



Skanska UK annual carbon emissions 2021



SKANSKA



Staying on track – carbon emissions continue to reduce

Latest annual data shows modest reduction in absolute emissions including our supply chain, and continued year-on-year improvement in carbon intensity.

In 2019 Skanska UK committed to achieving net-zero carbon emissions by 2045, including our supply chain. Since then, we have seen many other major contractors as well as many client organisations commit to achieving net-zero; at industry level we've seen the launch of the Construction Leadership Council's C02nstructZero strategy; and at national level we've seen the issue of climate change significantly heightened by our nation's hosting of the COP26 global climate change conference. Four years into our net-zero strategy at Skanska UK carbon reduction continues to be a business priority and our focus remains on the steps we can take to de-carbonise our value chain now, rather than relying only on what innovations or mechanisms might help us achieve net-zero in the 2040s.

Skanska UK remains committed to carbon transparency, including the annual publication of our direct and supply chain carbon emissions. The content of this report is a combination of actual emissions data and estimated data. We also continue to be transparent about our emissions estimation process which is available in this report and via our website. In 2021 we emitted 214,724 tCO₂e including our supply chain emissions. This is a 51% reduction from the 2010 baseline when we first started reporting against the CEMARS scheme (now CarbonReduce). Over this period Skanska UK has seen significant variation in revenue and work mix, and a steadily increasing focus on carbon reduction strategies. Year-on-year we saw a 3.4% reduction compared with 2020, which is positive considering our revenue was slightly higher in 2021. We did not anticipate a continuation of the significant

21% reduction we saw between 2019 and 2020, which was mainly from the reduced travel and work impact of the COVID-19 pandemic. However, the major carbon reduction initiatives we started in 2019 and 2020, such as upskilling our key roles, procuring HVO, continuing our electric vehicle company car roll-out, and focussing on key materials, have continued throughout 2021. Looking at only our Scope 1 and 2 emissions, at the end of 2021 we had reduced emissions by 67% from the 2015 baseline, in line with our Skanska Group international target to reduce Scope 1 and 2 emissions by 70% at 2030.

We are continuing to de-couple emissions from revenue, which is our most significant achievement to date and is reflected in our priority metric of carbon intensity (tCO₂e / £m revenue). We end 2021 at a carbon intensity of 182 (down from 205 in 2019 and 192 in 2020) which is continued progress towards our 2030 target of 130. In terms of absolute emissions, although we cautiously celebrate that our 2021 emissions are already slightly ahead of our 2030 target, our revenue and work mix will continue to be variable between now and 2030, and therefore in some cases our absolute emissions may rise. Our focus remains on continuing to improve our carbon intensity despite whatever changes in work mix and revenue we may experience.

2021 highlights

Full scope emissions down since 2010

↓ 51%

Year-on-year emissions down from 2020

↓ 3.4%

Carbon intensity improves to

182 CO₂



Skanska UK's carbon targets

Targets include cutting all supply chain emissions generated on our projects.

*Net-zero carbon emissions by 2045

Our overall portfolio of projects will be carbon neutral.

Reduce Scope 1 and 2 emissions by 70% from the 2015 level by 2030

Reduce carbon emissions to 50 per cent of the 2010 level by 2030

The target is 223,000 tonnes of CO₂ equivalent gases.

Reduce carbon intensity from 351 to 130 by 2030

Carbon intensity is the level of emissions emitted for each £1 million of revenue, in tonnes of CO₂ equivalent gases.

*Net zero means achieving an operating balance between the greenhouse gases put into the atmosphere and those taken out. Over time the emissions associated with construction will reduce through the decarbonisation of the materials and methods used by the industry. Skanska UK's role is to speed this transition by prioritising carbon reduction in the projects we deliver. We anticipate achieving greater than 90% emissions reduction over our Scope 1, 2 and 3 emissions from a 2010 baseline via a) emissions reductions and b) emissions balancing and removal included in the manufacturing, fabrication and transportation processes of the products and materials we use. We will transparently report any client or supply chain led offsetting, and any other emissions balancing or removals solutions, via our project and business level emissions reporting.

