

Our Everyday Commitment

Sustainability Report 2004



Scope of report

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Front cover: The Asian Honey Bee, *Apis Cerana*, is found from the Himalayas to Japan. They play a key role in the region's ecosystems as well as being highly productive and organised.

The achievement of sustainable development objectives has become increasingly important globally, and is particularly relevant to South East Asia, which continues to experience strong economic growth and development. The role of the construction industry is pivotal, not only in meeting the demand for development, but in helping to ensure that sustainability issues are fully considered. As a prominent construction company in the region, we are proud to be taking a lead in promoting the sustainable development agenda within the industry.

To demonstrate our commitment, last year we were the first Hong Kong-based construction company to release a publicly available sustainability report, entitled 'Embracing Sustainability'. In last year's report, we presented the foundations for integrating sustainable development into our daily business activities, and our performance in 2003. In this, our second sustainability report entitled 'Our Everyday Commitment', we further present the ways in which Gammon is responding and evolving to meet the requirements and challenges posed by sustainable development, as well as reflecting on our performance and progress in 2004.

This report covers all areas of the Gammon Group's operations which include:

- Hong Kong, where we trade as Gammon Construction Ltd, as well as associated joint ventures and Balfour Beatty projects;
- Our businesses in China including offices in Shenzhen, Shanghai and Beijing;
- Singapore, where we trade as Gammon Pte. Ltd;
- Balfour Beatty E&M Ltd, our electrical and mechanical contracting services company;
- Lambeth Associates, our wholly owned engineering consultancy;
- Entasis Ltd, who undertake interior contracting and project management, noise barrier work and represent selected high quality interior construction products; and
- Construction Services Division, incorporating:
 - Offices, workshops, a geotechnical laboratory and a vehicle and plant maintenance facility at the Gammon Technology Park in Hong Kong;
 - Three concrete batching plants in Hong Kong; and
 - A steel fabrication factory in Dongguan, China.



Chief executive's statement

We look forward to continuing our leadership role within the industry and region.

The reaction we received to our first sustainability report 'Embracing Sustainability' from customers, business partners and staff has been very encouraging. We are continuing to strengthen our commitment to incorporating sustainability concepts into our everyday operations. We are excited by the opportunities that embracing sustainability presents to us, but are also prepared to meet the challenges we will face. It is a learning curve for us all, but one that nonetheless we must continue to pursue.

I am delighted to be issuing our second sustainability report covering the year 2004. This report has been prepared using the Global Reporting Initiative guidelines as a framework, which will not only enable us to begin to benchmark our performance against other companies in a global context, but also allows us to further reinforce our commitment through promoting greater transparency, accountability and completeness.

After facing a downturn in 2003, we saw improving economic sales in 2004. From a corporate governance perspective, we have consolidated our management systems, and in particular I am delighted with the management systems certifications gained in Singapore. Our human resources programme continues to promote productivity and staff engagement and the Gammon Academy remains an excellent learning resource for our staff and business partners. Gammon continues to play an active role in the communities within which we operate. For instance, we are ardent supporters of partnering across the industry, and during 2004 – our designated Partner's Year – we instigated a series of initiatives to further enhance partnering with our subcontractors and suppliers.

Our 2004 health and safety performance was overshadowed by a tragic fatality suffered in Hong Kong. This incident serves to reinforce the priority we must continue to give to site safety. We remain fully committed to a zero accidents vision, and I am confident that the actions arising from this setback and other initiatives such as our Worker Registration Centres and the injury cause analysis using our Enterprise Resource Planning system will be key components in helping us to realise our vision.

In 2004, we made excellent progress with respect to our environmental performance, having achieved our compliance target of zero legal breaches or convictions. Our benchmarking activities are now well underway and we have generated a series of key performance indicators through which we can regularly monitor our on-going performance to achieve our goals.

We would very much welcome your views with respect to this report and Gammon's commitment to sustainable development. We have included a feedback form at the end of the report, which is also available at www.gammonconstruction.com. We look forward to continuing our leadership role within the industry and region.



Thomas Ho
Chief Executive
Gammon Construction Limited
July 2005



Global Reporting Initiative

The structure and content of this report has been developed from the Global Reporting Initiative (GRI) Guidelines (June 2002). This represents the start of us using the GRI Guidelines to guide and structure our current and future sustainability reporting processes. The GRI is an independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use for reporting on economic, environmental, and social dimensions of activities, products, and services. The GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, research and labour organisations from around the world. Started in 1997, GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP) and works in cooperation with United Nation's Global Compact.

Executive director's statement

We would like this report to be a source of inspiration for our business partners to work with us in trying to ensure we have a more sustainable and socially responsible industry.

Gammon has always prided itself as being an industry leader and I am proud to see us continue in this role with respect to our commitment to sustainable development. Whilst we can see the business benefits, we remain strong advocates for the industry as a whole to act as one unified body in order to embrace the challenges and opportunities of sustainable development. After all, sustainability cannot be achieved by individuals, but needs collective partnering and action.

I am pleased that we are now releasing our second Sustainability Report. We would like this report to not only be seen as a means for us to describe our aspirations, commitment and performance, but also as a source of inspiration for our business partners to work with us in trying to ensure we have a more sustainable and socially responsible industry for the benefit of the community as a whole.

We look forward to continuing to build relationships across the industry.



A handwritten signature in black ink, appearing to read 'Derek Smyth'.

Derek Smyth

Executive Director
Gammon Construction Limited
July 2005

Shareholders

We are a private company owned equally by Jardine Matheson and Balfour Beatty.

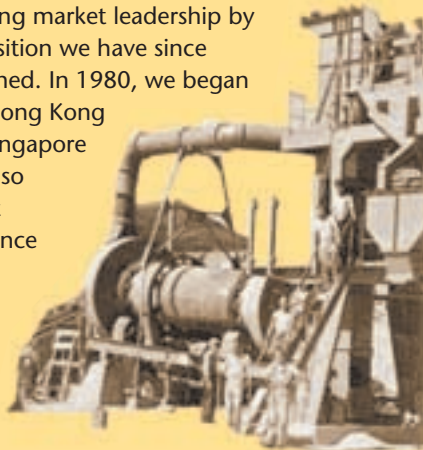
- Jardine Matheson Group is an Asian-based conglomerate with extensive experience in the region. Its business interests include Jardine Pacific, Jardine Motors Group, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Jardine Lloyd Thompson. These companies are leaders in the fields of engineering, transport services, retailing, restaurants, motor trading, property, hotels and insurance broking.
- Balfour Beatty is a world-class engineering, construction and services group. The company serves a range of international markets for rail, road and utility systems, buildings and complex structures. Founded in 1909, the Group employs over 28,000 people in 24 principal countries and has annual sales approaching US\$7 billion. During 2004, Balfour Beatty acquired Skanska's 50% interest in Gammon, thus becoming an equal partner in the company with Jardine Matheson. As a result of this, Balfour Beatty's business interests in Hong Kong are now part of Gammon.



About Gammon

History

Gammon was established in Hong Kong in the mid-1950s, originally to build a new runway for Kai Tak Airport. Since that time we grew rapidly, participating in many of the major projects that have transformed Hong Kong into today's modern metropolis. We attained the position of Hong Kong market leadership by the late 1970s; a position we have since consistently maintained. In 1980, we began to expand outside Hong Kong opening offices in Singapore and Malaysia, and also undertaking our first contract in China. Since then our overseas business has expanded steadily, particularly in China and Singapore.



Services

Gammon's business streams encompass a comprehensive range of design, project management and construction services for buildings, civil engineering, foundations, electrical and mechanical services, maintenance and interior fitting. These services are complemented by a large fleet of

plant and equipment, one of the largest of its kind in Asia (outside Japan), along with associated support services including fleet management, preventative maintenance and equipment development.

Gammon also operates concrete batching plants at Tsing Yi, Tseung Kwan O and Lung Kwu Tan in Hong Kong, with an associated fleet of more than 100 mixer trucks. Steel fabrication services are based out of two workshops – one at the Gammon Technology Park in Hong Kong and another at our Pristine Works in Dongguan, in mainland China.

