

BRITISH SAFETY COUNCIL AWARD

Tom Conde, Health and Safety Manager for Howden UK's Construction and Maintenance Division, receives a Sword of Honour from Brian Nimick, Chief Executive of the British Safety Council ('BSC'). The Sword of Honour is recognised as the most prestigious international health and safety accolade that BSC awards companies and is designed to encourage and reward organisations that work to best practice.

Inaugurated in 1979, every year only 40 swords are awarded worldwide by an independent awards panel. Receipt of the Sword is recognition that Howden UK is considered to be amongst the best global companies in terms of employee health and safety.



Approach and policies

The Board considers social, environmental and ethical matters in the context of the overall business environment and the management of them within the overall corporate governance and risk management framework (see page 47).

Charter is committed to understanding and responsibly managing significant risks to the environment and the communities in which it has a presence in those instances where it has operational control or significant influence. In such instances, the aim is for continuous improvement, driven by appropriate policies, management systems, operational performance measurement, internal reporting and assurance activities.

The Company also sees opportunities to contribute to international environmental programmes through application of its technology solutions, particularly in the areas of air pollution control and renewable energy. Howden has supplied a significant proportion of the world's installed base of air pre-heaters fitted to coal-fired utility boilers, reducing the fuel consumption of each boiler so fitted by about 10 per cent, which equates to an estimated reduction in CO₂ emissions of more than 100 million tonnes per year. ESAB is a leading supplier of cutting and welding solutions to firms engaged in the construction of wind towers.

In 2008, Charter commissioned an external study to identify the potential for strengthening management of Corporate Social Responsibility ('CSR') across its worldwide operations. In light of this project the key policy areas that provide the framework for the management of CSR, which are Environment, Health and Safety, Employment and the Code of Conduct, are currently being updated. An early initiative will be to provide improved CSR content on the Company's website, (www.charter.ie), where copies of the policies will be available in due course.

CSR governance

The core CSR policies which apply to all Charter businesses worldwide are communicated via an overall policies and procedures manual provided to the operational heads of all Charter businesses, who have responsibility for providing adequate resources to implement the policies. Operational accountability for CSR performance, in particular for ensuring policy implementation, also lies with the operational head of each unit.

CSR is considered to be an important driver of long-term sustainable business success and is being integrated within the overall risk management practices of Charter. Risks and issues relating to CSR are updated by subsidiary companies as part of their regular reviews. Progress on mitigating actions is monitored regularly. The Head of Risk Management has an overall coordinating role in areas of CSR to improve the sharing of best practice, collection of data and consistency of reporting. He is also responsible for ensuring that sections of the policies and procedures manual relating to risk management and business continuity planning are updated.

The Board and the senior management receive a monthly performance report on health and safety and environmental matters. Additionally, a formal review of major risks by the senior management (on a quarterly basis) and by the Board (every six months) takes account of ongoing and emerging CSR related risks.

Environment, Health and Safety ('EHS') Management approach

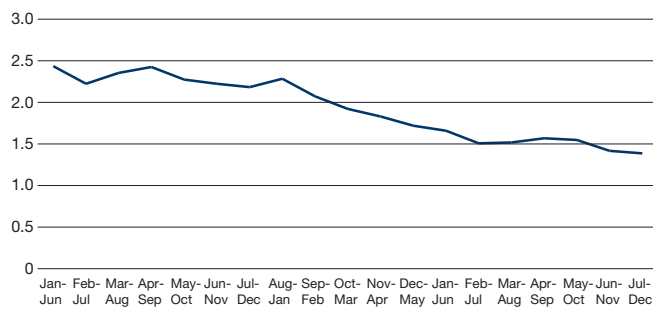
The responsibility for EHS issues follows the general management organisation structure. This means that local line management at each Charter business has primary responsibility for:

- compliance with local regulatory requirements;
- following Charter policies and procedures;
- implementing standards issued by ESAB or Howden;
- assessing and managing operational EHS risks; and
- implementing management systems and driving continuous improvement.

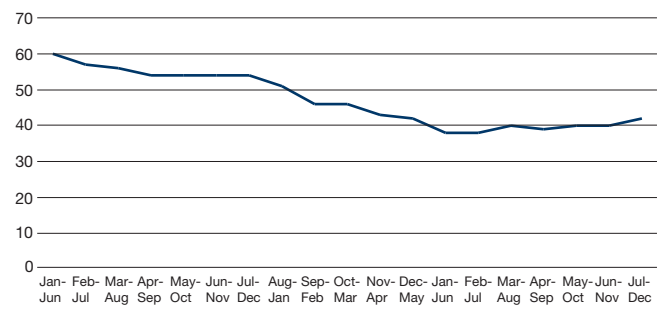
In 2008, a new EHS policy was developed for adoption in early 2009, under which safety performance became a factor taken into account in evaluating the performance of senior managers.

The Board and the senior management receive a monthly summary of EHS performance worldwide, which highlights lost time injuries and days away from work, and also reports the number of near misses, progress during the month on key activities and plans for the next quarter. This enables issues most relevant to the business to be identified and resources to be focused on any key areas identified.

