

Report of the Directors – Ethical, Social, Health, Safety and Environmental Report

Principles

The policy of the Company is to enhance shareholder value recognising the importance, in achieving that, of operating in an ethical and socially responsible manner which helps to preserve health, safety and the environment. The Company believes that operating in an ethical and socially aware manner which helps to preserve health, safety and the environment is an integral part of efficient and profitable business management and recognises that success in these areas depends on the involvement and commitment of everyone in the organisation. As a minimum, the Company's operations around the world (the "Group") must meet their legal and regulatory obligations.

Goals

a) Ethical Operations

Applications for employment by disabled persons are encouraged, bearing in mind the respective aptitudes, skills and abilities of the applicant concerned and the requirements of the position. In the event of employees becoming disabled, the Group's aim is to ensure continued employment with appropriate training being arranged if required. It is the policy of the Group to maintain, wherever feasible, the training, career development and promotion of disabled persons.

Group policy is that employment-related decisions are based on relevant aptitudes, skills and abilities and promotes a policy of equal opportunity in employment, without unlawful consideration of sex, sexual orientation, race, nationality, age, disability, religion or any other category protected by law.

The Group promotes the dissemination of relevant information so that employees are kept regularly advised of Group and operating company developments. Where practical, local briefing sessions are held concerning such matters as health and safety, performance-related incentive plans, the Group's Sharesave Plan (which operates wherever practical in the larger companies within the Group), pension plans, etc.

There is a formal Code of Business Conduct in place for the Group, which promotes a commitment to maintaining the highest standard of ethics and integrity in the conduct of the Group's business throughout the world. During the year, the Board implemented a revised Whistle Blowing policy.

b) Socially Aware Operations

The management of each operation in the Group is aware of the importance of being a good neighbour in its community and is encouraged to build a relationship with local organisations. Each Group operation aims to recognise and respond constructively to any community concerns about the health, safety and environmental aspects of its operations. Each operation within the Group strives to offer a competitive remuneration package to its employees.

c) Preserving Health and Safety

The Group seeks to maximise employees' involvement in health, safety and environmental matters by open communication and encouragement of active participation. Each operation aims to provide sufficient resources in terms of people, training, plant and equipment to meet applicable health and safety obligations. The Group's operations strive to improve health and safety at work through, among other things, the use of internal assessments and regular reports on performance.

d) Preserving the Environment

While already subject to various laws and regulations governing the emission of substances which could affect human health or the environment, each operation examines different means by which to reduce further such emissions. The Group strives both to reduce waste at source by careful use of materials, energy and other resources and to take advantage of recycling opportunities. Each operation aims to provide resources in terms of people, training, plant and equipment to meet applicable environmental obligations. The Group's operations strive to improve environmental protection through, among other things, the use of internal assessments and regular reports on performance. Operations which represent almost a quarter of the Group's turnover have already obtained ISO14001, the international environmental accreditation. Each operation considers, early in the development stage, the possible environmental impact of new products and processes and the Group carefully considers environmental issues during acquisitions and divestments.

Organisation and Responsibilities

Operating in an ethical and socially aware manner which preserves health, safety and the environment is a mainstream management responsibility. Executive and line managers at all levels within the Group are directly responsible through the normal management structure for these matters in the specific operations under their control. All the Group's employees have a responsibility to act in an ethical and socially aware manner, to take reasonable care of themselves and others while at work and to participate positively in the task of preserving workplace health and safety and the environment.

18 Report of the Directors – Ethical, Social, Health, Safety and Environmental Report *continued*

Each operation is expected to adopt policies in keeping with these principles and goals which also describe the local organisation and arrangements for putting them into practice. Each operation also has a person appointed to this task who is responsible to the general manager of the operation for the implementation of these principles and goals.

Ethical, social, health, safety and environmental factors can represent risks to the Group's short and long-term value, as well as opportunities to enhance value that may arise from an appropriate response. The Board has established reporting structures to provide it with information on such risks and opportunities:

- Ethical, social, health, safety and environmental issues that represent significant business risk or opportunity are monitored and reported as part of the risk management process initiated following the Turnbull Report on corporate risk management, as described in the Report of the Directors – Corporate Governance Report. The risk management process adopted includes procedures for monitoring and verification of matters reported.
- Other important ethical, social, health, safety and environmental matters are reported to the Group Executive and the Group Board by the Group's Divisional Directors on a regular basis as part of their reports on operational matters.

The Group Chief Executive heads the ethical, social, health, safety and environmental function of the Board.

Report of the Directors – Corporate Governance Report

This Corporate Governance Report describes the manner in which the Company has applied the Principles of Good Governance set out in Section 1 of the Hampel Code of Corporate Governance and whether or not it has complied with the Hampel Code provisions.

In July 2003, the Financial Reporting Council issued a new Combined Code, known as the FRC Code, in response to the Higgs Review on Non-Executive Directors and the Smith Review on Audit Committees. The Company complies with the majority of its provisions, although the Board is not required to report on their compliance with the FRC Code until they report to shareholders in respect of the financial year ending 31 December 2004.

Application of the Principles

The Principles of Good Corporate Governance are detailed in the Hampel Code under four areas which have each been reviewed by the Directors and then commented upon below:

a) Directors

The Directors consider that there is in place an effective Board which leads and controls the Group with clear divisions of responsibility between running the Board and running the Group's business.

The Board is structured under a non-executive independent Chairman and currently includes three executive Directors and two other non-executive independent Directors who were selected for appointment because of their wide industrial and commercial experience. In addition, there is a Group Executive Committee, chaired by the Group Chief Executive which includes, along with the executive Directors, other key executives within the Group. Brief details of the Board are included on page 9.

The Board meets formally on a regular basis (ten times in 2003) and in addition there were three meetings of the Audit Committee in 2003, together with two meetings of the Remuneration Committee and three meetings of the Nominations Committee. Other Committees are appointed by the Board to deal with treasury matters and specific issues such as acquisitions and disposals. The minutes arising from the Committee Meetings are available to the Board.

Procedures are in place to ensure that the Directors are properly briefed so that the decisions taken by the Board are based on the fullest available information. At every Board Meeting there are reviews of operational, financial and administrative matters while social, environmental and ethical issues and other matters such as health and safety, agreement of budgets and levels of insurance cover are reviewed whenever appropriate.

There is a procedure by which all Directors can obtain independent professional advice at the Company's expense in furtherance of their duties, if required.

Nominations Committee

The Nominations Committee leads the process for Board appointments and supervises management development and succession plans. It makes recommendations to the Board on all new Board appointments. The composition of the Committee, which consists entirely of independent non-executive Directors, is shown on page 9, and its terms of reference may be found on the Company's website.