Locations

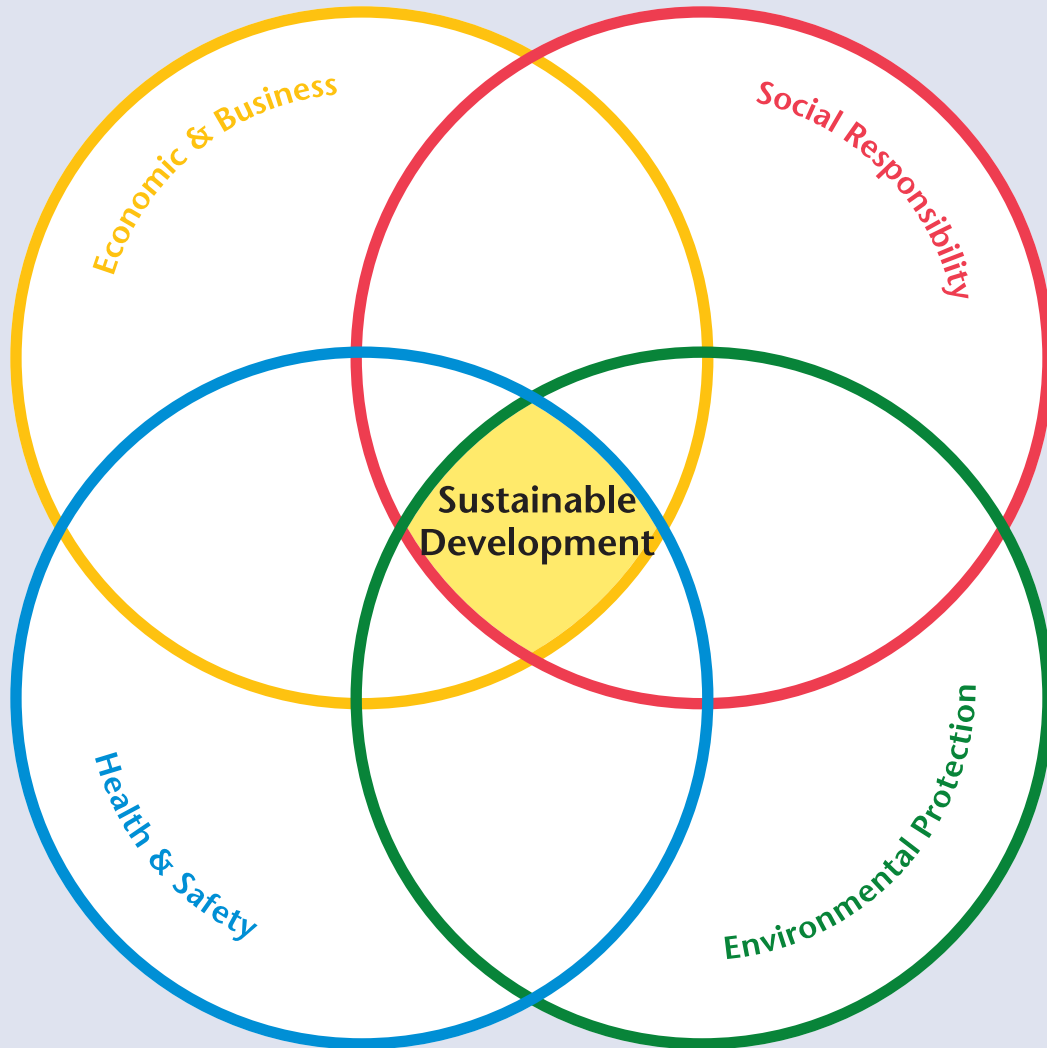
In the delivery of our services, we operate from the following locations around the region:

- Hong Kong, which has been our home base since 1955;
- China, where we have operated since 1980, and have permanent offices in Beijing, Shanghai and Shenzhen;
- Singapore, where we have operated since 1980; and
- Other Areas – Although we do not have permanent offices established, we have group companies incorporated in Malaysia, Thailand, Vietnam, the Philippines, Taiwan and Indonesia and have completed projects in all of these countries. This report does not cover any activities undertaken in these countries during 2004. In 2005, we will be starting up our Macau operations.



Corporate sustainability

The underlying requirements for embracing sustainability are naturally aligned with Gammon's own brand values and objectives. Sustainability to Gammon is about the 'Quadruple Bottom Line'.



What does sustainability mean to Gammon?

In last year's Sustainability Report, our former Chief Executive, Martin Hadaway stated 'We have long realised that our business, and the way we do business, has an impact on the economy, the society and the environment'. Through these impacts, we acknowledge that we have a responsibility to our Shareholders, Customers, Business Partners and Staff and therefore we accept that we have no alternative but to embrace sustainability. We believe this approach represents a natural progression of our business values and processes. Sustainability for Gammon is not just about the traditional 'triple bottom line' of economy, social and environmental performance, but also involves a fourth

facet of Health & Safety, which we view as a critical component in the construction industry. Thus, to us, sustainability is about the 'quadruple bottom line'.

The underlying requirements for embracing sustainability are naturally aligned with Gammon's own brand values and objectives. We actively encourage innovation and best practice and our business is all about managing risk and creating opportunities. We are fully committed to environmental protection and achieving a safe workplace, and we consider ourselves an integral part of the communities within which we operate. Despite this alignment, we recognise that we as a Company and the industry as a whole have a long journey ahead of us, but it is one to which we are fully committed.

Our mission

Sustainability naturally overlaps with Gammon's stated mission to be the leading provider of construction services in Asia. In order to achieve this, we have the following corporate strategies in place which help us to reinforce and focus our parallel commitment to sustainability:

- To focus on customer needs and develop long-term relationships;
- To have a comprehensive range of business streams delivering a diversified range of construction and design services;
- To have best in class management and technical competence;
- To be technically innovative and flexible in our approach to business;
- To participate throughout the project life-cycle from design ideas through construction, operation and maintenance to decommissioning and renewal; and
- To grow organically and through acquisition in existing and new markets.

Risk management

We see sustainability as a driver for risk management, where we are able to not only consider the specific project risks, but also the wider social and business environment risks within which we operate. Although for many years project risk management has been exercised across each of Gammon's operations, Gammon's Directors are determined to adopt a much broader and more forward looking approach to risk management and to achieve a closer integration with strategic planning. The top factors motivating this change are the need to improve the company's responses to the full range of risks including health, safety, environmental and social issues, to reduce



volatility on earnings, to lower the costs of risk transfer, to improve competitive advantage and to drive value creation. We owe a duty to our employees and the communities in which we work to provide a reliable, consistent and cost effective service, which makes the most efficient use of resources. With increasing information transparency, it is apparent that threats to a business can come from any direction and quickly destroy a company's goodwill and reputation built up over many decades. We have a social responsibility to assure this does not happen.

Balanced scorecard

In last year's report, we introduced the Balanced Scorecard concept, which we have been using in Gammon for a number of years. The use of Balanced Scorecards continues to be our principal means of integrating sustainability thinking and objectives into our business. Economic, social, environmental and health and safety objectives and targets are all set through the Group Balanced Scorecard, and in turn through each business unit, department and individual balanced scorecards.



Relaying the sustainability message

2004 represented a defining year in terms of Gammon's commitment to sustainable development. The preparation and release of our first sustainability report entitled *Embracing Sustainability* represented a public declaration of our objectives and targets. In parallel with this, we employed a full time Sustainability Manager.

As part of our staff development and training, sustainable development presentations and talks were made across our main business units and projects in Hong Kong and China, and a formal training course entitled 'Sustainable Development and the Construction Industry' was established through the Gammon Academy.

At a wider industry and regional level, Gammon staff have been active in many committees and bodies proactive in the promotion of sustainable development, and have also delivered papers and presentations at major regional and international conferences on sustainable development including the United Nations Asia-Pacific Leadership Forum entitled *Sustainable Development for Cities* (in Hong Kong), the 12th International Conference of Greening of Industry Network (in Hong Kong) and the International Sustainable Building Conference (in Shanghai).

Economic and business performance

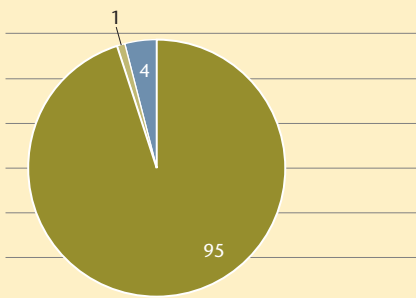
We have seen an improving economic climate and this is reflected in our 2004 turnover which has shown a steady increase. Gammon is fully committed to ensuring it meets the highest standards of corporate governance.

Economic performance

After the challenging business climate in the region in 2003 due to factors such as a downturn in South East Asia markets and the impacts of the SARS outbreak, we have seen an improving economic climate and this is reflected in our 2004 turnover which has shown a steady increase to around US\$775 million. Approximately 95% of this turnover relates to our Hong Kong projects, compared to 86% in 2003. This change is attributable to a number of major contracts and projects reaching completion in early 2004 in both Singapore and China, and a number of major civils projects starting in Hong Kong.



