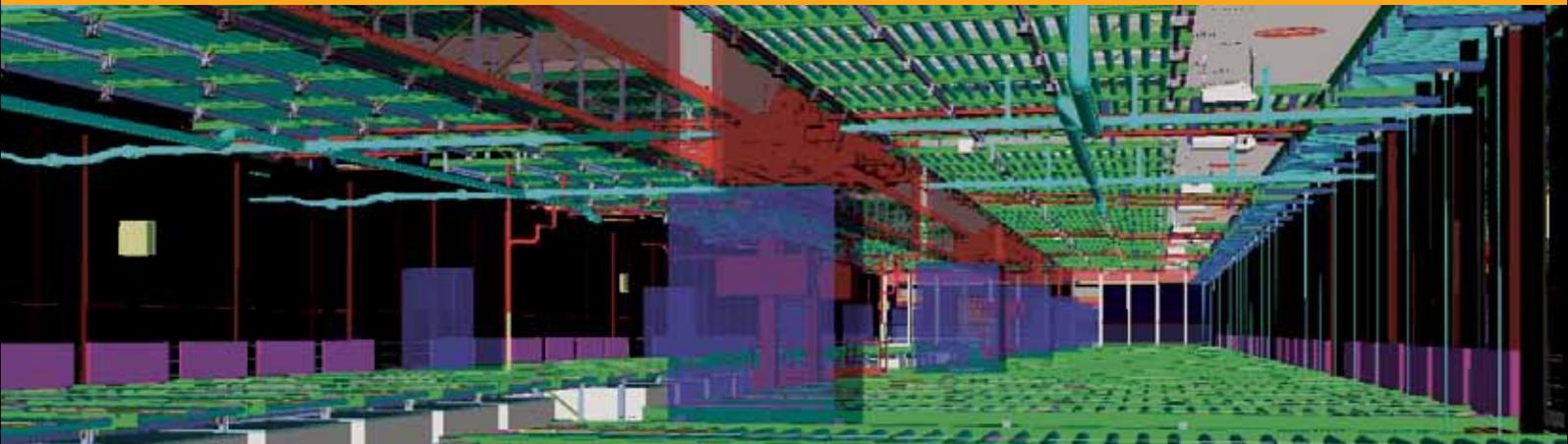




Setting the pace

Sustainability Report 2010



01	Chief Executive's Statement
02	Performance Highlights
04	The Gammon Way
05	Our Sustainability Framework
06	2010 Highlights – A Year of Sustainability in Action
08	A Case Study in Sustainable Construction
10	Economic and Business
13	Health and Safety
16	Environment
19	Social Responsibility
22	Projects of Distinction
24	Looking Ahead
25	Verification Statement

At Gammon we are *setting the pace* of sustainability in our business, in our brands and joint ventures, and in our daily operations. This report covers the progress we made on our sustainability journey during the 2010 calendar year.

This Report and other corporate information are available on our website at www.gammonconstruction.com

Our Brands



Civil, foundations, building, E&M and construction services covering plant and equipment, concrete technology and steel fabrication



Public-Private Partnership business



Engineering design services

Front Cover

For Cathay Pacific's new cargo terminal project, Gammon devised an innovative construction method ("the Beam Shutter") for a safer and greener working environment.

Chief Executive's Statement

Some years ago, we at Gammon made the decision to embrace the sustainability agenda right across our business not only as a way of meeting our project requirements but also as a strong business strategy – our engine for growth. We believe that a robust sustainability strategy puts us in a leadership position within the construction industry and is a key factor in our continuing success as a business.

During the past year, we saw considerable growth in Hong Kong's construction industry, with corresponding falls in unemployment levels. These positive trends have intensified the issues of a fiercely competitive labour environment, an ageing workforce and growing skills shortages. The steps we have taken to develop our existing employees and bring new people into the industry through our training schemes are already showing good returns – but we must and will do more.

Similarly, Gammon needs the best talent available to maintain our position as a sustainable business meeting the challenges of the future. We have been particularly active in our efforts to attract young engineering talent, so I was very pleased when graduates recognised us with the Hong Kong's 100 Leading Graduate Employers Award and voted us Winner of Engineering Services Sector.

The sustainability agenda is accelerating and we must work to higher environmental standards and community expectations. We aspire to play a leading role in the industry by raising the bar on our own activities and partnering with leading organisations.

Developing and adopting construction methods and materials to reduce our environmental footprint will be vital to our future success. We are doing more than just complying with regulatory requirements and this, together with our green initiatives, will be a key differentiator for our brand.

Our greatest objective at Gammon is to provide a safe environment for our workforce. Our Zero Harm programme launched two years ago goes beyond the traditional approach to safety and provides clear guidelines for reducing the risk of fatalities and serious injuries.

2010 saw further progress towards Zero Harm with low incident rates and no fatalities. It would be wrong, however, not to make reference to the two fatal accidents we suffered early in 2011 during the preparation of this report. Such tragedies pain us all greatly, and we will do everything we can to assist the affected families for whom we are profoundly sorry.

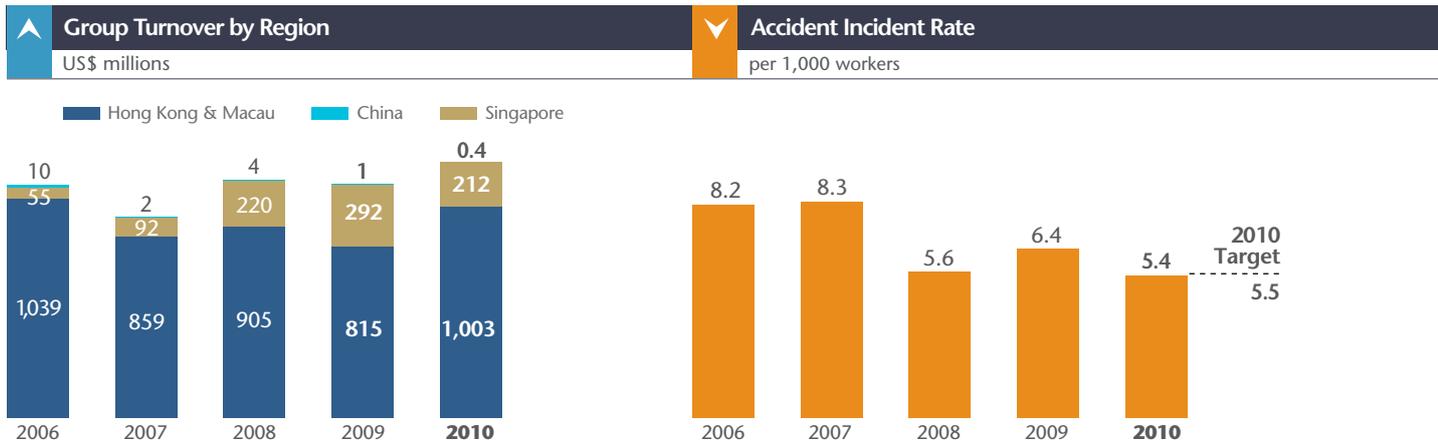
This is a very difficult note on which to end but such tragedies only serve to strengthen our resolve to work harder in the pursuit of our Zero Harm goal. In this, there can be no compromises.



Thomas Ho
Chief Executive
Gammon Construction Limited
May 2011



Performance Highlights



In 2010, our order book grew 37%. During the year, 42% of our projects were in the public sphere; 31% were quasi-public; and 25% in the private sector. To sustain our business, turnover is used to deliver our work today and invest in our capabilities tomorrow.

In 2010, we continued our year-on-year reduction of the incident rate with an Accident Incident Rate (AIR) for the year of 5.4 towards our goal of being below 3.0 for 2012.



