of non-conformities from internal and external audits are illustrated in the figure below.

Only one major environmental incident was reported in 2003. In Sweden, the Halland Ridge rail tunnel construction project re-commenced in 2003 with test drillings. During these drillings, fish kills were observed in a nearby brook. Work was immediately stopped and an investigation is ongoing.

Best practices

Skanska aims to identify and disseminate best practices to further stimulate continual improvements in environmental management. In 2001 Skanska initiated a number of working groups to identify and strengthen best practices in construction. These 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. During 2003 new working groups assessed best practice on eco-labeled wood, eco-design tools, contaminated lands and energy efficiency in buildings. This approach has 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.



A LEEDing example

Skanska is engaged in the construction of the Ray and Maria Stata Center at Massachusetts Institute of Technology (MIT) in Cambridge, MA, U.S.A. When completed, the center will satisfy a large number of LEED silver level certification criteria through design and structural features that will conserve energy and minimize harm to the environment. The Stata Center is the first building on campus served by an under floor air system. With cool fresh air supplied from the floor level, on moderately cool days no mechanical cooling or heating will be needed. The Stata Center also has a storm water retention system integrated into the landscaping surrounding the center and the water is reused as flushing water. The project will be completed in 2004.



A Brilliant example

Skanska is involved in the construction of the Brilliant Hydroelectric Power Project in British Columbia, Canada. It was awarded the contract mainly due to its innovative, environmentally friendly design. Skanska proposed construction of a tunnel instead of the originally proposed open channel. The contract is being performed with strict environmental and socio-economic monitoring, in close cooperation with the local unions and First Nation communities.

For example, the project has installed underwater cameras to monitor the surrounding fish habitat 24 hours a day, and hydrophones monitor underwater vibrations. Results are used to minimize the impacts of underwater blasting.

Environmental Operations

Skanska's environmental strategy focuses on the integration of environmental aspects in all aspects of our day-to-day work.



Environmental management systems guide the integration of environmental aspects at the project level. Follow-up of environmental work in projects is the responsibility of each business unit. Follow-up is supplemented by a reporting system that focuses on a set of parameters that are monitored yearly at Group level. This reporting system supplies the documentation on which the environmental performance chapter in this Sustainability Report is based.

In addition to reporting at Group level, Skanska business units report on environmental performance at the national or regional level. Some of these reports are prepared in order to comply with national legislation, while others are published on a voluntary basis to describe environmental performance at the business unit level. One such report was published by Gammon Skanska in Hong Kong. The report, which is the first of its kind for a Hong Kong-based construction company, provides information on the management process, together with data and case studies on health, safety and environmental performance.

Energy efficiency

One of the biggest threats to the global environment is climate change due to greenhouse gases in the atmosphere. This is a key issue for the construction sector, because a sizeable percentage of energy use is related to buildings and their utilization. The European Commission has estimated this at 41 percent within the European Union. There is much to be gained by making more efficient use of energy in buildings. Just by applying best available technology and designing more efficient energy systems, substantial gains can be

made. In Finland, Skanska was involved in a residential project called Ekoviikki, where the buildings are more energy efficient than conventional housing due to the use of solar energy, heat recovery and innovative ventilation systems. Another example of innovative work comes from the United Kingdom, where Cementation Foundations UK received grants from the national government to further develop its expertise in geothermal piling. Cementation Foundations currently installs weight-bearing piles that carry flexible plastic pipes to form a network that transfers natural thermal energy from the underground soil into a building. The underground temperature at a depth of 25 meters (82 feet) remains at 10 to 13 degrees celsius year-round, providing warmth in winter and cooling in the summer.

Skanska Project Development Sweden tracks energy use in buildings. In new construction, Skanska manages to achieve energy savings of over 30 percent. When renovating existing office buildings, energy efficiency improvements of between 20–30 percent are achieved. The first table to the right shows total energy use for heating, air conditioning and electricity for operations other than tenants' electricity use in Skanska Project Development Sweden existing real

estate portfolio, calculated per square meter. The second table shows the related emissions of carbon dioxide.

Energy use in Skanska Project Development Sweden properties

kWh/m ² per year	2003	2002	2001
Average existing properties	118	131	143

Carbon dioxide emissions from Skanska Project Development Sweden properties

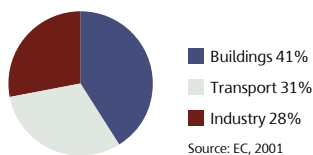
kg/m ² per year	2003	2002	2001
Average existing properties	11.8	12.9	14.6

Hazardous substances

Handling hazardous substances is often regulated in detail by national legislation, which means that the procedures developed must be nationally adapted. The efforts of Skanska in Sweden provide an example of how chemical issues can be handled. Some 25 chemical substances are being phased out by the end of 2004, and data on chemical products is made available online. Today, this chemical database lists more than 4,500 chemical products, with accompanying material safety data sheets.