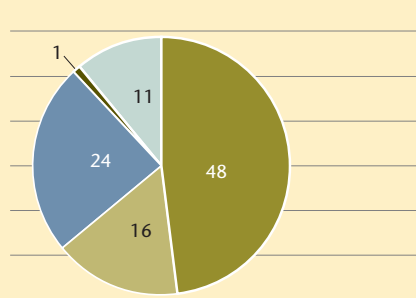
Turnover by Location*
(US\$ millions)



● Hong Kong ● China ● Singapore

* Approximately 0.03% turnover generated from Thailand

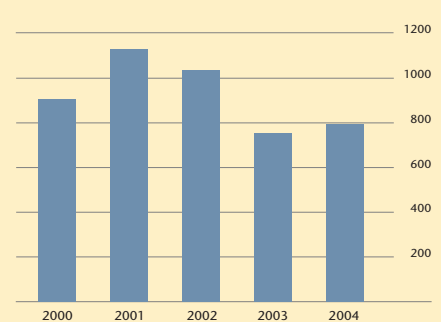
Turnover by Services
Hong Kong 2004 (%)

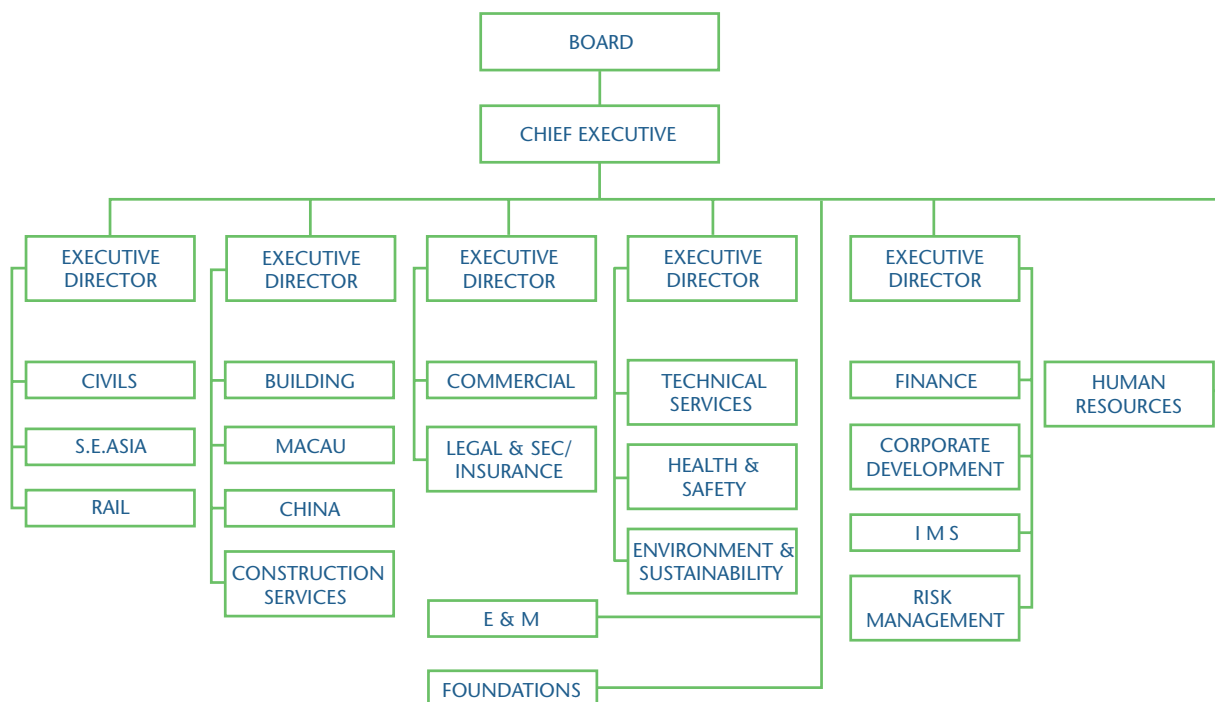


● Civil ● Foundation ● Building ● E&M* ● Construction Services

* E&M turnover shown separately for 2004 reflecting establishment of Balfour Beatty E&M following Balfour Beatty becoming a Gammon shareholder

Turnover 2000-2004
(US\$ millions)





Corporate governance

Gammon is fully committed to ensuring that it meets the highest standards of corporate governance. We have thorough management and reporting systems to ensure effective governance. It is our responsibility to our shareholders, customers, employees and business partners that we safeguard and ensure a healthy business environment. Gammon believes that honesty, integrity and fair play are important assets in our business and it is therefore essential for us all to ensure that the company's reputation is not tarnished by acts of dishonesty, disloyalty or corruption. A clear message that we aim to permeate to all levels of Gammon employees and business partners is that we do not tolerate non-compliance or acts of ill treatment of people, businesses or the environment. It is imperative therefore that all employees ensure that their decisions, actions or lack of action do not in any way or form put the company at risk.

Gammon accepts it has responsibilities towards employees, business partners, society and the environment as a whole and seeks to build strong and lasting relationships based upon mutual respect. The Directors have determined a set of core business principles to underpin our performance

consistent with these beliefs. Guidelines to explain how these principles are translated into practice are promulgated in a draft Code of Conduct which sets out the standards of behaviour expected and explains how each employee should respond to different situations in their business dealings. It is expected that this Code of Conduct will be finalised and issued during 2005.

Governance structure

The overall management of the Company's business is vested in the Board of Executive Directors (also referred to as the Executive Committee), which is chaired by the Chief Executive. All Executive Directors are full time employees of Gammon, and have specific defined responsibilities and authority within the Company's operations.

The Executive Committee is responsible for the strategy, policies, risk management and financial performance of the business, and are directly accountable to our shareholders Balfour Beatty and Jardine Matheson. 2004 saw the first significant steps towards developing and implementing a comprehensive corporate and project risk management plan with the introduction of policy guidelines on a formalised and consistent approach across the company.

Management systems

Our business systems and processes are underpinned and supported by good practice measures to ensure compliance with legal and regulatory requirements and to drive performance improvements. In Hong Kong and Singapore, these include certified management systems for quality (ISO 9001), health and safety (OHSAS 18001) and environment (ISO 14001). China is in the process of implementing an integrated management system covering the three disciplines for certification in 2005. These management systems provide us with the necessary tools to manage sustainability within our business. We are committed to continuous improvement and have established a system of performance measurement and accountability through benchmarking, data collection and verification.

Ensuring a culture of quality

To contribute to our sustainable development objectives, we are fully committed to ensuring that we offer high quality cost-effective services. The quality of our service and what we build will help us develop stronger business partnerships, enhance customer satisfaction and strengthen our business processes. Our ultimate goal of delivering a high level of quality to our customers is therefore an important component of sustainability.

Sustaining the organisation

The success of Gammon in a rapidly changing industry is that it continues to be highly productive from the client's point of view and fulfilling from its members perspective. The Company takes great care to ensure the pressures of the short term do not prejudice the longer-term sustainability of the business. We have several principles we follow to enable us to achieve this end.

- We seek out the best people to work with us;
- Though we recognise and highly value individual performance, we promote that the team and the company are always more important;



A certified integrated management system for Singapore

During 2004, our Singapore office consolidated its health, safety, environmental and quality management procedures into a single integrated management system, and successfully achieved certification to ISO14001 and OHSAS18001, supplementing the ISO9001 certification, which had previously been obtained. Commenting upon the success of the integrated management system, Gammon's Singapore Director Jon Button says "Gaining certification demonstrates Gammon's continuous drive to improving performance in HSEQ across our operations. Achievement of these standards means that we qualify for the A1 rating in the Singapore Building Construction Authority (BCA) rating system for Civil and Building construction, ie the highest rating given to contractors. This enables us to tender for government work of unlimited value, and we are one of the few contractors who hold such ratings for both civil and building."

- We learn from our own successes and failures and we share this learning through the Gammon Academy, which during 2004 offered 75 programmes across Hong Kong, China and Singapore, with approximately 1,000 attendees from both Gammon and subcontractor staff; and
- The promotion of a thriving and energetic recreational club and organised activities and tours aimed at bringing Gammon people together.