Sam Houston
Executive Director

We are investing heavily to ensure greater sustainability in our business and enjoy growing returns well into the future.

It is also important that we are aware of the many risks we face in our industry and the pressures of inflation on our costs. We are taking a leadership role and adopting innovative technology, such as Building Information Modelling, and upgrading the skills of our staff.

We are also making a conscious effort to leverage what we learn on green projects such as the ITE College West Campus in Singapore and applying them to new projects for the benefit of our clients and society at large.

We believe this makes us better able to propose solutions for our clients and maintain our industry leadership.

“We are taking a leadership role and adopting innovative technology.”



Philco Wong
Chief Operating Officer
& Executive Director

Our Accident Incident Rate (AIR) improved in 2010 as we moved into the second year of our Zero Harm Roadmap. Since 2001, Gammon’s AIR has been reduced by 74%. Although this was a significant improvement and compared very favourably with the industry, we still have some way to go to reach our target of below 3.0 in 2012.

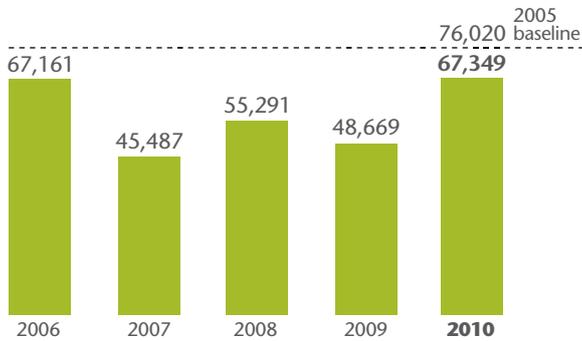
We are well equipped to achieve our goal of Zero Harm, as we have all the tools

necessary to reach our target. We will also continue to provide training to new staff and familiarise them with our worksites, processes, safety regulations and standards. Good housekeeping is vitally important in fulfilling our goal as clean and tidy sites help us remove the risks associated with incidents.

“We are well equipped to achieve our goal of Zero Harm.”

Greenhouse Gas Emissions

tonnes CO₂ equivalent

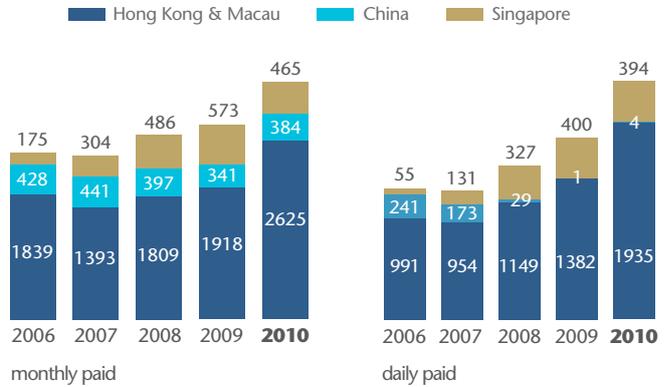


Scope 1 and 2 emissions
 Calculated based on Greenhouse Gas Protocol published by WBCSD/WRI

Our emissions follow turnover and diesel usage, but one large project such as Penny's Bay in 2005-06 can cause emissions to spike. With business growth and limited options for replacing diesel equipment, we expect our emissions to rise in the years to come.

Employment by Region

monthly paid staff and daily paid workers



In 2010, we increased recruitment and training in Hong Kong and Singapore. Our training and development programmes, such as our initiative to train and recruit levellers, benefited not only Gammon but the construction industry as a whole.



Jon Button
 Executive Director

We are monitoring and pursuing efficiency in our Scope 1 and 2 emissions, especially diesel in our plant and equipment which accounts for 69% of our emissions. Our strategy is to adopt design, planning and energy-efficient construction methods as well as electrification and greater engine efficiency wherever possible. We are also watching advances in biodiesel and developments in construction methods. As we

push toward Scope 3 in the years ahead, we feel we can have a significant positive impact on our lifecycle carbon emissions.

Presenting equally challenging issues are waste, water, noise and air emissions. We set targets to mitigate our impacts and make best use of our resources, as well as promote new benchmarks for the construction industry.

“We set targets to mitigate our impacts and make best use of our resources.”



Sai Yen Yu
 Executive Director

We have been investing in training to ensure we have sufficient high quality manpower to meet our project needs. Our long-term objective of directly developing staff and workers in line with the values of the Gammon Way began paying off in 2010, as indicated by our success with our levellers training programme and tunnel worker recruitment efforts.

Our view on human resources looks beyond our immediate manpower needs. By working with training bodies and partners, both Gammon as a company and the industry as a whole benefit. We also believe that involving everyone in innovation and partnering with universities ensures we have the skills and capabilities needed in the future.

“Our view on human resources looks beyond our immediate manpower needs.”

The Gammon Way

How Gammon deals with its employees, partners and the environment is outlined in our core values of safety, integrity and excellence, which were recently restated to better reflect how Gammon should conduct itself in today's business environment.

We have also updated the company's code of conduct, which is core to our integrity and ethics. Benchmarked against international best practices, the code is presented in plain, easy-to-comprehend English and Chinese.

In 2010, we held a Core Values Roadshow of over 74 separate sessions to provide concrete examples of how the code applies in day-to-day situations. The roadshow was conducted at all Gammon sites in Hong Kong, Singapore and mainland China as well as company offices and the annual management conference. It is now part of the orientation session all new employees are required to attend.



Listening to our stakeholders

In preparing our sustainability report, we review our activities over the previous year. We also take into account feedback received from last year's report, the views of our senior management and exchanges with our clients and supply chain. Our tendering efforts give us further indications as to what is important to our clients.

The various forums and workshops we hold throughout the year, such as our Annual Safety Conference, give us an excellent opportunity to listen to and exchange views with our staff and stakeholders.

In addition, we carry out a survey once a year among our clients and every six months among employees, subcontractors and suppliers. In 2010, we surveyed 250 suppliers and subcontractors and requested feedback on their willingness and ability to deliver a 'green' product to Gammon. We received a very positive response from over 50% of those surveyed.

Our Sustainability Framework

Our unique sustainability framework is based on four interconnected pillars that incorporate not only the triple bottom line of 'people, planet, profit' most commonly associated with sustainability agendas, but also a fourth pillar, health and safety.

The Tolo Highway case study presented on pages 8 and 9 illustrates how these pillars can be integrated within a single project.

A large part of our strategy is to support and influence sustainability in the construction industry, which we do through our participation in industry and business groups. We also raise our voice by sponsoring conferences, forums and workshops on issues such as safety, climate change, engineering and green procurement.



Building strong relationships

Twice a year, our senior management team meets to review our progress and look ahead to the challenges of the future. At our last conference, we opened up the debate to include younger members of our staff from all departments in the organisation. We explored our thoughts and strategies on the business and asked for suggestions on how we can shape Gammon to meet future challenges.

A series of wide-ranging discussions was held during the two-day management conference on how Gammon can become a world class organisation. Topics ranged from business growth, improvements in productivity and building customer relationships to working more closely in positive

cohesive relationships as our business expands and new members are welcomed to our team.

Within the wider community, Gammon has developed a number of partnerships with Hong Kong NGOs in support of our community initiatives. In 2010, we organised our first CSR Forum, which enabled company managers and NGO representatives to understand one another's expectations and aspirations from the partnerships already established. This experience was highly productive and pointed out how we at Gammon can work together more effectively with our partners to exchange skills and provide programmes that benefit the community.