Skanska UK: direct and supply chain emissions

This table shows our direct emissions, estimated supply chain emissions and the combined total. Direct emissions are those reported through the CarbonReduce disclosure scheme. This figure does include some indirect emissions, such as business travel.

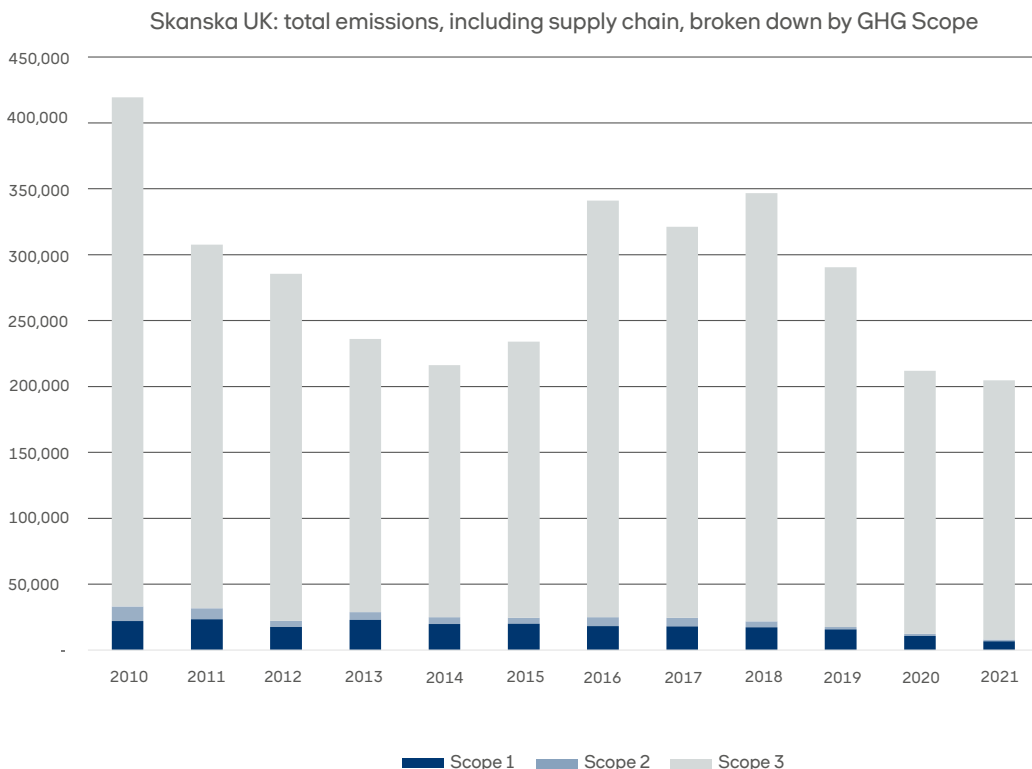
Our data shows that supply chain emissions are 10 times higher, on average, than direct emissions. We believe this shows that the construction industry needs to be more transparent about its emissions. This transparency is essential if the industry is realistic about reducing emissions.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Direct	33,169	31,785	22,193	28,878	24,919	24,429	24,933	24,458	21,746	17,415	12,286	8,050
Supply chain	386,274	275,768	263,231	207,250	191,332	209,562	316,187	296,769	324,979	273,136	199,559	196,669
Total	419,443	307,553	285,424	236,129	216,251	233,991	341,120	321,226	346,726	290,551	211,845	204,719