Delivering a quality service

To recognize our commitment to delivering a high quality service, we were delighted that several Gammon projects received prestigious awards during 2004. One Peking, a Grade-A 30-storey office and retail development in Hong Kong's Tsim Sha Tsui district,

received the top Quality Building Award at the 2004 Quality Building Awards (QBA). The biennial QBA is currently the only industry award organized by building and construction related non-profit-making associations to acknowledge outstanding quality buildings. The judging of entries relies upon 10 criteria of quality; teamwork; design; innovation; cost; environmental friendliness/sustainability; safety, health and hygiene; project management; social & ethical considerations; and customer satisfaction. Two other Gammon projects in Hong Kong, the Sai Ying Pun Community Complex and Chater House also received Certificates of Merit at the 2004 QBA.



In Singapore, Gammon (in joint venture with Econ) and Lambeth Associates won the 2004 Construction Excellence Award (Civil engineering category) for the design and construction of the Chinatown Station on the new North East Line of the Mass Rapid Transit (MRT). Chinatown MRT Station was the most technically challenging non-interchange underground station on the North East Line, involving construction of a 281m long underground station located between two rows of historic buildings and under busy roads. The project embraced all of Gammon's skills and knowledge to overcome the very difficult ground conditions, and ended up with an extremely satisfied customer in the Land Transport Authority.



Monitoring our performance

For 2004, we set ourselves five key targets in terms of our Business and Economic performance. A summary of our performance with respect to these targets is as follows:

1 ISO 14001 and 18001 in China and Singapore, and update our internal control procedures	Partially achieved: Certification was gained for Singapore and is now planned for China for 2005. Internal operational control procedures were brought in line for both China and Singapore operations.
2 Undertake suppliers and subcontractors opinion surveys regarding business dealings	Achieved: See 'Promoting Partnering' page 10.
3 Engage a dedicated Sustainability Manager	Achieved: See 'Relaying the sustainability message' page 5.
4 Implement company wide training on sustainability issues	Achieved: A sustainability course has been established through the Gammon Academy.
5 Continue to promote and enhance productivity and staff engagement	Partially achieved: From staff survey results, staff satisfaction was not balanced with results high in some areas and low in others. Programmes with respect to promoting productivity are on-going, and Staff Opinion Surveys continue to be undertaken.

Social performance

The impact of construction large or small can have profound short and long-term effects, both positive and negative, on people's quality of life.



Promoting partnering – working with our suppliers and subcontractors

It is our belief that if the construction industry is serious about contributing to sustainable development, we must embrace partnering across all levels and disciplines. Only by working together – all stakeholders at all stages of the construction cycle – will we help breakdown traditional

conflicts within the industry, promote more efficient procurement strategies and ultimately contribute to the better performance of the industry as a whole.

Gammon actively promotes partnering at all levels of our business, and 2004 was designated as 'Partners Year', during which we instigated and undertook a series of initiatives to promote and build partnering within our business:



Partners forum

On 31 March 2004, we held a Partners Forum, where our suppliers and subcontractors in Hong Kong were invited to develop and enhance stronger relationships between us. The event enabled Gammon to present its position and objectives with respect to partnering, and to solicit feedback and comments on how to make partnering work better. Later in the year, further informal gatherings were arranged including visits to our Shenzhen office and steel fabrication facility in mainland China. We also started a new environmental awareness programme aimed at our supply chain, as described on page 23.

Strategic business partnering

In 2004, we built upon our previous commitments to strategic partnerships with our vendors and will continue to expand this in 2005. The objectives are to develop and share advanced construction means and methods, enhance closer relationships and promote sound process management. Representatives from different Gammon business units including operations, commercial, estimating, construction services and procurement initiated working Trades Groups for partnering development.

Vendor performance appraisal

To increase transparency and to share performance feedback with our vendors, we established a Performance Appraisal Enquiry system via our Extranet to allow vendors in Hong Kong and Singapore access to performance scores in areas of workmanship, programme, commercial attitude, technical competence, innovation, quality, health, safety and environment.

Suppliers and subcontractors opinion survey

Two Vendors Opinion Surveys were conducted at 6 monthly intervals during 2004. These focused on attitudes and behaviour, processes and procedures, outcomes and relationships between Gammon and our suppliers and subcontractors in Hong Kong. Opinions gathered were analyzed and discussed, and follow up actions established to foster improvement in partnering relationships and long term mutual benefits. Such actions include improving transparency of the tendering process and making performance information available.

The Link

With 2004 as Gammon's Partners Year, we produced the first issue of our new partnering magazine entitled 'The Link'. Published twice a year, *The Link* aims to provide a platform for Gammon and our partners to share information and experiences, as well as learn more about each other's latest news and activities.



Construction partnership in China

When Swiss aromatics company Firmenich decided to establish a new plant in Shanghai, they wanted the facility to be at the cutting edge of their industry. Housing state-of-the-art process equipment and featuring unique architectural features, Project FirChina is a landmark facility in the Xinzhuang Industrial Park in South Shanghai. Firmenich chose Gammon as its construction partner for the project based upon Gammon's China experience and its willingness to work in a spirit of partnership.

Working hand-in-hand with Firmenich, their architect and project manager, Gammon and our partners delivered the project in 15 months, producing a facility of which Firmenich is justly proud. Open communication was just one aspect of the

spirit of partnership that pervaded the project, ensuring that the adversarial approach traditionally characterizing relationships between a client and its contractor were eliminated. Gammon and Firmenich worked together as true partners founded upon constructive, honest communication and open book reporting.

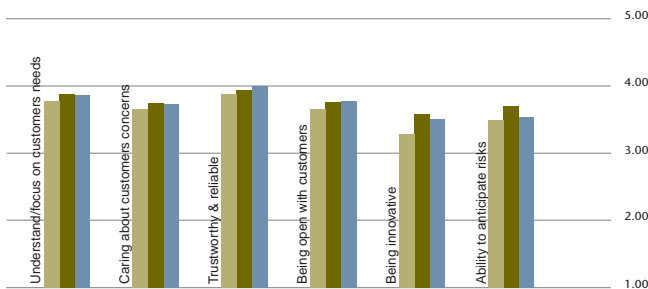


Customer satisfaction

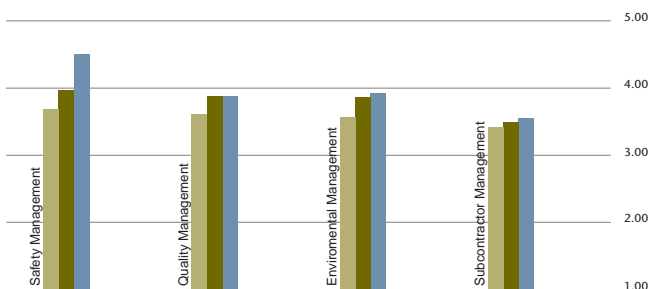
The two main independent methods of monitoring satisfaction with our services and performance are our Customer Satisfaction Survey process (for all locations) and the Contractor's Performance Reports issued by public sector customers in Hong Kong on a significant number of projects. Both forms of feedback provide indicators of a range of factors including our quality, social, health, safety and environmental performance and help us assess the effectiveness of measures in hand. Although overall Customer Satisfaction was slightly down in 2004, the 3 years of comparative results illustrate net improvements in most areas. Our Contractor's Performance Rating, a weighted average of 3 years of reported results across all public works projects in Hong Kong showed improvement in 3 out of 4 quarters in 2004.

Customer satisfaction survey

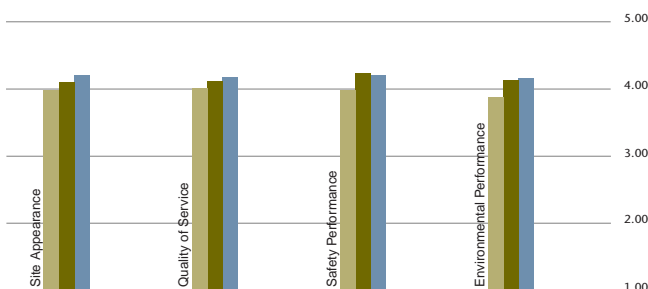
Attitudes and Behaviour 02-04



Processes and Procedures 02-04



Outcomes 02-04



2002 2003 2004



Gammon's people

The 3,000 people who make up Gammon come from 17 different countries, 51 different professional and technical backgrounds, and range in age from 19 to 63. 365 have been with Gammon for more than 10 years and further 258 for more than 15 years. We take active measures to create an environment where people are fulfilled in their work, can follow their career aspirations, and also play a proper role as family and community members.