2010 Highlights — A Year of Sustainability in Action



JAN

Engaging our stakeholders

During the fourth Annual Safety Conference, Chief Executive Mr Thomas Ho explained the company's vision for leading safety to our staff, their families, subcontractors and clients. This was the first time that such an inclusive event had been held in the industry.

Feb

Core values refreshed

At our Top Management Conference, we launched Gammon's refreshed corporate values and rolled out an implementation plan for embedding them throughout the company.

Mar

Sustainable solutions

The HK\$4.76 billion joint venture contract awarded by MTR Corporation for its Sai Ying Pun and Hong Kong University stations (the single largest in MTR history) got underway in March. Key to this project are community engagement, sustainable construction methods and engineering solutions to minimise the impact of the project on a densely populated area.

Mar

HATS off to students

The project team for the Harbour Area Treatment Scheme (HATS) Stage 2A together with the Drainage Services Department, AECOM and CCS (HK Island) Primary School held an Environmental Protection Drawing Competition with primary school students.



Apr

Outstanding performance

The Employees Retraining Board (ERB) recognised us in its Manpower Developer Award Scheme for outstanding commitment and performance in manpower training and development.



Jun

Walk for charity

Our staff together with teachers and students of the Hong Chi Association completed the 3-day 60km Gammon Walkathon to Guangzhou 2010, raising more than HK\$192,000.



Jul

Mark of excellence

The Institute of Technical Education (ITE) College West opened to considerable acclaim in 2010. As our first Private Public Partnership (PPP) project, it achieved "Platinum" grade in Singapore's Greenmark scheme, having gained a 30% improvement in energy consumption compared with similar facilities.



Aug

Accident free

The Pristine operation in Dongguan, China, received the "Significant Safety Achievement Trophy" for two million accident-free man-hours, demonstrating Gammon's commitment to safety.

**Singapore's top achiever**

Gammon Pte Limited won the Top Achiever Award from the Singapore Environmental Council at the "Singapore Environmental Achievement Awards" (SEAA). The SEAA is the only national competition recognising overall management systems, performance, and environmental initiatives and awareness within an organisation.



Sep

Responsible partnerships

We hosted a Corporate Social Responsibility (CSR) Forum with representation from five NGO partners. The Forum, which was well received by NGOs, signalled the beginning of a new type of relationship with Gammon.

Oct

Height of safety

At the site of the new Central Government Offices at Tamar in Hong Kong, Gammon erected the last of six huge mega-trusses symbolising the 'open door' design.

Assembling these mega trusses at ground level and then lifting them over 100m into place using strand jacks significantly reduced working at height – the greatest cause of fatal accidents in the construction industry.



Nov

Fun for the family

A Gammon Family Fun Day was held on 7 November to foster stronger ties among workers, their families, subcontractors and guests. This year saw the largest turnout ever, with over 2,600 people taking part.

**A new way to source**

We became the first construction company in Hong Kong to launch a sustainable timber policy. This policy will apply to all timber and timber products purchased by us directly or through our subcontractors.

First choice for future engineers

On 12 November, Gammon was named "Hong Kong's 100 Leading Graduate Employers" as well as the "Winner for the Sector of Engineering Services" in Hong Kong's 100 Leading Graduate Employers Awards 2010 by GTI Media. Close to 9,000 Hong Kong and overseas students and graduates voted in the competition.

Dec

Rewarding young innovators

Our first CEO Graduate Prize competition, which encourages and rewards innovation among new staff, received 10 entries from year-two graduate trainees. The winning entries were from Assistant Engineers Esther Lau for her biofiltration system and Rock Mak for his blasting technique, which also won the Balfour Beatty annual Chairman's Graduate Prize.

Case Study

Contract No. HY/2009/08 Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling Stage 1 – Between Ma Wo and Tai Hang

Sustainability in the fast lane

The Tolo Highway project is a HK\$2.38 billion contract awarded by the Hong Kong Highways Department for widening a 3.5km section of the Tolo and Fanling highways to alleviate traffic congestion. The 40-month contract started construction in late February 2010.

Incorporating all four elements of our sustainability framework, the project demonstrates how an integrated approach can resolve engineering challenges in a sustainable manner.



Value for our client

From the outset, our client recognised the potential benefits of a creative review from its chosen contractor and invited alternative designs for major elements of the slope works involved in this complex project. We won the contract on the basis of our alternative solution, which adds significant economic value for the client by dramatically reducing construction time and waste.



Planning for safety

The project design originally proposed would have required working on a very steep slope, with massive temporary platforms and heavy equipment for installing very large-diameter bored piles. Employing our alternative design, we can use small-diameter piles to provide temporary support during slope excavation and anchor the large concrete retaining walls. We are also able to make use of smaller equipment, carry out fewer in-ground works and cut 40% less slope, all of which leads to significantly safer working conditions for our workforce.



Green solutions

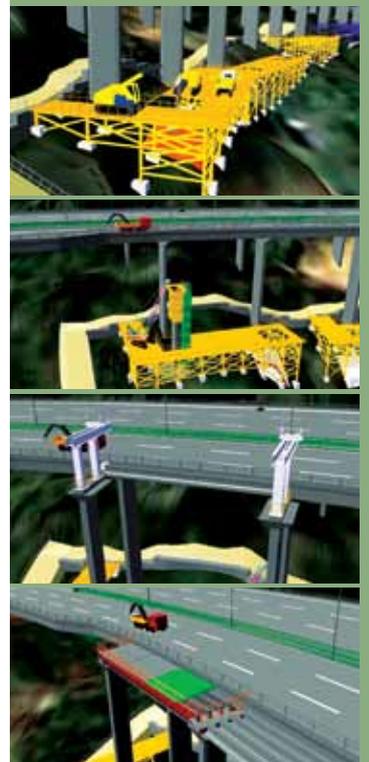
In addition to mitigating noise and air pollution, we have reused 79% of the excavation spoil generated on the project. Reductions in the amount of materials used, such as steel and concrete, mean fewer trucks are needed, which helps improve the project's carbon footprint and associated air pollution. The less steep slope in our design also allows us to retain more trees and minimise soil erosion on the site.



Concern for the community

We anticipated the needs of motorists and the local community by planning a comprehensive Temporary Traffic Arrangement system that keeps traffic on the Tolo Highway moving, minimises inconvenience to the public and allows access to the villages in the area. To reduce noise nuisances, we have erected additional temporary noise barriers and enclosures, installed noise-absorbing materials on temporary access roads and scheduled works to avoid operating at night.

Lambeth Associates, our in-house consultancy, has developed the capability of generating 3D computer visualisations, which allow the architect and client to appreciate the final product and gain greater confidence in its outcome.





Project savings

Less steel
Total steel and rebar savings
= 12,112
tonnes

Less concrete
35,924
cubic metres
(5,132 truckloads of concrete)

Less spoil removed
Total project savings
81,865
tonnes

Trees saved
2,585



A model of sustainability

When visiting the Tolo Highway project site office, you might think you had taken a wrong turn and entered a country park by mistake. Unlike most site offices, the Gammon Green Site office near Tai Po is distinctive for its abundance of replanted trees, solar panels and recycled materials that provide comfort and visual relief to the road works outside.

The Gammon Green Site office is not only an oasis in the midst of a busy highways project, but also a demonstration of pride in our ability to achieve high standards of sustainability in construction. Our workers can see visible proof of this every day in our morning briefings at the site office, where they are inspired to recreate the same high standards throughout the project and deliver our vision for sustainable construction.

For further details on the Tolo Highway project, please visit www.toloc2.com.hk/toloc2/Project.htm.

Business growth for the long term

Economic and Business

Today, as expectations grow on the construction industry to provide better social and environmental performance, sustainability has become an increasingly important part of Gammon's business strategy.

