

Management of risk, health and safety and the environment

Management of the environmental impact of Group operations remains an important subject on the Group risk control agenda. In order to provide a more dedicated resource to environmental, health and safety issues, the Company established an Operational Risk Management Committee (the 'Ops RMC') during the year with the following objectives.

- To raise the level of management awareness, both at Board and operational level, and accountability for the environmental, health and safety risks experienced by the Group.
- To develop environmental, health and safety management as part of the culture of the Group.
- To provide a mechanism for environmental, health and safety management issues to be discussed and disseminated to all areas of the Group.
- To recommend adoption of best practice in the areas of environmental, health and safety.
- To develop and implement a Group-wide management system for environmental, health and safety issues.

The Ops RMC reports to the Risk Management Committee and comprises the Divisional Managing Director, Bonar Floors Division as Chairman, a senior operations manager from each Division, the Group Internal Auditor, the Group Risk Manager, and the Human Resources Director of Bonar Floors to provide expertise on HR issues.

Environmental

One of the main objectives of the Group's environmental policy is to ensure that our manufacturing operations worldwide are managed responsibly, in materially full compliance with all relevant laws and regulations, and that environmental damage or nuisance does not occur as a result of our activities. The Group continually reviews and evaluates its processes and practices and, where possible, takes action to reduce any potential impact of its operations on the environment. As a consequence of this ongoing programme of evaluation, the following action has been taken.

- A full environmental self-auditing programme, as detailed in last year's report, has now been completed Group wide and an action plan is being prepared based on the responses. However, there were no major environmental impacts identified from the environmental self-auditing programme for which adequate control measures were not already in place. The annual environmental self-auditing programme will assist the Group in its aim to continually improve its environmental procedures.
- Recycling programmes for both process and general waste are actively encouraged throughout the Group to maximise the efficient use of raw material. A number of sites across all businesses have conducted waste-stream reviews in order to minimise amounts of waste to landfill as well as identifying recycling opportunities and waste minimisation actions. The Group remains a member of the Valpak packaging scheme for its UK subsidiaries, which includes the newly acquired ADFIL business, and fully meets the requirement of the packaging waste obligations.
- The Floors Division continues to use recycled backing in part of its manufacturing process to reduce landfill requirements.
- During the year a review of substances classified as hazardous to health was undertaken at every site. This has resulted in the proper disposal of unwanted inventory, improved storage and additional controls, as appropriate. We have now embarked on a programme of assessments covering the continued use of hazardous substances with the aim of replacing these with safer alternatives where appropriate.

The Group's disaster contingency plans, which include the effective control of any potential environmental incidents, are reviewed and updated on a regular basis.

The Group retains, from the sale of its North American packaging operations in 2000, some responsibility for the remediation of known environmental contamination in the vicinity of one of the facilities in Burlington, Ontario. Further details are provided in note 27 to the accounts.

As stated in last year's report, the Group has also agreed remedial action with local environmental authorities in respect of historical gas oil pollution of the soil and groundwater at its site in Lokeren, Belgium. The contamination resulted from leakage from large gas oil tanks that were removed from the site prior to its acquisition by the Group in 1996. The cleaning programme agreed with the authorities will be completed during 2006.

Investigation of the environmental controls of businesses continues to be a part of the due diligence process of all potential acquisitions.

The Group considers environmental aspects when developing new products. The environmental properties of products we manufacture will be considered at each stage of the introduction and manufacture of new products.

Health and safety

The health and safety of our employees and others who may be affected by Group operations forms an integral part of line-management responsibility. In each location nominated personnel are identified to ensure that health and safety issues are given proper attention. The communication of health and safety matters with our employees remains key to ensuring that standards continue to improve within the Group. Management recognises the need to embed a health and safety culture across the Group and health and safety will be a topic on the agenda at this year's Senior Management Conference.

The Group seeks to operate responsibly in all areas and has formulated best practice standards covering a wide spectrum of risk control issues. The Group standards include requirements for all sites to carry out suitable risk assessments of all their activities, provide adequate training and instruction and, where possible, eliminate or minimise risk of injury. This process is ongoing and the Group will continue, via the Ops RMC, to introduce best practice standards in all areas of health and safety. Actions taken by the Ops RMC during the year include the following.

- The development and introduction of best practice standards across a range of health and safety issues such as the control of contractors, permit to work, use of internal transport and forklift trucks.
- A Group review of fire evacuation systems and procedures across all locations with compliance to best practices. Following this review, approved electrical alarm systems will be installed in our Plastics site in Holland. New fire detection and approved evacuation fire alarm systems will also be installed within our three French Plastics sites during the first quarter of 2005.

The review of accidents forms an integral part of health and safety management, with details of accidents being communicated between locations as appropriate in order that preventative action can be taken. Following a blender cleaning accident at one of our Plastics locations the operating procedures were reviewed and a safer cleaning process has been introduced at all locations.

Safety culture programmes are underway, and in Plastics France consultation with the employee works councils has resulted in the publication of employee safety information booklets.

Risk management and health and safety issues are also reviewed by a rolling programme of visits by the Group Risk Manager and insurance risk surveyors with their recommendations forming part of the internal audit reviews. The insurers and broker surveyors have visited all major sites with no additional action being recommended by the surveyors above that which has already been agreed.

Further information on how the Group manages risk is provided in the Internal control section on pages 24 and 25.