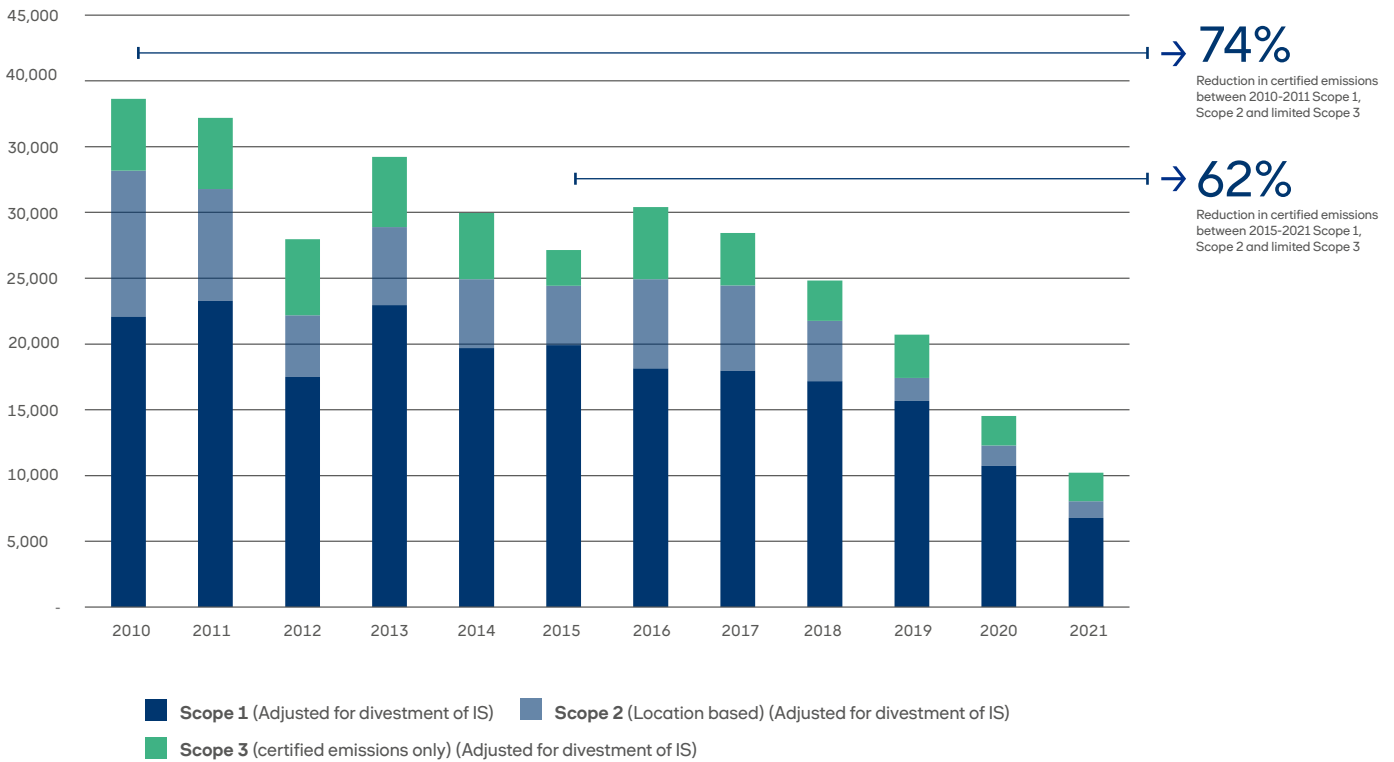
Skanska UK: total carbon emissions, including supply chain, broken down by source

This chart shows the importance of estimating all Scope 3 emissions. Existing approaches focus mainly on reporting direct emissions. However, where most of the work is done by the supply chain, this is not such a good fit for large construction companies.