Our approach to sustainability is embodied in our corporate values and drives our corporate governance, risk management systems and procurement policies.

We set targets in the areas of finance, customers and markets, internal business processes, people and future growth by making use of balanced scorecards, which help us monitor our performance throughout our organisation and identify areas for improvement.

We are also committed to raising standards of sustainability in the construction industry. Working with our clients, supply chain partners and peers puts us in a unique position to understand the challenges they face, suggest alternatives and accelerate the pace of change.

Building a business on sustainability

As a business, we have an obligation to operate at a profit and create value for our business partners. But we also see a long-term benefit for our business and our brand by positioning ourselves as a company committed to sustainability.

We are already winning business based on this commitment. As government and private developers begin to recognise the value of incorporating sustainability into their projects, tenders are being awarded increasingly not just on price but on technical merit. Currently, about 40% of Hong Kong government tender assessments are based on technical considerations and 60% on price; in Singapore, 20% of most government tender evaluations are based on technical considerations and 80% on price.

In order to maintain our competitive advantage in sustainable construction, we are investing in innovative technologies such as Building Information Modelling and upgrading the skills of our staff. We believe this better equips us to propose sustainable construction solutions and maintain our industry leadership.

Stewardship of resources

We recognise that the construction industry has a responsibility to conserve the natural resources that we consume in our operations.

For the past few years, we have been cooperating with our suppliers to source sustainable materials such as packaging, steel, cement and timber.

We began examining sustainable timber for our concrete formworks out of a concern for the environmental impact of illegal logging and deforestation in Asia. Working with our supply chain, we have identified sources of sustainable timber and developed trials with formwork subcontractors in Hong Kong. The



Construction work performed by contractors (excluding repair, maintenance, alterations and special trades). Information up to 2010 from the *Report on the Quarterly Survey of Construction Output* issued by the Census and Statistics Department, HKSAR Government. Forecast based on government estimates from 2011/12 budget speech and internal estimates for private sector of HK\$20–30 billion.

Value of contracts awarded. Projected demand for 2011 is an upper bound figure published by the Building and Construction Authority, Singapore Government. The range is S\$22–28 billion for 2011, S\$19–26 billion for 2012–13.

Source: Singapore Building & Construction Authority

subsequent adoption of a sustainable timber policy has resulted in a complete transformation of our supply chain.

Although there is a premium of more than 10% when purchasing sustainable timber, we feel there is a strong business case for its use. Higher quality FSC sustainable timber, such as that used in formworks, can be used five times rather than two times as its lifecycle is much longer. We are now making an effort to convince the market to import sustainable timber in greater quantities, which should result in more competitive prices.

We intend to broaden our sustainable sourcing policy and engagement with suppliers, and in 2011 will participate in the Hong Kong Green Purchasing Charter.

A new business model for Singapore

Our first Public Private Partnership (PPP) project in Singapore, the ITE College West campus, began admitting students in early July.

Launched in 2007, this project involves the design, construction, financing and provision of facilities management services.

The design of the campus incorporates a number of innovative features that will lead to a dramatic reduction in energy consumption of more than 30%. This achievement was instrumental in the project being awarded Platinum status in the Singapore Government’s Green Mark environmental rating scheme.



Our sustainable timber efforts and policy demonstrate how we are enforcing good governance in our supply chain. By maintaining an open and on-going relationship with key material suppliers, we are better able to manage risks and push the industry to higher, more sustainable standards.

Susan Siu
Head of Procurement,
Gammon Construction



The project is of great significance for Gammon as it requires us to operate and maintain the building at a Green Mark Platinum level for the next 27 years. What we learn from this PPP project will add considerably to our capabilities in advising on and delivering green projects for clients in the future.

Leading Change seminar

Introduced by our shareholder, Leading Change is a high level programme launched across our Gammon offices in 2010.

The programme, which is conducted by consultants from Duke Corporate Education in the United States, is designed to challenge our leaders' mindset by identifying the strategies, processes and motivations that create an environment conducive to producing change. It is also about getting people to look at leadership and the role of leaders.

This is critical as Gammon looks for better, safer, and more economical and efficient ways of working. It is particularly important for challenging us to think about the Gammon brand. Although we exist to make a profit, the manner in which we do so will be key to our long-term survival as a business.

Development Opportunities at Gammon

We provide a wide spectrum of learning and development programmes targeted to employees at different levels of the organisation. Internally, the Gammon Academy serves as a centre of excellence for knowledge transfer; externally, we work with the Construction Industry Council Training Academy and our business partners to develop the critical capabilities required by Gammon and the industry as a whole.

To attract and retain talent, we closely monitor our pay and benefits against the market to make sure they are competitive. We also foster cohesion

among our employees through CSR activities and initiatives such as our Young Professionals Club, Frontline Safety Committee, Project Manager Club, Staff Recreation Club, Spring Dinner and Family Fun Day. Our CEO Blog and Gammon Blog have also proven to be effective channels for sharing views and information.

We believe these efforts have made Gammon one of the better employers in the industry, and this is reflected both in our Hong Kong staff retention rate of 89% (vs. 83% for the sector according to the 2010 Employers' Federation of Hong Kong) and in the results of our regular Staff Opinion Survey.

How we reduce risk

Although we have policies to guard against financial risk – such as hedging against fluctuating prices of commodities – we also mitigate risk to our workers and stakeholders in the community.

Risk management is the responsibility of our Risk Management and Compliance Committee. Chaired by a shareholder's representative, the committee advises the Board on matters related to internal controls and disclosure, including issues such as legal compliance, health, safety and environmental compliance, as well as human resources.

Virtual construction through BIM

Gammon was one of the first construction companies in Hong Kong to adopt Building Information Modelling (BIM), a construction modelling technology that creates a virtual environment for better planning and construction coordination. BIM allows all members of a project team, including the client, project manager, designers and contractors, to share information so that project performance can be predicted before work begins. It also helps to avoid design conflicts, minimise construction waste, reduce construction costs and contribute to environmental protection.



Senior management took part in a leadership seminar, Leading Change: Driving the Safety Agenda, facilitated by Duke Corporate Education. The seminar focused on the conditions necessary for producing transformational change at Gammon and the role of leaders in the organisation.



Safety is our priority

Health and Safety

	Target 2010	Actual
No. of fatalities	Zero	Zero
Accident Incident Rate (AIR)	5.5	5.4

As one of our core values, safety takes precedence on all of our worksites. Underlining this commitment is our Zero Harm Roadmap, which is targeting the elimination of risks that lead to fatalities or permanently disabling injuries. 2010 was the second year on our journey to deliver Zero Harm by 2012.

Progress towards Zero Harm

In 2010, Gammon achieved zero fatalities on its worksites. This was the result of the concerted efforts by all staff to eliminate the main risks associated with fatalities and disabling injuries.

Typically, a site will present many risks, the five main ones being working at height, falling objects, electrical equipment, moving plant and equipment, and drowning. To guard against these risks, we have built in four layers of protection: Engineering, Equipment, Process and People. The four layers are based on the Swiss Cheese Model of system failure, in which an error that occurs in one layer will not pass through to the next.

Under Zero Harm, senior management and staff all have distinct responsibilities for anticipating and removing risk in the system. The primary responsibility falls on our Directors, who are



accountable for removing the risks that have been identified across the organisation. Our senior staff are responsible for eliminating these risks and setting the standards, while our site and frontline staff ensure our worksites are clean, well-managed, accessible and safe.