We encourage exchange of views at all levels and continue to organise regular breakfast sessions for younger employees to share their opinions directly with senior management. Internal communications and publications (such as *The Record* and *Crosssection*) help staff to speak their views and to listen to others.

Making Singapore's MRT system user friendly for the disabled and elderly

As part of the Singapore Government's efforts to make the Mass Rapid Transit (MRT) system user friendly to the elderly and disabled, Gammon were commissioned to undertake addition and alteration works to 29 MRT stations. The works included upgrading and retrofitting the stations with barrier-free facilities such as lift structures, covered link ways, handicapped access ramps, toilets and drop-off points, as well as the provision of Tactile Guidance Systems for the visually impaired. The scope of services also included the provision of safety fencing along the railway tracks to enhance safety & security to the railway structures and rails. The project represents a significant benefit to the local Singapore community and was one with which Gammon were very proud to be associated.



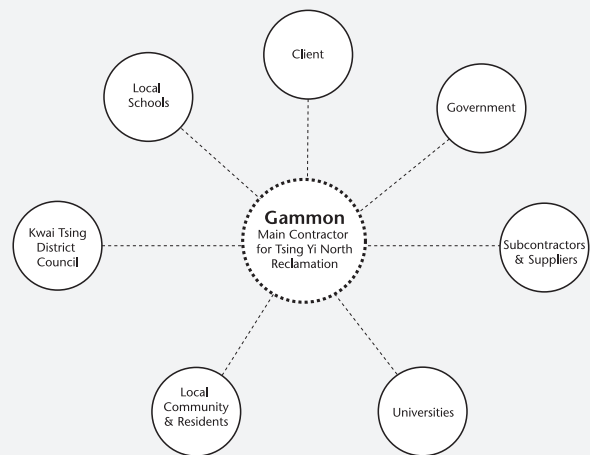
We actively encourage and promote development and staff are able to advance their market value through internal training schemes as well as by making contacts with universities and other institutions around the world.

We have been offering apprenticeships and graduate training in conjunction with professional institutions including the Construction Industry Training Authority (CITA), Hong Kong Institution of Engineers (HKIE), Institute of Civil Engineers (ICE) and Hong Kong Institute of Surveyors (HKIS) since the early 1980s and we continue to do so. In 2004, Gammon awarded completion certificates to 26 Apprentices and 12 Graduate Trainees in Hong Kong.

Gammon in the community

Community engagement

The Tsing Yi North Reclamation project in Hong Kong involves the remediation of a former shipyard site as well as the reclamation of 3.8 hectares of land and associated sea wall construction. The site is sensitively located adjacent to a number of residential estates and schools. In order to generate a greater understanding of the project by the local community and ensure a successful project delivery, Gammon undertook a programme of stakeholder engagement.



Initiatives instigated included Partnering workshops, a poster design competition and site visits for the nearby secondary school, visits by Tsing Yi District Council members, and research collaboration with various local universities. In recognition of its efforts, the project won the highly prestigious Green Construction Contractor Grand Award under the 2004 Hong Kong Eco-Business Awards.



Supporting the community

In 2004, Gammon continued its charitable activities and support to a variety of organizations and events. We have remained closely involved with the Jardine Ambassadors Programme, and in 2004 seven Gammon staff were Jardine Ambassadors, whose role it is to solicit Gammon staff support in various community activities as well as to encourage colleagues to become Ambassadors.

We have also been a corporate sponsor of the Community Chest of Hong Kong, which provides services to the elderly, the mentally and physically impaired, children, youth and families at risk, the ex-mentally ill, ex-offenders, the terminally ill, and many others. Other charitable organisations and groups we have supported during 2004 include the Christina Noble Children's Foundation, Oxfam Hong Kong, The Lighthouse Club and The Society for the



Promotion of Hospice Care. Donations from our China offices have also been made to the Boxing Day Tsunami victims.

Community activities

Our staff also continued Gammon's long-standing tradition of participating in and sponsoring a range of other annual community activities, including the Green Power Hike, the Matilda Hospital Sedan Chair Race, Oxfam's Trailwalker and the annual Dragon Boat Races in Hong Kong and the Bull Run in Singapore.

Gammon scholarships in China

We also have well-established scholarship programmes with three leading Chinese Universities: Tsinghua University in Beijing, Tongji University in Shanghai and the South China University of Technology in Guangzhou. Approximately 100 scholarships are given each year to construction students from poor or deprived areas to provide them with the opportunity to complete further education.

Gammon university fellowship

The Gammon University Fellowship enhances career opportunities for university undergraduates by providing an effective start to their career development. In 2004 a total of 13 second-year undergraduates from five universities were selected to join this programme. The scheme provides



Jardine ambassador

Charles Lo was one of Gammon's staff who participated in the Jardine Ambassador Programme in 2004. Charles was an event organizer in the Re-integration Group, which aims to support the provision of effective re-integration services at mental health hospitals. It is Charles' opinion that charity is not just a matter of donating money, but also an effort that we must put in with our heart. "We always talk about striking a balance between 'give and take', however it is not really the case in my experience," says Charles. "Giving is more enjoyable than taking, especially when you see the patient's smiling faces during our visits and outings with them. This feeling is hard to describe and you need to take part to feel it". There is no easy way of re-integrating mentally ill patients back to society with confidence and to live a normal life. Charles hopes the activities organized by Jardine Ambassadors can increase awareness within society in order to reduce the discrimination and help these patients re-integrate on a larger scale.





an interesting and challenging opportunity to learn, at first hand, about current practice in a world-standard construction business. The Fellowship provides personal mentoring, summer training, site visits, company activities and priority to a permanent career with Gammon.

Monitoring our performance

For 2004, we set ourselves five key targets in terms of our Social performance. Our performance with respect to these targets can be summarised as follows:

<p>1 Improve overall satisfaction of customers</p>	<p>Partially achieved: Although overall Customer Satisfaction was slightly down in the Customer Satisfaction survey, the 3 years of comparative results for the survey illustrate net improvements over the period in most areas, and our Contractor's Performance Rating showed improvement in 3 out of 4 quarters in 2004.</p>
<p>2 Work more closely with customers during pre-construction</p>	<p>Achieved: During 2004, Gammon has worked with a number of key customers undertaking pre-construction and buildability studies.</p>
<p>3 Expand strategic partnering alliances and training</p>	<p>Achieved: See 'Promoting Partnering' section at the beginning of this chapter and the coming 'Health and Safety' and 'Environmental Performance' chapters.</p>
<p>4 Based upon opinion survey feedback, take actions to improve supplier and subcontractors relationships</p>	<p>Achieved: See 'Promoting Partnering' section at the beginning of this chapter.</p>
<p>5 Seek to engage local communities on new projects</p>	<p>Partially achieved: Although some new projects involved community engagement, consistent with the wider industry position, this approach was not fully embraced in all of our new projects.</p>

Health and safety

Gammon's approach is to go beyond compliance and to achieve a zero accident vision.



The zero accidents vision

Gammon is fully committed to creating a safe and healthy working environment, and seeks to positively enhance the safety culture of personnel engaged in the construction industry. We attach the highest priority to the health and safety of our workforce, subcontractors, customers and the public. We continue to implement a comprehensive range of safety initiatives including safety risk assessments at project design, deployment of registered safety personnel on all of our sites, promotion of safe working practices and providing professional advice and training. Gammon's approach is to go beyond compliance and to achieve a zero accident vision.

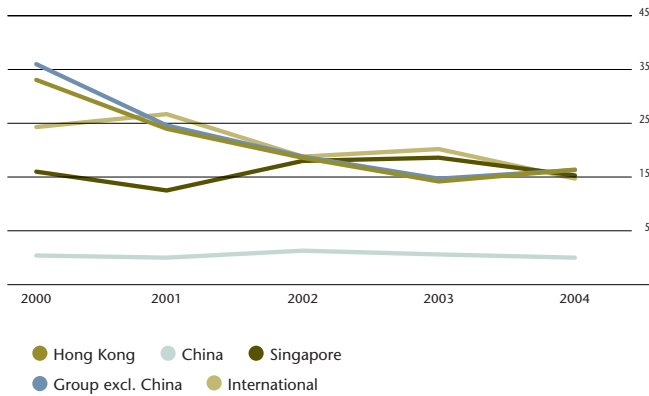
Health & safety performance

Since the early 1990's, we have been implementing health and safety management systems on our construction sites. These systems were further developed and our Hong Kong operations achieved certification to OHSAS 18001 in 2002 and Singapore achieved certification in 2004. As our accident

incident rate demonstrates, we believe these management systems have helped to generate a significant improvement in our performance over recent years.