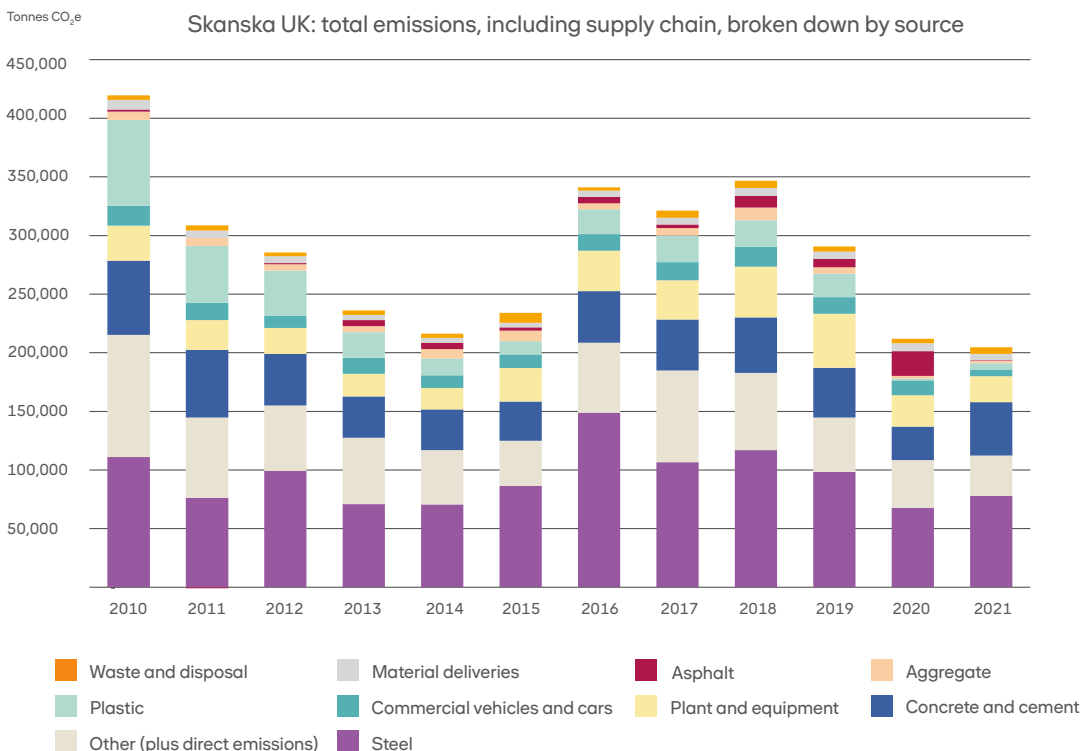
This chart breaks down our emissions into the scopes used by the greenhouse gas protocol, the international standard for measuring emissions.



This chart shows our Scope 1, Scope 2 and mandatory Scope 3 emissions as reported through the CarbonReduce scheme, and is useful for comparison with our total carbon emissions above, i.e. what is reported as mandatory via CarbonReduce is only a small percentage of our full emissions.



Our estimates show that over 75 per cent of our emissions are related to the materials that we use in our projects, where we look at total emissions by source. Steel, concrete and cement, together with the use of plant and equipment, are all significant contributors to the total level of emissions.



Projection of estimated carbon emissions and intensity to 2030, including the supply chain