Zero Harm means embedding safety right at the heart of every project, from the tendering stage to each of our sites when work begins. Since its introduction, it has become a key aspect of our safety culture and business strategy. Our primary objective with Zero Harm is not only to provide safe working conditions for our people, but also to attract and retain qualified staff and workers.

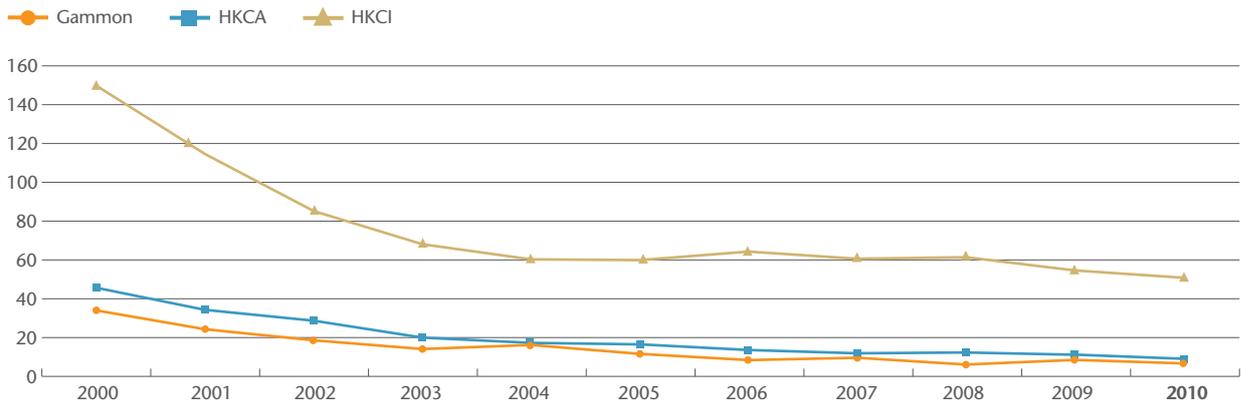
Zero fatalities

Our achievement of zero fatal accidents in 2010 compared with the Hong Kong construction industry of 9 fatalities and the Singapore industry

TOP
In the Harbour Area Treatment Scheme Stage 2A project, workers start the day with morning exercises and safety briefings.

Accident Statistics Gammon vs Industry

Accident Rate per 1,000 workers



Conclusion: We continue to maintain a leading position against our peers in the Hong Kong Construction Association, who are ahead of the general construction industry in Hong Kong. This demonstrates the need to continuously develop programmes and initiatives to influence the entire industry.

of 32 fatalities. The industry as a whole during the year recorded an improved rate in both Hong Kong and Singapore.

Other safety metrics also showed improvement. Gammon's Group Accident Incident Rate (AIR) dropped to 5.4 incidents per thousand workers, a 74% reduction from the 2001 baseline of 24.5 incidents.

Reducing risk

Although there were no fatalities on our worksites in 2010, we recognise that in some cases we were very fortunate. By analysing High Potential (HiPo) incidents, we can see that in a number of near-miss incidents the outcome under slightly different circumstances could have resulted in a fatality.

The number of HiPos increased significantly in 2010. These are strong signals that risks such as working at height, falling objects and plant and equipment have not been completely eliminated from a worksite. It is important to note that in only one third of the 26 HiPos reported workers were not following process. In the remaining two thirds, workers were doing what was required of them.

This points to the need for Gammon's engineers and project managers to remove risk. Although we have strong systems and standards in place to ensure risks are removed from our worksites, we must ensure they are enforced and implemented at every level of the organisation.

Our subcontractors also have a role to play. In 2010, we invested in the implementation of the GCC (Government Contract Compliance)

standard for subcontractors. This will ensure that subcontractors are in compliance with safety requirements, such as for safe decking and outfitting in formworks. The standard is now being used in tendering all new contracts and for measuring current contracts.

Training for Zero Harm

Although Zero Harm is the ultimate responsibility of senior management, we require everyone in Gammon to play their part, including designers, engineers and planners. But this is a challenge as many of Gammon's staff are new to the company and unfamiliar with our safety culture, systems and worksites.

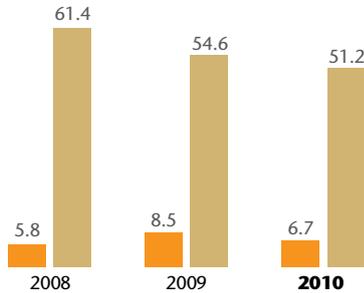
To address this challenge, we established Zero Harm Induction Centres at Kwai Chung and other selected project sites. These centres, which are more conveniently located to our workers, will ensure consistently high quality safety training. In 2010, a total of 19,041 workers – 34% of Hong Kong's active workforce – underwent safety training at the centres. We also enrolled our management personnel in a two-day Zero Harm Managers Course, which by focusing on induction training and leadership helped them integrate new staff more quickly into Gammon's safety culture.

In addition to these programmes, we engaged with our major stakeholders at our annual Safety Conference on 7 January. Held under the theme of "Constructability for Zero Harm – Making it Easier to Build Safely," the conference covered safety-related issues such as the four layers of protection for building and working safely. More than 600 employees attended the conference – a record for Gammon.

Accident Incident Rate, Hong Kong & Macau

per 1,000 workers

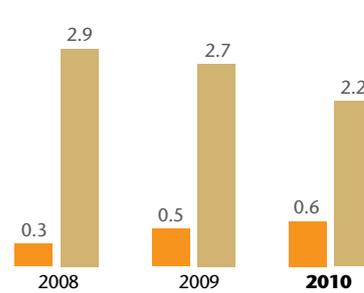
Gammon Industry



Accident Frequency Rate, Singapore

per 1 million man hours worked

Gammon Industry



Industry accident incident rates are those reported as tentative for 2010 by the Hong Kong Construction Industry (HKCI) and for 2010 by the Singapore Government's Ministry of Manpower.

Tidy sites are safe sites

We conducted a study that showed 24% of incidents on sites are related to poor housekeeping. As a result of this study, we launched a programme focused on worksite housekeeping under the theme, "If it looks good, it is good." The programme is based on the premise that the visual impact of a site is a very good indicator of how well it is managed in terms of safety and efficiency.

Poor housekeeping is not in keeping with the Gammon brand and can be considered a 'weak signal' of increased risk. For example, good housekeeping maintains good access and egress thus reducing the risk of slips, trips and falls and creates the right impression with the workforce. It also reduces the risk of falling objects, a major risk associated with fatalities and disabling injuries.

Keeping a site tidy and safe is the responsibility of project managers, who must take steps to ensure materials are properly stored, waste removed and good access to the site maintained.



A clean worksite is a safe worksite. I encourage all of our workers to maintain good housekeeping and keep our site open and accessible. Although this takes more time and effort, our workers understand the value of this approach for keeping them safe on the job.

Chiang H C

Construction Manager, Singapore, Winner of the Zero Harm Project Manager award, Gammon Construction

At the forefront of sustainability



Environment

	2010 Target	Actual	2011 Target
Waste Diversion	20%	31%	20%
Water Recycle	10%	29%	30%
Energy Efficiency for Office	17kWh/m ²	17.5kWh/m ²	17kWh/m ²
CO ₂ Intensity (tonnes)	6 MTCO ₂ /HK\$1m (56,876)	7.1MTCO ₂ /HK\$1m (67,349)	Scope 3 Carbon accounting
Compliance Actions	Nil	Nil	Nil

5 composition fines totalling S\$23,200 in Singapore.

In a year when concerns over issues such as global warming and industrial pollution reached new peaks, construction companies faced growing pressures to provide sustainable solutions for their clients. Gammon was no exception. However, rather than seeing these pressures as a threat we regarded them as an opportunity to show leadership.