Skanska Denmark has been a leader in developing a national industry-wide chemical database. This database now contains more than 2,400 products. 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 health and safety, as well as quality and economic factors. In all, more than 8,600 chemical products have so far been evaluated in the Skanska Group.

Energy use in the European Union



Evaluating and influencing suppliers

Efforts to persuade Skanska's suppliers to expand their environmental work continued in 2003. During the year over 7,300 key suppliers and subcontractors were informed of our Code of Conduct. A number of Skanska 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. The 2003 assessment also showed that approximately 24 percent of Skanska's major suppliers have introduced environmental management systems.

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 2003 reported

three such cases of contaminated land that is owned by Skanska, which were previously known. An analysis of new projects in 2003 with order values exceeding USD 1 million indicated that some 70 projects included soil decontamination. 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 the waste that arises.

In 2003, Skanska business units reported that at 70 percent of Skanska projects, construction waste is separate at-source into at least three material types.

Eco-labeled houses

In the Nordic region, an initiative is underway involving Skanska Sweden to develop criteria for labeling houses with the Nordic Swan eco-label. The criteria will address issues such as interior climate, use of materials and construction methods. Hazardous materials will be avoided. Emissions and resource use is minimized by using energy efficient materials and systems. The houses will have specially designed features that minimize transfer of heat via walls, the roof and windows. In addition, criteria will be defined for the environmentally sound management of construction waste. A manual will be developed to guide maintenance and running of the house and to track and follow up environmental performance after delivery. A first draft of the Nordic Swan criteria will be available by mid 2004.



The 2003 Skanska Award for Outstanding Environmental Contribution

An internal environmental prize was established to encourage and call attention to initiatives in the Group for improved environmental performance. The 2003 winners in its two categories are presented to the right. With this activity Skanska is building up an online project database available for employees, customers and other stakeholders.



The 2003 Environmental Prize for Construction Projects: Gillette Stadium, Massachusetts, Skanska USA Building

The stadium is a good example of partnership between multiple stakeholders designed to achieve better environmental performance. The New England Division of Skanska USA Building made several environmental improvements, including timing devices in the electrical distribution system, an on-site wastewater treatment facility, restoration of a culverted river into a free-flowing riverbed and over a 90 percent reduction in residual products.



The 2003 Environmental Prize for Innovative Solutions: Green site office in North Tsing Yi, Gammon Skanska, Hong Kong

A soil reclamation project in North Tsing Yi, Hong Kong, put environmental thinking into practice when designing and constructing a green project site office for use during the four years of the project. Adoption of energy improvement measures and reuse and recycling of existing materials when building the office lowered its construction and running costs. One example is the roof of the site office, which is planted with grass and serves as an insulating blanket. The project has become a model for the industry.

Outlook for 2004

Our approach to sustainability includes a long-term perspective regarding Skanska's economic, social and environmental performance. This outlook for 2004 highlights some of the next steps we will take.



George Washington Bridge, New York, NY, U.S.A.

Skanska Code of Conduct

Skanska's efforts to implement the Group-wide Code of Conduct will continue during 2004. The results of reporting from the business units during 2003 on implementation of the Code highlight a number of issues that will get further attention in 2004. These include the further implementation of the Compliance Guideline, strengthening of reporting and monitoring, and further activities related to training. In addition, during 2004 Skanska will further integrate the environmental and social assessment guidelines of the World Bank with the principles of the Code of Conduct when evaluating projects in certain areas. Such assessments will support Skanska's efforts to increase internal awareness and strengthen risk analysis and management.

In addition, Skanska will continue to inform suppliers and subcontractors about the level of performance expected at Skanska work sites.

During 2003, Skanska supported the development of business principles for countering bribery in the construction sector. The implementation of these principles requires a continued cooperative effort internationally, as well as internal follow-up in the Skanska Group.

Employee relations

There will be increasing focus on diversity among Skanska employees. At the business unit level and supported by human resources management at corporate level, managers are encouraged to stimulate the further professional development of female employees and employees representing minority groups. Skanska is convinced that a multicultural and varied workforce adds

value to the company. This focus will also affect recruitment of new employees.

Furthermore, during 2004 Skanska will continue to strengthen data collection for the Group on human resource issues. The 2002 guidelines for sustainability reporting of the Global Reporting Initiative will be used to benchmark developments and identify gaps and overlaps.