In 2004 our safety performance was unfortunately overshadowed by a fatality in Hong Kong. A subcontractor's employee suffered fatal injuries due to falling rock debris. Such an accident is a great tragedy to all at Gammon. We treat this and all accidents with the utmost seriousness, and ensure that through comprehensive accident investigation, the root causes are fully established and that procedures are immediately put in place to prevent any possible recurrence. Although we still remain significantly below the Hong Kong Construction Industry average of 60.3 per 1,000 workers for 2004, we have seen our accident rate level out for 2004, with a year-end figure of 16.1 per 1,000 workers compared to 14.1 per 1,000 workers for 2003. This slight increase remains unacceptable to us, as we strive for continuous improvement. During the same period, however there has been a 50% reduction in the number of breaches of safety legislation.

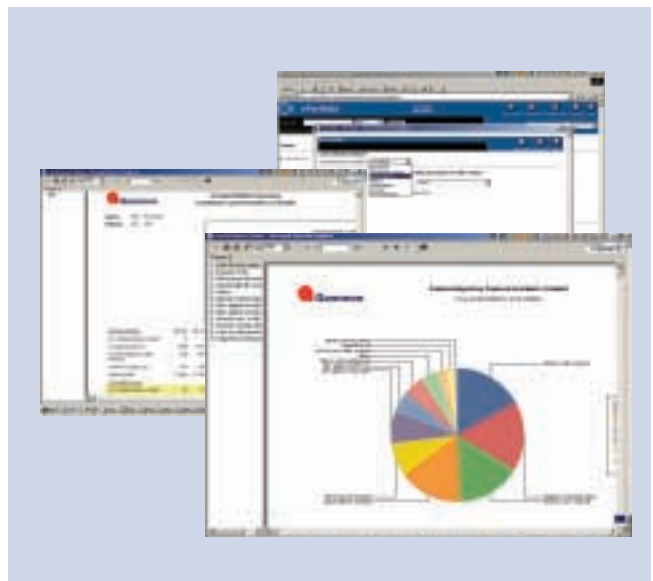
Accident Incident Rate 12 months moving



Internationally, our accident rates improved, with a reduction from 18.6 to 15.3 per 1,000 workers in our Singapore operations and in China our accident incident rate has dropped to zero, where we had no reportable accidents during 2004. This latter figure reflects a much-reduced labour force due to several key projects finishing in 2004.

Behavioural-based safety

In 2003, Gammon carried out a large-scale survey on the safety culture of personnel working on fifty of our projects in order to examine the workers' values, behaviour and attitudes towards safety. To continue this work, we took part in a pilot study of Behavioural Based Safety (BBS) initiated by the Occupational Safety & Health Council in Hong Kong in April 2004. BBS is an approach using scientific psychology to understand people's behaviour when it comes to safety. BBS introduces a systematic, ongoing approach that clearly defines how we can help to reduce risk of injury in the workplace.



Enhancing HSE reporting and data analysis

Gammon's Enterprise Resource Planning (ERP) system, which is an information technology management platform, enables integration of our business management processes and provides a greater level of real time information. In 2004, our ERP-HSE module went live. It provides a web-based system for reporting environmental, health, safety and security incidents and for the monitoring of actions throughout an incident's life cycle. The module also provides comprehensive data analysis capabilities for identifying possible trends or patterns, accident cause investigations and statistical representation of HSE data. The HSE module supports Gammon's commitment to continuous performance improvement by enabling real-time trend and cause analysis and reporting.

Summarizing the results of this study, workers' behaviour towards safety can be dependent on a number of factors such as the nature of the project, client requirements, supervisors' attitude, management support and commitment. Measures that may be effective in motivating improvement in workers' safe behaviour include morning assemblies, effective supervision and safety incentive schemes. Based on the findings of this study, Gammon's management has started to initiate programmes aimed at improving workplace safety through changing workers' behaviour.

Workers Registration Centres in Hong Kong

The Construction Workers Registration Ordinance was passed at the Legislative Council on July 2004 in Hong Kong. It aims to implement a mandatory registration system for all construction workers by the end of 2005. Gammon has taken a proactive response to this impending legislation change by establishing three Workers Registration Centres in March 2004.



Working with our subcontractors and suppliers

Gammon acknowledges that in order to maintain consistently high health and safety standards, the training and education of our subcontractors' managers is very important. In response the Gammon Academy launched a full day training course entitled 'HSE Management System for Subcontractors', which was initially targeted at our subcontractors' senior management. By the end of 2004, 63 subcontractors' management staff had attended this 1-day training course.

Rewarded for our efforts

In 2004, we won two Safety Performance Awards, (for the Gammon Group and Entasis) one Meritorious Award and one Gold Award (both for Gammon Group) under the Hong Kong Occupational Safety and Health Award for outstanding achievements in occupational health and safety through implementation of comprehensive safety management systems.

In addition, we won one Meritorious Award for Bellagio Phase 2 and seven Certificate of Merit Awards (for Landmark Phases 2-5, Landmark Phase 6, Hong Kong-Shenzhen Western Corridor, Ka Wai Man Road, MTRC Penny's Bay Disneyland Station, Deep Bay Line Northern

In addition to their basic function as a registration facility, these centres provide compulsory half-day practical safety training courses, tailored to the needs of Gammon's frontline workers. All of Gammon's staff and workers, as well as subcontractors, are required to attend this compulsory training course. The main objective is to provide actual site situation scenarios for participants so as to improve their safety and environmental awareness. From the opening of the centres in March to the end of 2004, a total of approximately 5,600 subcontractor and Gammon workers had attended the registration centres, which represents an attendance rate of approximately 90% (accounting for worker turnover) of our total workforce for the same period.

Health & safety at Nam Wan Tunnel, Hong Kong

The Nam Wan Tunnel and West Tsing Yi Viaduct contract for the Highways Department of the HKSAR Government involves the construction of two 1.2 km long highway tunnels using drill and blast methods and a 1 km viaduct using pre-cast technology, as well as two ancillary buildings together with associated structures and external facilities.

Given the complexity and high risk nature of the works, from the outset safety was one of the project team's principal priorities. The project set an ambitious target to eliminate all possible accidents. With this goal in mind, the project has employed the following initiatives to promote safety:

- The establishment of a site-based Workers Registration Centre;
- Safety photo presentations are made to all workers at daily morning assemblies allowing the opportunity to demonstrate both good and bad practices occurring on site;
- An Access Control System is enforced at the tunnels, ensuring we keep track of all workers and visitors entering the tunnel for both security and emergency reasons; and
- Employment of the 'Point and Call' zero accident activity, which is a mind-setting approach adopted from Japan, which involves workers and supervisors shouting out their safety goals, which has a positive effect on memorizing safety issues.

As a result, the project has achieved an accident frequency rate below the client's target of 0.75 and significantly below the industry average. In addition, the project team's commitment and efforts have been rewarded in 2004 by winning a number of prestigious health and safety awards.





Ensuring continuous safety improvement in China

During 2004, Gammon undertook a slope improvement works project for a utility company in Shenzhen in China. The works involved the provision of soil nails and associated works to stabilize the slopes surrounding cable pylons.

As part of the contract, the utility company appointed an independent external auditor to assess Gammon's Health, Safety and Environmental performance on site. The auditor's scoring system for the project involved three ratings of Red (scoring range 70-79), Silver (80-89) and Gold (90-100). In response, a safety improvement campaign was initiated involving Head Office, the project team and all involved workers, as well as the utility company and the external auditor. The results of this joint effort ensured a continuous improvement in performance such that a Gold rating was achieved.

Section and Nam Wan Tunnel) in the Good Housekeeping Competition 2004 organized by the Hong Kong Occupational Safety and Health Council.

We also won a Bronze Award for Nam Wan Tunnel in the Civil Engineering Site Category in the Construction Industry Safety Award 2004 organized by Labour Department, as well as Gold and Bronze Awards in the Safety Team Category and two Meritorious Awards in the Building Site Private Sector Category for the Landmark Phases 2-5 and Bellagio Phase 2 projects.