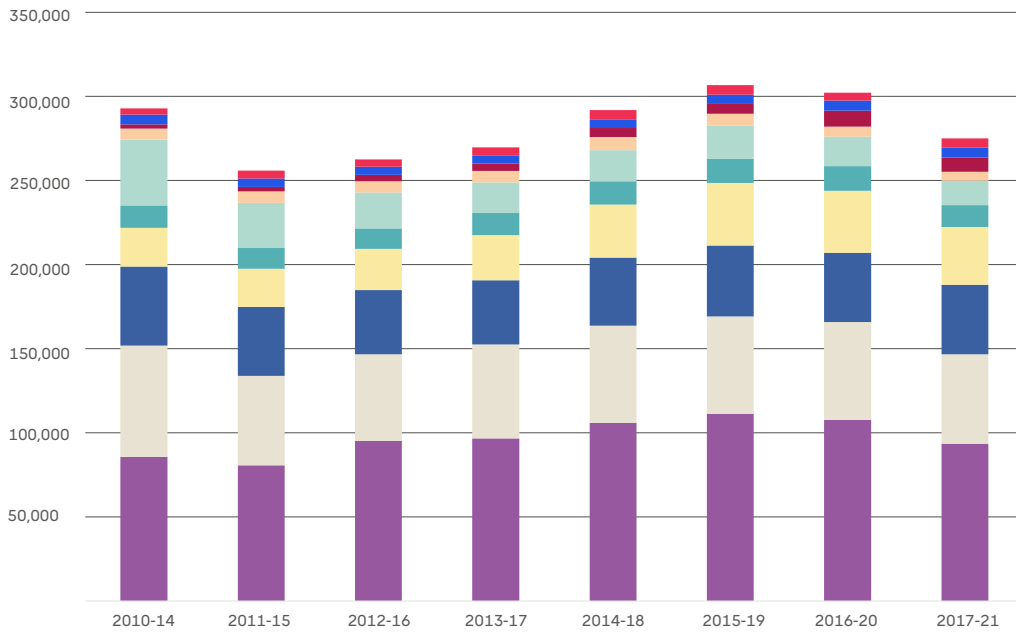


Rolling rate carbon emissions, with supply chain

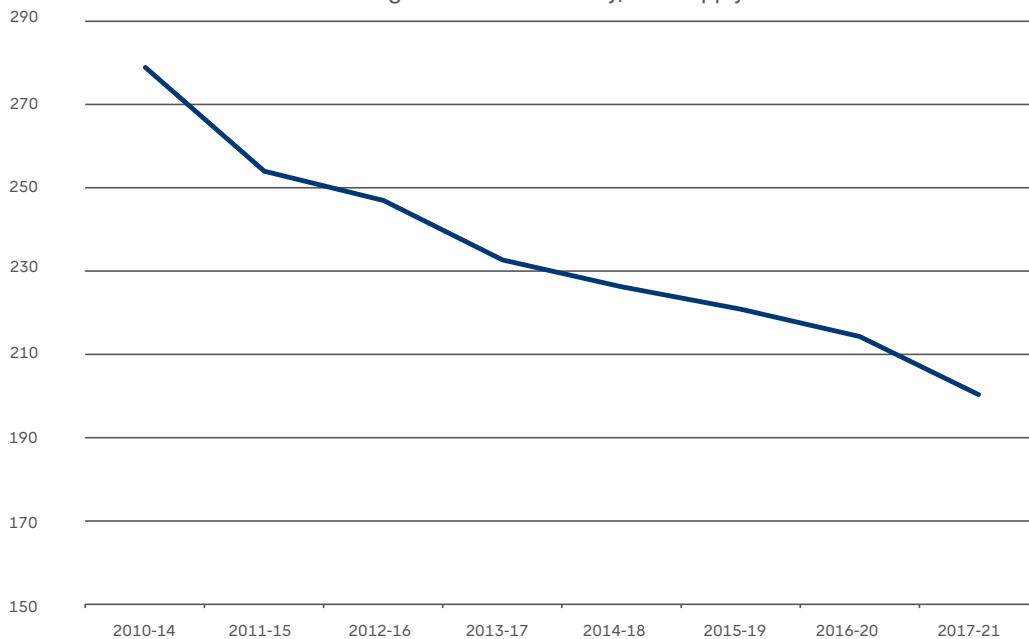
The cyclical nature of the construction industry means that using annual figures on their own can be misleading. We use five-year rolling rates to smooth out distortions.

The increases in rolling rate emissions are linked to rises in the amount of work and our revenue. However, our rolling rate carbon intensity is still falling.