Health and safety

The vision of zero accidents will again guide our safety activities in 2004. We will continue to gather best practice examples and use them to boost safety performance within the Group. Further efforts will include training of our employees and the employees working at Skanska sites via suppliers and subcontractors. All business units will have implemented management systems that include health and safety by the end of 2004. We will report on the progress of this objective in our next Sustainability Report.

Environment

In 2004 we will continue the implementation of environmental management systems for all operations. We also believe that the use of operational tools such as LEED in the U.S. and BREEAM in the U.K. supports the incorporation of environmental aspects into the design, construction and maintenance of buildings. We aim to collect best practices and experiences on these instruments and make them a Groupwide asset, train employees and build strong customer relationships based on our experience.

Increasingly we see that customers appreciate a solid environmental track record in combination with a proactive stance and the capacity to suggest good environmental

solutions and options. The environmental performance of Skanska is increasingly taken into account when customers award projects. It is an indicator of the kind of company we are and the added value we can deliver.

Skanska will continue to push the agenda on energy efficiency in buildings. A large part of our energy use is related to buildings and considerable savings can be made by installing better technology and carefully selecting building materials. Skanska believes that the construction sector has a responsibility to improve energy efficiency and is actively engaged with policy makers at national and international levels to develop and implement a framework of incentives and disincentives that promote the construction of highly energy efficient buildings.

International engagement

Our commitment to sustainable development includes a leadership role in the construction sector. Skanska will therefore continue to be present at the international level to raise concerns and identify options for improvements. Skanska will also seek an active dialogue with relevant non-governmental organizations to identify mutual interests in pushing the sustainability agenda and to get feedback on our performance and the key issues we should address.

Also in 2004 and in cooperation with a number of our key stakeholders, we will evaluate our sustainability reporting so far, identify areas for improvement and assess other options to improve communication related to our commitment to implement sustainable development.

More information about Skanska

Skanska's Annual Report

The Annual Report 2003 can be ordered from:
Strömberg Distribution
SE-120 88 Stockholm, Sweden
Phone: +46 8 449 88 16
Fax: +46 8 449 88 10
E-mail: skanska@strd.se
It is also possible to download the Annual Report from Skanska's website, www.skanska.com.



Skanska's Project Development

Further information about Skanska's commercial project development as well as information about its property portfolio can be found in a separate report, Skanska's Project Development. It can be downloaded from Skanska's website (www.skanska.com) and can also be requested from Skanska AB, Investor Relations.



TheHub

The Hub is a news service that offers personalized news about Skanska, its competitors and its industry. The Hub provides brief, fast news items, often linked to additional information on the Internet. You can subscribe to receive them via e-mail, mobile phone (SMS) or fax. The news items can also be found on a website. All items are available in English and Swedish. Senior executives of Skanska often comment on the news items as well.

You can subscribe via The Hub's website at www.skanska.com/thehub
E-mail: thehub@skanska.com

Skanska Sustainability Report 2003

This report was prepared based on Global Reporting Initiative's (GRI) 2002 Sustainability Reporting Guidelines. The mission of the GRI is to promote international harmonization in the reporting of relevant and credible corporate economic, environmental and social performance information to enhance responsible decision-making. GRI pursues this mission through a multi-stakeholder process of open dialogue and collaboration in the design and implementation of widely applicable sustainability reporting guidelines. GRI has not verified the contents of this report, nor does it take a position on the reliability of the information reported herein. For further information about GRI, please visit www.globalreporting.org.



For additional copies of the Skanska Sustainability Report contact:
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Phone: +46 8 449 88 00
Fax: +46 8 449 88 10
E-mail: skanska@strd.se
The report can also be downloaded from Skanska's website www.skanska.com



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Worldwide

The Skanska Group publishes the magazine *Worldwide*, containing features and news items from the Group's operations around the world.

The magazine appears in English four times per year. A subscription is free of charge and can be ordered at the following address:

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c/o Strömberg Distribution
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Fax: +46 8 449 88 10
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Coventry New Hospitals

Increasingly the infrastructure in the United Kingdom is being constructed under the Private Finance Initiative (PFI). Skanska is a market leader in this segment in the U.K.

The Coventry New Hospitals Project involves building a 1,250-bed acute hospital for University Hospital and Coventry & Warwickshire NHS Trust, a mental health facility and a clinical sciences tutorial and research building. The £332 million project is a design, build, finance and operate joint venture between Skanska Integrated Projects and Skanska Rashleigh Weatherfoil, with Innisfree as consortium partner.