Monitoring our performance

For 2004, we set ourselves five key targets in terms of our Health and Safety performance. Our performance with respect to these targets can be summarised as follows:

1 Implement new initiatives to promote the Zero Accidents vision	Partially achieved: A number of initiatives promoting the 'Zero Accidents Vision' have been introduced (see earlier in this chapter). Although a number of our projects are achieving zero accidents, the fatality and a slightly increased incident rate across the business have overshadowed these efforts.
2 Reduce the Accident Rate to 12 per 1,000 workers	Not achieved: Our 2004 accident rate for Hong Kong was 16.1 per 1,000 workers, for Singapore and Thailand was 15.3 and zero for China. The overall group figure (excluding China) was 16.3 per 1,000 workers.
3 Reduce breaches in safety legislation	Achieved: Reduced by 50% from 2003 to 2004.
4 60 subcontractors' management staff to receive 1-day safety management training given by Gammon Academy	Achieved: 63 subcontractors' management staff attended.
5 100% of Assistant Project Managers and above on operational sites to receive safety management training	Not achieved: 93% of Assistant Project Managers and above on operational sites received safety management training during 2004.

Environmental performance



Environmental compliance

We are pleased to report that there were no environmental convictions received by the company in 2004. Total conformity remains the target for 2005, and in Hong Kong we have also introduced a secondary target of monitoring authority warnings given (effectively 'near misses'). In addition, no significant spills of chemicals, oil and fuels from Gammon project sites or activities have been reported for 2004.

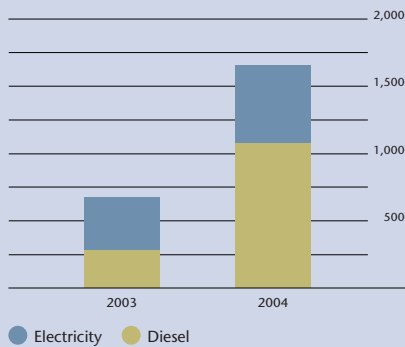
In Hong Kong, environmental performance on public works contracts is also recorded through the Contractor's Performance Reports (CPR). During 2004, Gammon was given CPR scores on 69 occasions across 23 projects, and in all instances Satisfactory or above was scored.

Environmental objectives and targets

To coordinate our Group-wide environmental commitments and pollution prevention requirements under ISO 14001, we establish annual environmental management programmes based upon a series of objectives and targets. During 2004, we set ourselves a total of 23 environmental targets and objectives covering the focus areas of pollution control, waste management, water management, resources and energy consumption and environmental management. 74% of these targets were fully achieved, 9% were partially achieved, and 1 target was deferred to 2005. Building upon this work, our 2005 programme has been established with 17 objectives and targets set across the same focus areas.

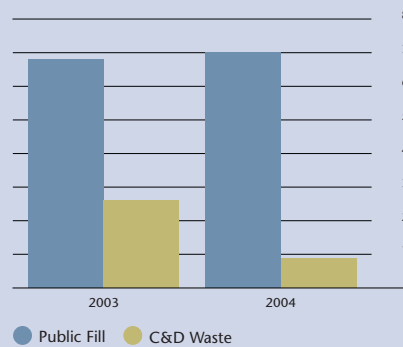
Energy KPI

(HK\$ Spent on Energy / HK\$100k Project Expenditure)



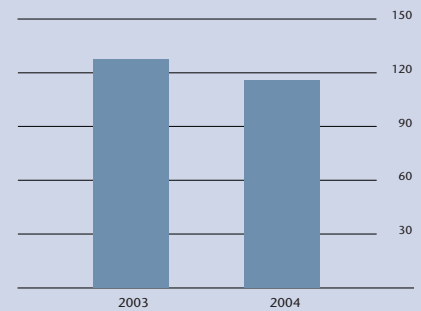
Waste KPI

(Cubic Metres / HK\$100k Project Expenditure)



Water KPI

(HK\$ Spent on Water / HK\$100k Project Expenditure)



Benchmarking our performance in Hong Kong

In 2003, we began to benchmark the environmental performance of our Hong Kong civil, building and foundations projects across areas such as resource and energy consumption and waste reduction and we continued implementing this initiative in 2004. Benchmarking performance at individual project level can be misleading due to the variable nature of the projects undertaken. Our analysis of the 2003 and 2004 data has therefore focused on our overall performance. Using this data, we have generated a series of key performance indicators (KPI's) by standardizing data against project expenditure.

It is encouraging to note that between 2003 and 2004, the KPI's demonstrate that more waste was sent to Public Fill for reuse and

recycling, and substantially less was sent to landfill. Also for water consumption, an improving efficiency has been recorded. However, there was a substantial increase in energy use both in terms of electricity and diesel consumption. Increased heavy civil engineering activities and possibly incomplete reporting in 2003 may explain the reasons for this.

We will be extending this benchmarking exercise in 2005 across all areas of our business including main offices, Balfour Beatty E&M, China, Singapore and our Construction Services Division, as well as our Macau operation which will start in 2005.

Environmental management

Environmental protection remains a priority area for management across all of our business. Our certified management systems in Hong Kong and Singapore underlie this commitment, and our China operations have targeted to also gain ISO14001 certification during 2005. The Policies established under these management systems set out the philosophy and key strategies Gammon adopts to manage environmental issues. At a corporate level, we have established actions aimed at taking our environmental performance 'beyond compliance', such as:

- The restructuring of our support functions to provide a dedicated Environment and Sustainability Department in order to promote and action environmental and sustainability issues;
- Corporate environmental and sustainability training through the Gammon Academy;
- The establishment of Working Groups (under the Centre for Innovation and Technical Excellence, CITE) to

investigate new environmental technologies, practices and opportunities; and

- Benchmarking of Gammon activities and projects in the areas of waste, energy and resource management and the setting of key performance indicators (KPI's).

In Hong Kong, a significant number of our projects being undertaken require an Environmental Permit as set out under the Environmental Impact Assessment Ordinance. For such projects, due to their sensitivity and the nature of the works undertaken, strict environmental mitigation and control measures are required, as well as comprehensive environmental monitoring and auditing. This expands our knowledge and management experience of environmental issues.

Gammon also continues to support industry-initiatives aimed at improving environmental performance and efficiencies such as the Hong Kong Building Environmental Assessment Method (HK-BEAM) and the work of the Hong Kong Construction Association.

Waste management

During 2004, we undertook a number of studies aimed at better understanding the opportunities and constraints relating to waste. One output of this work has been the establishment of standardised waste reduction targets that will be incorporated within project specific waste management plans and strategies. In Hong Kong, we continue to support the Wastewi\$e scheme organised by the Environmental Protection Department, where we ensure all eligible projects with a contract period longer than two years participate. During 2004, the Nam Wan Tunnel, MTR Disneyland Station and Tsing Yi North Reclamation projects won a Gold Logo under the Wastewi\$e scheme. We are constantly investigating recycling opportunities for C&D waste and other materials, including the use of recycled aggregates in concrete, and the recycling of waste concrete aggregates from our batching plants.

Waste management in action – 16 Westlands Road, Hong Kong

The 16 Westlands Road site situated in Quarry Bay in Hong Kong, is located in a sensitive location surrounded by residential and office buildings. Demolition of the former industrial buildings on the site therefore posed a number of constraints with respect to environmental impacts. Working in partnership with the customer Swire Properties, we set a new industry benchmark for environmentally-friendly demolition, where the objectives were to minimize impacts to neighbouring properties, whilst also maximizing the reuse and recycling of materials.

By using advanced demolition techniques, such as hydraulic crushers and implementing good site management practices including the implementation of a waste management plan, we were able to maximize the volumes of materials to be recycled and reused. This included 57,125 tonnes of broken concrete and bricks to be reused for reclamation and public fill and 2,840 tonnes of steel and 740 tonnes of other inert materials which were recycled. This ensured that only 1% of waste from the project went to landfill.

This approach also ensured significantly reduced noise and dust impacts when compared to more traditional demolition methodologies.



We have also undertaken an audit of paper usage and disposal to ascertain consumption patterns and identify opportunities for reduction and recycling.

Environmental innovation

Gammon is committed to seeking new and innovative techniques and approaches. Gammon has established a Centre for Innovation and Technical Excellence (CITE), which provides a forum where views can be discussed and exchanged, encouraging participation across all of Gammon's activities. We believe environmental considerations present significant opportunities for innovation, and the CITE working groups aim to develop new environmental products and promote best practice. Examples of areas currently being investigated include noise management, energy management, materials and waste.



Use of precast and prefabrication technologies at Lok Ma Chau, Hong Kong

The KCRC Lok Ma Chau terminus is one of the four major sections for the Lok Ma Chau Spur Line in Hong Kong, which will be the second railway link with mainland China. The project, which was awarded to our shareholder Balfour Beatty in joint venture with Lam Construction in October 2002, includes the construction of a station and immigration halls.