Most Hong Kong construction companies take construction spoil and dump it in public fills, which are becoming increasingly overburdened. Our solution to this growing problem is a unique programme that allows project managers to trade rock and fill from one project for use on another. The total amount of waste that Gammon managed in this way during the year was 364,000 tonnes, or 31% of our total inert waste stream.

TOP
Solar panels, recycled materials and replanted trees are just a few of the environmental features incorporated into the project site office at Tolo Highway.

For the West Island Line project, over 70% of the waste material generated will be reused on other projects in Hong Kong.

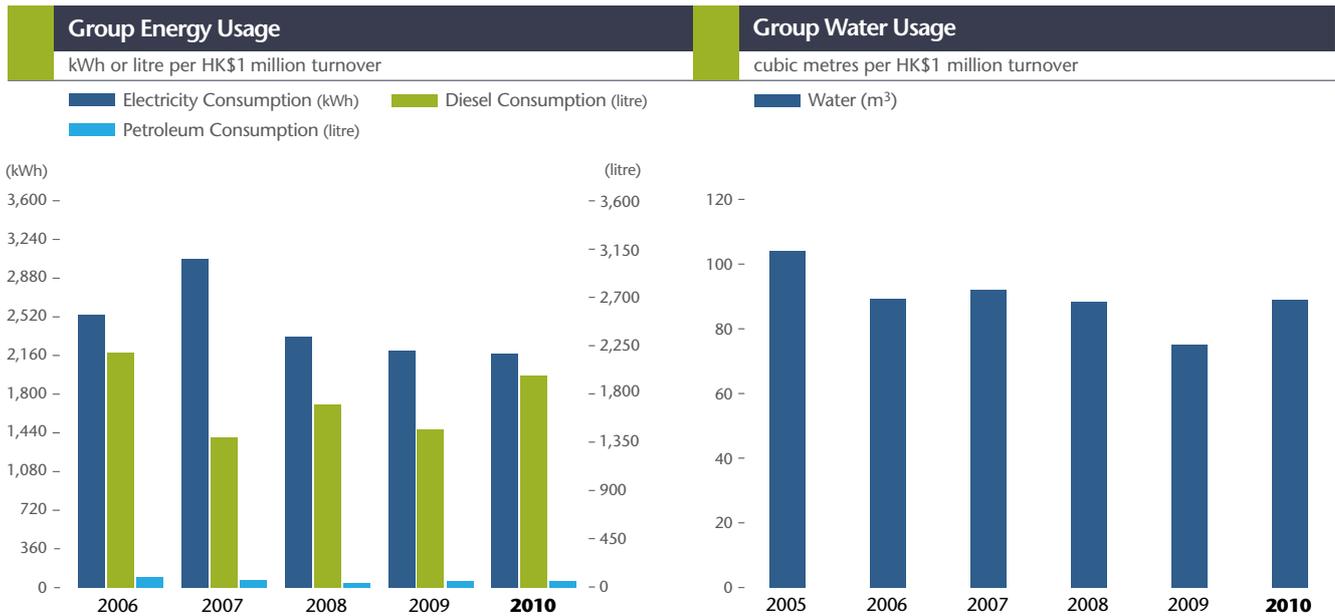
Another example of sustainable construction can be seen in our concrete technology. Our high performance concretes require less finishing and fewer chemicals for waterproofing and result in lower maintenance costs. They also reduce noise pollution, as the concrete is self-levelling and eliminates the need for vibrators. On One Island East, for example, our high tech concrete led to an 11% reduction in CO₂ per tonne emitted.

Both projects illustrate how we reduce and mitigate the environmental impacts of our operations in line with our strategy of **use wisely, waste less, emit less.**

Sustainable sourcing

Construction consumes tremendous amounts of resources such as steel, concrete, cement and timber, often in ways that are inefficient or unsustainable.

For Gammon, that means sourcing only what we need and knowing where it comes from. In addition to sustainable timber, we have found sources of cement and steel that incorporate recycled content and help lower the carbon footprint of projects. This involves working more closely with our suppliers and making them understand the reasons why we are making sustainable sourcing a priority in our business.



The type of work we do determines the energy needed. We've seen a rise in demand from Singapore and our foundations and buildings businesses.

To motivate our staff, we have set water recycling targets to further improve water efficiency.

In 2010 we exceeded our target and 29% of water used was from recycled sources.

Reuse, reduce, recycle

We are producing less excess waste and finding opportunities to reuse or recycle waste materials through efficient design and careful management of the construction process.

Gammon Singapore, which is setting the pace in reducing landfill, increased its recycling rate by 40% in 2010. Green building projects such as the Institute of Technical Education, West in Singapore and Hysan Place in Hong Kong are further proof that high levels of recycling are possible. In future, we will continue to work with our supply chain to reduce and recycle packaging materials, such as drums and tins, and build up our capacity to recycle other wastes.

We are also making a conscious effort to use water resources more efficiently – an especially serious issue in Asia. In 2010, we set our first target of recycling more than 10% of total water supplied. We significantly exceeded this target and will push further and faster in 2011 for improvements in our water consumption.

Setting carbon targets

At present, our site and permanent offices account for 22% of our total electricity consumption. To make more efficient use of energy and reduce our carbon footprint, we are applying Hong Kong and Singapore benchmarks to set energy efficiency targets in our permanent and site offices. We are now looking at ways to further reduce our

footprint, which will help us make a strong business case for green buildings to our clients.

Gammon was the first construction company in Hong Kong to set a carbon target for its own operations. Although we fell short of this target, we are learning how to set credible targets for our highly variable businesses. For 2011-2013, we will develop carbon accounting capabilities to predict and measure our Scope 3 emissions and develop appropriate carbon reduction plans. This tool will be a valuable asset for monitoring our own operations and providing our clients with carbon forecasts for their projects.



We have made a commitment to use the resources entrusted to us wisely and less wastefully. This not only includes reusing and recycling the waste we generate, such as spoil and demolition waste, but more importantly reducing it through our design and methods.

Shirlee Algire

Group Sustainability & CSR Manager, Gammon Construction





All quiet on the West Island Line

On the MTR Corporation's West Island Line project, Gammon was faced with the challenge of constructing in a very densely populated urban neighbourhood. To reduce noise disturbance, we devised a number of innovative solutions in partnership with MTR.

These included the replacement of some diesel-operated equipment by quieter electrically-operated plant, extensive noise shielding and self-compacting concrete that requires less vibration. We also employed underground crushers and sourced better-performing acoustic blankets to reduce noise nuisance to neighbours.

A new symbol of sustainability

Our green advantage

In 2010, we encouraged the adoption of environmental practices among our peers. One of the ways we are influencing the industry is through our participation in many business and industry committees. This gives us a broader perspective on environmental issues and a mechanism for spreading learning across industry sectors. We also gain valuable insights into issues facing our supply chain in areas such as sustainable sourcing.

Going green in our business provides us with a strong competitive advantage. As clients look increasingly to construction companies for environmental solutions, we are becoming widely recognised for setting the pace in sustainable construction.

In 2010, we launched our new Green & Caring Site Commitment programme, which is in alignment with the Hong Kong Development Bureau's Considerate Contractors Site Award Scheme and the Singapore Building and Construction Authority's Green and Gracious Builder Guide.



Based on our successful green site office initiative, the Green & Caring Site Commitment programme assesses sites against three main environmental elements: environmental engagement, material conservation and waste management. All elements are considered, with an emphasis on planning at the start of each project. Worksites that fulfil these criteria will become eligible to fly a distinctive new Eco-Flag developed specifically for this programme.

