

## Management of Risk, Health and Safety and the Environment

Management of the environmental impact of the Group operations remains an important subject on the Group risk control agenda. In order to provide a more dedicated resource for the identification and effective control of environmental, health and safety issues the Company established an Operational Risk Management Committee (the "Ops RMC") during 2004 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 continue to develop and embed progressively higher 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 core Group expectations and best practices in all the areas of environmental, health and safety.
- ◆ To develop and implement a progressive Group wide management audit and control system for environmental, health and safety.

The Ops RMC reported to the Risk Management Committee (the "RMC"). Following the sale of the Plastics Division in September the Committees were merged. The new Risk Management Committee comprises the Group Chief Executive, the Group Finance Director, the Divisional Managing Directors of both Floors and Yarns & Fabrics, the Director of New Business, the Group Internal Auditor, the Group Risk Manager and Senior Operations Managers from each Division and the Company Secretary.

Throughout the year there has been a significant expansion of the basic core expectations laid down at Group level encompassing many more risk related issues for which detailed best practice guidelines have been produced.

### 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 was completed Group wide. An action plan was 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.

The self audit will be modified annually to ensure that continuous progression of standards is maintained and that emerging issues are fully addressed.

- ◆ Recycling programmes for both process and general waste are actively encouraged throughout the Group to maximise the efficient use of raw material. Many 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, 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 (and in some cases eliminate) landfill requirements.
- ◆ We are continuing to assess the use of hazardous substances with the aim of replacing these with safer alternatives where appropriate. The programme has resulted in the unnecessary use of chlorinated hydrocarbons in some cleaning procedures being eliminated.

The Group's disaster contingency plans, which include the effective control of any potential environmental incidents, are reviewed and updated on a regular basis. An ongoing process of evaluating key plant and equipment protection has been implemented.

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 30 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 by April 2006.

Investigation of the environmental controls of businesses continues to be a part of the due diligence process of all potential acquisitions, with surveys being conducted at an early stage in the assimilation of acquisitions to ensure the Group's high expectations are met.

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 was a topic at the 2005 Senior Management Conference. Employee health and safety issues have formed an increasing segment of the routine risk management audits carried out by the Group Risk Manager.

The Group seeks to operate responsibly in all areas and has formulated a series of core expectations and best practice standards covering a wide spectrum of risk control issues. The Group standards (expectations) 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 RMC, to introduce core expectations and best practices across an ever-expanding range of health and safety issues. Actions taken by the RMC during the year include the following

- ◆ Procedures and protocols for the selection and control of all contractors and service providers including basic insurance requirements.
- ◆ Review of permit to work systems and circulation of minimum standards.
- ◆ Development of industry leading procedures and training for fire fighting in rotational ovens prior to the disposal of the Plastics Division.
- ◆ Improvements in the use of internal vehicles, traffic routes and staff competence.
- ◆ Review of the Group's awareness and compliance with the requirements for improved identification and control of substances considered dangerous and/or explosive as defined under the recently introduced DSEAR (UK) and ATEX (European) regulations. (Tests commissioned by the Group have confirmed that nylon as used by the Flooring Division does not fall within the criteria of the regulations.)
- ◆ Health and safety awareness training to UK national standard has been provided to all safety committee members throughout the Floors Division with comparable training planned for overseas operations in 2006/7.

The review of accidents and incidents forms an integral part of the health and safety management with details of accidents and incidents being communicated between locations as appropriate in order that preventative action can be taken.

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 mandated by the surveyors.

The Group continues to work in partnership with both brokers and insurers' risk specialists to develop agreed steps for the continuing improvement of the potential risk controls.

Further information on how the Group manages risk is provided in the Internal Control section on page 21.