As the new facilities are completed, the existing hospital is undergoing a phased demolition, resulting in a campus-style redevelopment of the site with landscaped parking lots. The site is environmentally sensitive, being on a flood plain bordered by two watercourses. There are protected trees and ancient hedgerows throughout the site. Local residents are close to the north and south and the existing hospital is to the west and farmland is to the east. The project is further constrained by the difficulty of working beside an active hospital that at all times must remain operational.

Protection of the natural environment

Bats were discovered in one of the buildings to be demolished and some 50 bat and hibernation boxes have been installed along the River Sowe to encourage new habitats. The storm water outfalls, headwalls and swales have been carefully designed and constructed to ensure the best possible protection of the watercourses. The project operates a system of "environmental permits to work." Signs and barriers are erected around environmentally sensitive areas such as protected trees, hedgerows, watercourses and the local playing field. A permit from the Environmental Team is required before any of these areas are entered.

Working with the community

During construction, regular communication with the local residents has proved essential and has helped the project run smoothly with minimal complaints. During meetings with local residents, suggestions and comments have been received and acted on. A planned program of noise monitoring has been developed and a permanent noise monitoring station on site has been set up.

The project has actively contributed to the community and local economy by employing a significant proportion of local labor.

Minimising waste

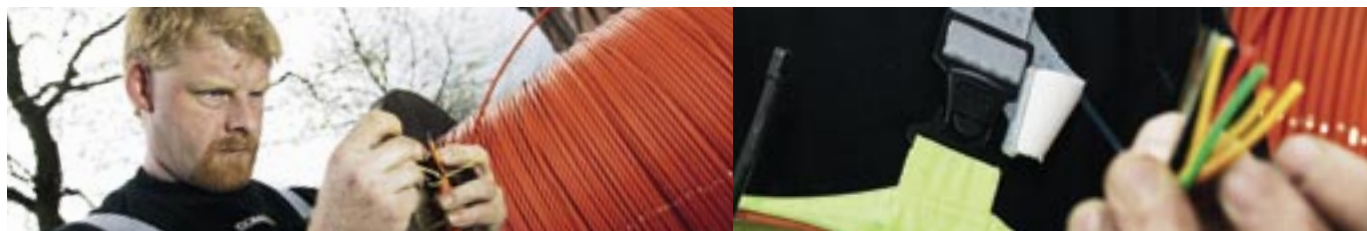
Major waste types were identified and a comprehensive plan for waste management was developed. All topsoil and spoil have been stored in an adjacent field for reuse in landscaping. It is estimated that 27,000 truck movements have been prevented through this reuse process, minimizing the impact on the local road network, energy use and air pollution.

Training and awareness raising

Training is critical to ensure that everyone understands the impacts involved with their activities. Before construction started, briefings and training sessions were held to provide the necessary information and instruction, and to enable employees to analyze and assess the risks involved. Workshops were conducted to produce the Project Environmental Plan and the environmental aspects register and to discuss the necessary control measures.



Glossary and Abbreviations



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 specification, for example the ISO 14001 international environmental management standard.

Code of conduct

A set of 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.

Dow Jones Sustainability Indexes (DJSI)

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)

Environmental audit

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

Environmental management system

Part of an organization's management system used to develop and implement its environmental policy and manage its interactions with the environment.

Global Compact

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

ISO 14000

A series of international standards for environmental management issued by the International Organization for Standardization. (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.

Stakeholders

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

Sustainable development

Defined in the 1987 report from the World Commission on Environment and Development 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 organization devoted to curbing bribery and corruption, with a mission to build coalitions of civil society, governments and the private sector. (www.transparency.org)

BOT	Build Operate Transfer
BREEAM	Building Research Establishment Environmental Assessment Method (http://products.bre.co.uk/breeam/)
CEO	Chief Executive Officer
FM	Facilities Management
GDP	Gross Domestic Product
IFBWW	International Federation of Building and Wood Workers (www.ifbww.org)
ILO	International Labor Organization (www.ilo.org)
ISO	International Organization for Standardization (www.iso.org)
kWh	Kilowatt hour
LEED	Leadership in Energy and Environmental Design (www.usgbc.org)
OECD	Organization for Economic Cooperation and Development (www.oecd.org)
OSHA	Occupational Safety and Health Administration (USA)
ROCE	Return on capital employed
SAM	Sustainability asset management (www.sam-group.com)
SEK	Swedish kronor or crowns (currency)
SET	Senior Executive Team
SFS	Skanska Financial Services
UN	United Nations (www.un.org)
USD M	Million United States dollar
WBCSD	World Business Council for Sustainable Development (www.wbcsd.org)

Average exchange rates for currencies used

SEK, per unit	2003
U.S. dollar	8.08
British pound	13.19
Euro	9.12