Going beyond legal compliance and the terms of our project contracts, the programme is an example of how we proactively add value for our clients. It is also part of our internal commitment to promote higher construction standards in the industry.



Partners for a sustainable future

Social Responsibility

	2009	2010
Graduate Recruitment	52	120
Technician & Craft		
Apprentice Recruitment, Hong Kong	65	60
Training hours per staff employee	18.2	21.3
Volunteer hours	1,700	4,741
Number of community events	47	93

At Gammon we are committed to building a caring culture that extends beyond philanthropy to the provision of relevant programmes that benefit the communities in which we operate. We also emphasise staff development so that our employees are able to pursue rewarding careers and enriched lives at Gammon.

Careers not just jobs

The quality of our workforce is a key factor in determining our success as a company. Our goal is to be the employer of choice in the construction sector by offering not just competitive wages but an attractive working environment and opportunities for personal development.

Developing a workforce in a competitive labour market is a continuing challenge for the industry.

In 2010, we introduced an innovative training programme for levellers that came with a job offer at the end of the programme. Having succeeded in attracting a record number of applications with this programme, we plan to extend our training-job scheme to piling operators in 2011.

Attracting skilled workers is not just a concern for Gammon; it is an industry-wide issue. To overcome this challenge, Gammon is engaged in an on-going lobbying effort with the Hong Kong government and the Construction Industry Council Training Academy, as well as our major clients and subcontractors, to assist with training and re-training.

To meet the increasing demand for professional and technical development, we established the Gammon Academy in 2003. In 2010, the Academy offered a total of 44 courses, with a particular emphasis on entrepreneurship, professionalism and awareness of safety, quality and sustainability.

Also during the year, we became the first construction company to offer Hong Kong Institution of Engineers – Environmental Discipline Scheme A training for graduates.

In 2010, 27% of our monthly paid workers were new to Gammon, and we expect to hire more staff in 2011 due to our increasing workload. To provide them with the skills they require and integrate them into Gammon's culture, we introduced 14 new training programmes. Next

TOP
GSRC Singapore organised a visit to the Che Su Lan Methodist Children's Home, which provides care for disadvantaged children and children with special needs.

CSR Forum forges new relationship

In September 2010, Gammon's management team held a half-day Corporate Social Responsibility (CSR) Forum at Hong Chi Pinehill Village in Tai Po to discuss CSR initiatives with five NGO partners. They included the Christian Zheng Sheng College, the Crossroads Foundation, the Haven of Hope Christian Service, the Hong Chi Association and the T.W.G.H.s Tuen Mun Integrated Service Centre.

The objective of the Forum was to explore avenues of cooperation for the benefit of both the company and the community, as well as to gain insights on expectations and aspirations.

Feedback from the NGOs was very positive and marked the beginning of a new type of relationship with Gammon. As a result of the positive outcome achieved, Gammon intends to run the Forum again on an annual basis.

year, we will introduce even more programmes emphasising both hard and soft skills.

Open communication

New staff come to Gammon with a diversity of experiences and perspectives. In order to build understanding among our staff, we have developed a number of open and efficient communication channels.

In 2010, we introduced *WAGtheBlog* for communicating with staff. Hosted on our intranet, this new blog has quickly gained acceptance as a platform for communication and experience sharing, especially among the younger members of our staff.

Our Executive Directors have also established the practice of engaging our frontline managers and professionals over breakfast meetings to discuss sustainability issues. Another successful initiative was our *PMs' 2 Club*, which was launched in 2010 to promote work-life balance.

Community engagement

Initiatives that benefit society and the communities in which we operate are a key element in our approach to corporate responsibility. In order to deliver relevant programmes for our community stakeholders, we have developed a number of partnerships with Hong Kong Non-Government Organisations



We have been working closely with Gammon through channels such as the Corporate Social Responsibility (CSR) Forum to learn how we can develop strong working relationships. This allows Gammon to learn how they can assist NGOs in more productive ways and for us to make more effective use of their resources.

Chang Juo Hwa, Charles
Chairman,
Tung Wah Group of Hospitals





Gammon has given me the opportunity to prove myself as an engineer. I am especially grateful to my immediate supervisor and mentor, CF Chan (Project Manager) of the Civil Department, who always inspires my colleagues and me to do our best work. Thanks to his constant support and feedback, I was able to achieve this great honour of winning both prizes.

Rock Mak

Assistant Engineer, winner of the Gammon CEO Graduate Prize and Balfour Beatty Chairman's Graduate Prize, 2011

(NGOs). These include not only financial assistance but also contributions of time, venues and resources.

Our partnerships with NGOs have included the Pinehill Village Improvement Works project, the Haven of Hope Christian Service Volunteers team and Tung Wah Group of Hospitals.

Staff are also encouraged to become involved in the community. During the year, staff members took part in a total of 93 community events across Hong Kong, mainland China and

Singapore, including beach clean-ups, visits to the elderly, a walkathon and children's home visit. These activities were very meaningful, according to the responses in our employee satisfaction survey.

At Gammon our focus on education, skills development, encouraging volunteerism and supporting community partners is helping us achieve our mission to build for a better quality of life and living environment.

Pristine visited a school in a remote village in Longchuan County, Heyuan City, for the campaign, "Enlightening the colourful dreams of the children". The volunteers helped to build a recreation room in the school, presented prizes to three outstanding students and provided sponsorships for less privileged children.



Projects of Distinction

We at Gammon are proud of the recognition we have received for our work in promoting sustainability. It is our hope that through awards such as these, we can share our knowledge in construction and create models of best practice for the industry.

Kai Tak Housing Foundation Project

- Solutions provided during construction added considerable value for our client and contributed to BEAM
- Innovative method to treat and reuse marine deposits promoted by the client for adoption in future projects and wins HKIE award
- Specially designed hydraulic hammer acoustic enclosure to reduce noise during H-piling
- Outstanding Project Award, Hong Kong Housing Authority, Quality Public Housing Construction & Maintenance Awards 2010



Cathay Pacific Services Ltd Air Cargo Terminal

- Innovative method ("the Beam Shutter") used to construct the central beams, providing a safer working environment and reducing amount of timber formwork required
- Extensive use of recyclable steel for formwork with potential for reuse on other projects
- Up to four times quicker than traditional methods, reducing the impact of construction activities on the surrounding environment and community

Chinatown Station, Singapore

- Land Transport Authority (LTA) Annual Safety Award Convention Winner of both the Contractors' Challenge Shield and Environmental Excellence Award, 2010
- Achieved 3.8 million safe man-hours
- Over 100 residents take a tunnel walk in Oct 2010 to learn about the art behind the massive structures



Hysan Place

- The first pre-certified LEED Platinum Core & Shell project in Hong Kong
- 90,600T of C&D Waste diverted from public fill and landfill, which reduces 65,950kg CO₂emission
- Building Information Modelling (BIM) technology to reduce waste, improve design coordination, optimise resources and mitigate the project risks
- Autodesk Building Information Modelling (BIM) Award 2010
- Gold Award, Hong Kong Awards for Environmental Excellence 2010, Construction Sector
- Gold Award, "Safety Team" construction Industry Safety Award Scheme 2009/10

Other Awards and Recognitions

Hong Kong

100 Leading Graduate Employers Awards 2010
Hong Kong's 100 Leading Graduate Employers Award and Winner of Engineering Services Sector

Hong Kong Green Council
Hong Kong Green Awards 2010
Green Purchasewise Award (Corporation)
Green Office Management Award (Large Corporation)

Singapore

Singapore Environmental Achievement Awards (SEAA)
SEAA Top Achiever Award 2010/2011, Gammon Pte.