Through the re-engineering of the design by the Balfour Beatty – Lam JV, the project is adopting best practice construction methods through the use of precast and prefabrication technologies. Off-site precasting reduces the need for in-situ concrete work and hence minimises waste such as timber. Different types of steel formwork are also being used which further reduce timber needs. Precast options being used include beams, slabs, external facades, stairs and water tanks. These approaches have reduced timber waste at the project by approximately 60% and minimized the environmental impacts typically associated with in situ concrete works, as well as improving housekeeping.

Environmental benefits have also been gained from prefabrication of the mechanical and electrical systems and components such as the air ducts.

As well as exchanges across the company, we also benefit from knowledge within the wider international network of our shareholders Balfour Beatty and Jardine Matheson.

Procurement environmental awareness programme

Gammon has set objectives to work with subcontractors and suppliers to raise standards on a range of critical business issues. With respect to environmental performance, in 2004 we initiated a Procurement Environmental Awareness Programme (PEAP). Key objectives of the PEAP include:

- Development of Procurement Environmental Group;
- Increase general awareness of environment/sustainability within Procurement professionals;
- Gain a greater understanding of Gammon’s suppliers, subcontractors and the products we use;
- Co-ordinate and arrange environmental seminars inviting key suppliers and partners to enhance environmental and social responsibility awareness and commitment; and
- Undertake appraisals of key products in terms of their environmental impact.

To action the PEAP and ensure the set objectives are met, a structured programme has been established with target dates to be achieved. The PEAP runs in parallel with and complements many of the Partnering initiatives previously described in Chapter 5.

Rewarded for our efforts

In recognition of our efforts and achievements with respect to environmental protection, we won a number of awards for 2004. In Hong Kong, we won three awards at the 2004 Hong Kong Eco-Business Awards under the Green Construction Contractor category. The North Tsing Yi Reclamation Works won the Grand award, and Hong Kong-Shenzhen Western Corridor won a Gold award and Nam Wan Tunnel won a Certificate of Merit.

Under the Considerate Contractors Site Award Scheme 2004 organized by the Environment, Transport and Works Bureau, we won Considerate Contractors Site Awards for the Reclamation Works in North Tsing Yi, Nam Wan Tunnel, Lok Ma Chau Terminus, Bellagio Phase 2 and MTRC Penny’s Bay Disneyland Station, Site Cleanliness and Tidiness Grand Award for Nam Wan Tunnel, Lok Ma Chau Terminus and MTRC Penny’s Bay Disneyland Station and also Outstanding Waste Management Performance Grand Awards for Nam Wan Tunnel, Hong Kong-Shenzhen Western Corridor, Penny’s Bay Disneyland Station and Lok Ma Chau Terminus.

Gammon also won the Golden Award for 2004 under the Architectural Services Green Contractor Award for the Penny’s Bay Fire Station project.

Monitoring our performance

For 2004, we set ourselves five key targets in terms of our Environmental performance. Our performance with respect to these targets can be summarised as follows:

1 Zero breaches of environment legislation	Achieved: See section entitled ‘Environmental Compliance’ at the start of this chapter.
2 Complete audits and quantification of waste generation and water and energy consumption in Hong Kong operations	Achieved: See the Case Study entitled ‘Benchmarking our Performance in Hong Kong’ in this chapter.
3 Extend benchmarking to China and Singapore operations	Partially achieved: Environmental targets have been established for the Singapore operations, but are still under development for China.
4 Investigate and promote best practice across our operations	Achieved: See the sections entitled ‘Waste Management’ and ‘Environmental Innovation’ in this chapter.
5 Promote and support increased environmental performance amongst supply chain and subcontractors	Achieved: See the section entitled ‘Procurement Environmental Awareness Programme’ in this chapter, where the programme was developed and established during 2004.

Outlook for 2005

One of the underlying objectives for embracing sustainable development is striving for continuous improvement. For 2004, we set ourselves a series of challenging targets, which have been discussed in more detail in the preceding chapters. To build upon these targets, we have set ourselves the following further ambitious targets for 2005:

Business and Economic	<ol style="list-style-type: none">1 Certification of our management systems in China.2 Standardise Group risk management process and provide training.3 Simplify internal management and governance procedures through the consolidation of management manuals.4 Implement Human Resources programmes to further improve productivity and staff engagement.5 Develop a dedicated sustainability intranet site accessible to all staff.
Social	<ol style="list-style-type: none">1 Build upon Partnering initiatives started in 2004 with strategic business partners through seminars, vendor performance appraisals and opinion surveys.2 Continue to promote partnering and sustainability within the wider construction industry.3 Improve overall satisfaction of customers.4 Continue to promote community engagement on existing and new Gammon projects.5 Publish career development paths for all staff.
Health & Safety	<ol style="list-style-type: none">1 Meet Group Primary and Secondary targets for health & safety.2 Implement two new initiatives and programmes to promote the Zero Accidents Vision.3 Implement on all Hong Kong sites an Area Management system to manage and control HSE issues.4 Ensure that 100% of Gammon and subcontractor workforce on Gammon Hong Kong projects have attended the Workers Registration Centres.5 Implement transparent health and safety statistics and data recording in China.
Environment	<ol style="list-style-type: none">1 Achieve targets and objectives set in the 2005 Environmental Management Programme2 Achieve improved performance with respect to waste generation and resource usage as measured by the key performance indicators.3 Extend benchmarking activities to all of Gammon's operations in China, Singapore and Macau and through the Construction Services Division.4 Implement an energy management and conservation programme.5 Implement the Procurement Environmental Awareness Programme.

Verification statement

The Business Environment Council (BEC) was commissioned by Gammon Construction Ltd (Gammon) to provide a verification statement for its 2004 Sustainability Report "Our Everyday Commitment" (the report). BEC conducted sample checks of the data and claims in the report through document and data review, interviews with responsible personnel, and visits to selected sites. Our findings are set out as below.

Completeness of the report scope

The report provides a representative account of Gammon's performance in relation to its core business areas and in terms of its "quadruple bottom line" – economic and business, social, health and safety and environment. The report also provides representative coverage of Gammon's programmes in Hong Kong, China and Singapore, where it had active projects in 2004.

Numerous policies and practices have been implemented during the reporting period in line with the Global Report Initiative (GRI), for which Gammon is commended. We encourage the continued embracing of these guidelines, particularly in respect of appropriate performance indicators, into the coming year and beyond.

Adequacy of data

The report's presentation of economic and business, social, health, safety and environmental initiatives provides a sound reflection of Gammon's commitment to sustainability. The chosen performance indicators provide a useful starting point for benchmarking within the Hong Kong construction industry and Gammon, as a major industry player, is well placed to further refine these in terms of

type of project and nature of activity. For future reports we would also recommend the presentation of additional data and case studies to further convey Gammon's challenges and achievements.

Accuracy of data

The information presented in this report is consistent with the documents and data reviewed, interviews conducted and sites inspected during the verification process. Recommendations to clarify minor ambiguities identified during verification have been incorporated into this report. Existing data and information management systems are considered both effective and reliable but will need to continue to evolve in line with Gammon's sustainability initiatives.

Opinion

BEC considers this report an accurate and reliable presentation of Gammon's initiatives and achievements towards corporate sustainability in 2004.



Kevin Edmunds
Deputy Director
Business Environment Council



4th July 2005

Feedback form

2004 Sustainability Report

An important component of our sustainability commitment is to receive feedback from our stakeholders, peers and partners, as well as the general public, which will help guide our future sustainability reporting structure. We would therefore be grateful if you could spend a few minutes to complete this feedback form.

1 Did you find the report informative and useful?

Yes No

Comments: _____

2 How do you rate the quality of the report in terms of its presentation and readability?

Excellent Good Average Poor

Comments: _____

3 How well do you feel that Gammon has portrayed its commitment and performance with respect to sustainable development?

Excellent Good Average Poor

Comments: _____

4 Please rate the individual chapters in terms of their content and relevance

	Excellent	Good	Average	Poor
Introduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
About Gammon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate Sustainability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Economic & Business Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health & Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outlook for 2005	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5 Please provide any other comments or suggestions you may have.

Comments: _____

THANK YOU

Please fax this form back to Candy Chan, Corporate Communications on +852 2681 4417 or alternatively download the form from www.gammonconstruction.com and e-mail it to candy.chan@gammonconstruction.com.

If you would like any further information about this report or Gammon, please provide your contact details below

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