Rolling rate carbon emissions, with supply chain



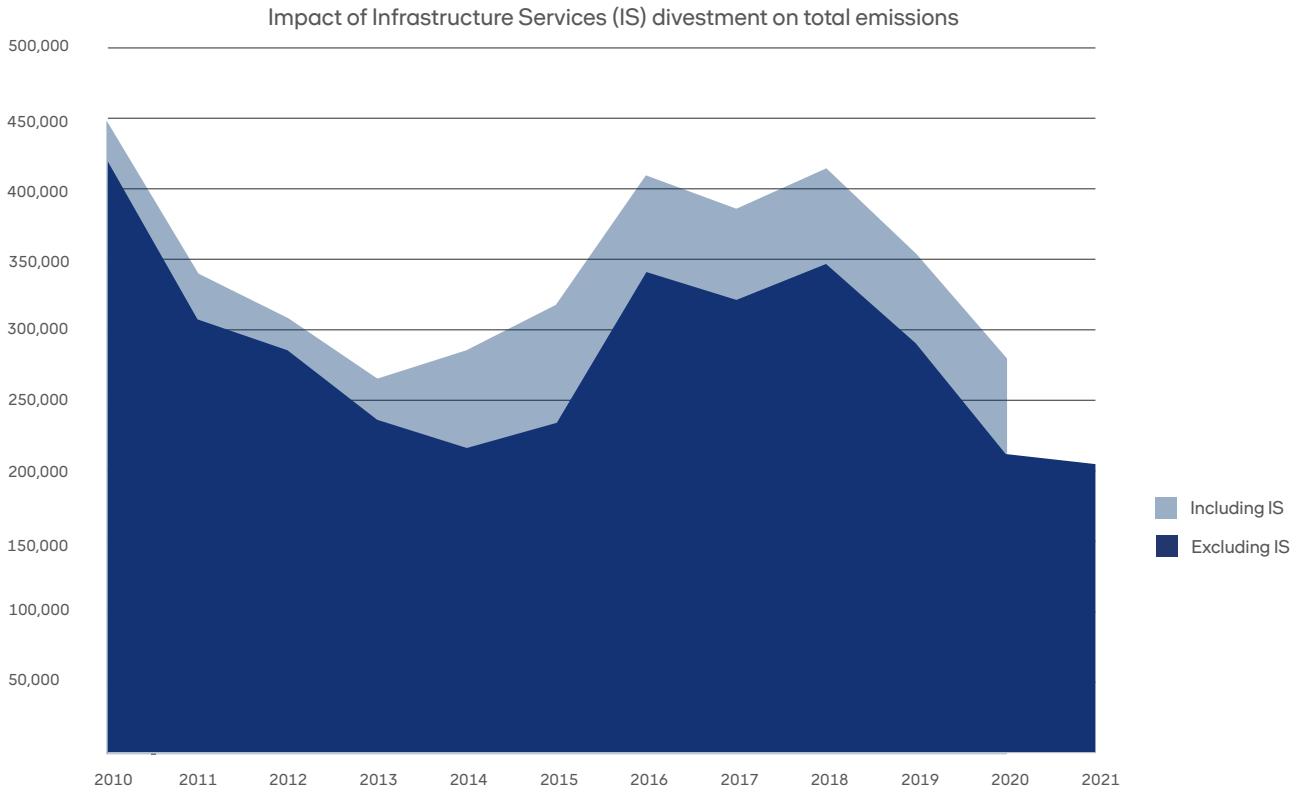
Rolling rate carbon intensity, with supply chain



Divestment of our Infrastructure Services operating unit

During 2021, we completed the divestment of our Infrastructure Services operating unit. This operation formed a proportion of Skanska UK’s revenue, work mix and carbon emissions for the period 2010 to 2021.

Aligned with CarbonReduce guidelines for re-baselining at divestment, acquisition and other key revenue changing events, the data in the main report has been re-baselined accordingly. Below (and previous annual carbon emissions reports) represents a transparent record of our 2021 position with Infrastructure Services emissions included.



Skanska UK total emissions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
With Infrastructure Services	445,013	339,037	307,384	264,440	284,507	316,883	406,333	384,883	413,367	353,026	279,294	279,294
Without Infrastructure Services	419,443	307,553	285,424	236,129	216,251	233,991	341,120	321,226	346,726	290,551	211,845	204,719