The Workplace Safety and Health Council (WSHC)
WSH Awards 2010
Workplace Safety & Health Practices Awards – Outstanding Achievement and Innovation Award, MOLE Removal Phase II Project

Mainland China

Significant Safety Achievement Trophy for two million accident-free man-hours, Pristine, Dongguan, Gammon China
Pioneer in Safe Production and Fire Prevention at the 2010 Dongguan Shatian Town City Government Meeting

Looking Ahead

Although we believe the construction market will continue to thrive in the years ahead, we also recognise that the industry faces considerable challenges that must be overcome to ensure our long-term sustainability.

For the industry as a whole, addressing both current manpower needs and future succession issues will be critical. To bring new blood into the skilled labour market, there must be greater co-operation among different parties in the supply chain, including clients, contractors and subcontractors.

Young talent entering the construction industry should broaden their vision to look at opportunities in the Pearl River Delta region, which has been singled out in the development agenda of the CPC Central Committee and State Council. They should not only equip themselves with the requisite professional skills but also acquire the soft skills becoming increasingly important in a world that rewards innovation and collaboration. Here again, industry players have a role to play in grooming future talent.

What's more, we will enhance training and career development for existing employees, broaden our network to attract new blood and join with the Construction Industry Council Training Academy to develop the tradespeople we need. As our workforce becomes more diverse, we need to find effective ways of integrating new employees into the Gammon family. We will also closely monitor pay levels and trends to ensure that our compensation is competitive in a dynamic labour market.

Progress towards Zero Harm

As our safety performance figures for 2010 indicate, safety must be examined from a broader, more holistic perspective. We need consistency in the way we apply safety standards and in our ability to motivate people to do things differently if we are to meet our Zero Harm targets.

Looking further ahead, we will seek to have tertiary education facilities inculcate safety into their engineering related disciplines by 2012. To achieve this goal, we will look for more involvement by government and professional organisations such as the Hong Kong Federation of OSH Associations to coordinate safety training, while encouraging subcontractors to promote safety among their own workers.



In the next few years, more and more Gammon Eco-Flags will be flying proudly over our worksites, signifying our commitment to sustainability.

The environment

While we have made significant progress to diminish the environmental impact of our operations, we recognise that much remains to be done.

We will continue to set challenging targets and work to reduce our impacts and our waste and resource requirements in the designs and methods we employ.

Recognising that climate change is a very real issue, we will focus more of our efforts on Scope 3 carbon emissions. We will also work more closely with our supply chain, which we see as our best opportunity to reduce greenhouse gas emissions, and encourage them to support sustainable materials.

We propose to reduce air pollution by expanding our investment in plant and equipment – for example, by lowering the number of our Euro II mechanical plants and eliminating pre-Euro III mixer trucks. One of our goals is to reduce Particulate Matter (PM) emissions by 26% and 53% respectively by 2013 compared with 2008.

Waving the Flag

Using our sustainability framework to shape our business will make us more efficient, adaptive and responsible to the challenges we face in a future of growing resource constraints.

A visible symbol of our progress towards meeting our sustainability objectives is our Green & Caring Site Commitment programme with its distinctive green Eco-Flag. Developed in 2010, this programme will be rolled out in 2011 across all of our sites, where we expect to see a growing number of Eco-Flags proclaiming our commitment to sustainability.

Verification Statement

The Business Environment Council (BEC) was commissioned by Gammon Construction Ltd (Gammon) to verify its 2010 Sustainability Report "Setting the Pace" (the Report). This involved checking the completeness of reporting against the report scope, the adequacy of data, and the accuracy and credibility of the information presented. Our findings are set out below:

Report Scope and Completeness of Reporting

BEC conducted sample checks of representative group-wide data and claims in the Report through document and data review as well as interviews with responsible personnel at the Hong Kong head office. The Report scope includes:

- Gammon's approach to sustainability in managing significant health and safety, social, environmental and economic issues;
- Gammon's sustainability framework, case studies of sustainability initiatives, sustainable business strategies, zero harm and safety management, environmental management and social responsibility;
- Gammon's continued demonstration of focussed leadership in promoting a more sustainable construction industry and society through "Mindful Leadership"; and;
- Gammon's challenges in the context of meeting manpower requirement and current employees' needs along with the increasing demand for environmental performance in the construction supply chain.

Adequacy and Accuracy of data

The presentation of industry statistics is useful in presenting the sustainability challenges confronting Gammon and the construction industry. Indicators in the Report provide a useful insight into Gammon's sustainability performance, which enable readers to compare performance over time. In addition, emerging trends and topical issues are highlighted, which set the scene for Gammon to identify future objectives and targets, as well as communicating Gammon's future direction and strategy regarding sustainability with readers. The methods used and underlying assumptions adopted to calculate quantitative data are adequately explained in the Report. Gammon is proactive in ensuring the accuracy of data and made adjustments whenever deemed necessary. Recommendations to correct minor errors identified during the verification process, and to improve consistency and clarity in the information presented have been incorporated into the Report to BEC's satisfaction.

The Report clearly presents Gammon's economic and business, social, health and safety, and environmental performance, and the extent and relevance of the content is deemed adequate to meet the needs of target readers. BEC is satisfied that the information presented in this Report is substantiated by the documents and data reviewed and interviews conducted during the verification process.

Opinion

The Report "Setting the Pace" provides a fair and balanced account of Gammon's sustainability commitments, performance and challenges in relation to its core business activities and key markets for the reporting period. BEC considers this Report an accurate and reliable presentation of Gammon's initiatives and achievements towards corporate sustainability in 2010. BEC encourages Gammon to consider the inclusion of the following aspects in the preparation of its future reports:

- We suggest to begin aligning Gammon's reporting of overall performance with the GRI G3 reporting framework, with particular elaboration in the areas of corporate governance and human rights;
- To consider elaborating on the mechanism of identifying, prioritizing and engaging key stakeholders, and present the material issues expressed by them.



Dr Andrew Thomson
Chief Executive Officer
Business Environment Council



HONG KONG SAR

Headquarters

Gammon Construction Limited

28th Floor, Devon House, TaiKoo Place, 979 King's Road, Hong Kong
Tel: +852 2516 8823 Fax: +852 2516 6260

SINGAPORE

Gammon Pte. Limited

Co Reg No: 198001094M
29 International Business Park #06-05, Acer Building, Tower B,
Singapore 609923
Tel: +65 6722 3600 Fax: +65 6722 3601

MACAU SAR

Gammon Building Construction (Macau) Limited

Registered Office:
Macau P.O. Box 6623

CHINA

Gammon Construction (Shanghai) Limited

Shanghai

Room 3105B, Kerry Parkside, 1155 Fangdian Road, Pudong,
Shanghai, 201204, People's Republic of China
Tel: +86 21 6845 7590 Fax: +86 21 6845 7270

Shenzhen

Branch Office
30/F, Fortune Building, No 88, 3rd Fuhua Road, Futian District
Shenzhen, 518026, People's Republic of China
Tel: +86 755 3396 0088 Fax: +86 755 3332 9288



This report is printed on FSC™(Forest Stewardship Council™) certified Natural White paper from well managed forests and controlled sources.

Designed by Sedgwick Richardson

We would like to thank the members of Gammon staff who have contributed photographs to this publication:

Page 7 (August Accident Free) Reng Ming Ming
Page 10 Wong Chung Tai
Page 13 Wilbert A Jarata

We value and encourage dialogue on our reporting mechanism. Feedback provides insight that helps us to better communicate what is important and of interest to our stakeholders. We encourage questions or comments by contacting environment@gammonconstruction.com.

Jointly owned by Jardine Matheson and Balfour Beatty