LOST TIME INJURY FREQUENCY RATE – 6-MONTH ROLLING AVERAGE



LOST DAYS SEVERITY RATE – 6-MONTH ROLLING AVERAGE



Resources

EHS management resources were strengthened further in 2008 with additional central resources and the ongoing reinforcement of operational capabilities as required through additional recruits and skills training.

EHS conferences were run in each business with representatives taking part from all sites. ESAB held an EHS conference in India, attended by 44 EHS personnel from nineteen countries and Howden ran a two-day event in Edinburgh attended by 15 EHS personnel from nine countries.

EHS management systems

Charter requires that all of its operating sites use EHS management systems to implement policies and drive performance improvement. Newly acquired businesses are required to put in place an EHS management system as soon as possible as part of the integration process.

Certification of EHS management systems is a priority as it provides a high level of assurance that the systems being implemented are of an appropriate standard. Significant progress has been made in achieving this objective in recent years. ESAB gained worldwide certification by the end of 2007, which in 2008 was successfully extended to include ESAB India and other sites acquired in 2007. An objective for 2009 is to extend the certification to include the Romar automation business, which was acquired during 2008.

Howden has continued to make progress in 2008 with the certification of management systems at various of its manufacturing locations, including certification to OHSAS 18001 at seven sites and to ISO 14001 at six sites during the year. One site passed its pre-certification OHSAS 18001 audit in December 2008 and will receive its certificate in March 2009. This leaves three manufacturing sites, including the recent acquisition of Aeolus in Brazil, to be certified to OHSAS 18001. Certification to SCC (Safety Checklist for Contractors) is in place at Hengelo in Netherlands and Coswig in Germany. In addition to ESAB group certification audits, trained internal personnel undertake internal audits of ESAB sites to ensure compliance with policies and that remedial actions are taken to correct any audit findings. 24 audits were completed in 2008, representing 57 per cent of all ESAB operating units. In Howden, certified sites are independently reviewed as part of the re-certification process.

EHS regulatory issues

During 2008, there were no reported regulatory actions, fines or penalties.

Pre-registration under REACH (EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals) was completed by 30 November 2008. Pre-registration allows Charter to benefit from phased-in deadlines for final registration of qualifying substances starting in December 2010. Charter has been preparing to participate in Substance Information Exchange Forums ('SIEFs') as required. So far no major impact on any of the businesses has been identified.

The Company is currently evaluating the implications, if any, of the UK Government's new legally binding climate change and energy saving scheme called the Carbon Reduction Commitment.

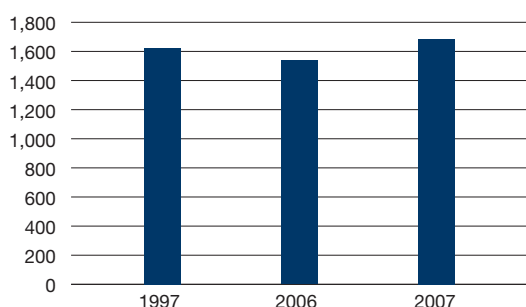
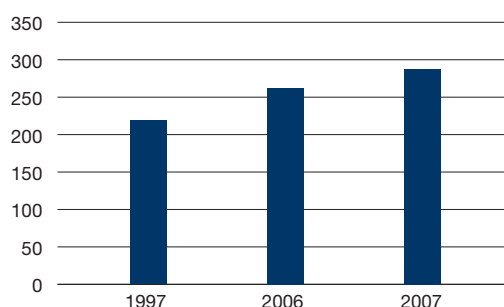
Safety performance

It is pleasing to record that no fatalities occurred in 2008 (including on-site contractors).

In 2008, in order to improve the comparability of data, the Charter safety performance indicators were adjusted to exclude restricted duty injuries and restricted days, making them more comparable with those of other companies. The indicators now reflect any injury that results in days away from work and the total number of days away ('LDSR'), capped at 180 days per injury as per OSHA reporting requirements.

Charter's target for safety is zero lost time injuries. Progress towards this is monitored by tracking the lost time frequency rate, expressed as the number of lost time injuries per 200,000 hours worked ('LTIFR'). In 2008, LTIFR was 1.53, around a third less than 2007. The number of days away from work per 200,000 hours worked was reduced by 30 per cent from 57 in 2007 to 40 in 2008. These numbers include ESAB India and the other businesses acquired in 2007. The total number of hours worked in 2008 was 26 million compared to 20 million in 2007.

In 2008, the total number of first aid injuries and near misses reported was recorded. A first aid injury is any minor injury that does not require medical care other than by a trained first aider. A total of over 3,200 such incidents were recorded in 2008. Correcting unsafe conditions before they result in serious injuries is an important part of the management system and so the target is to increase the reporting of near misses and unsafe conditions by at least 20 per cent in 2009.

TOTAL ENERGY IN GJ ('000)**TOTAL GREENHOUSE GASES IN CO₂ EQUIVALENTS IN METRIC TONNES ('000)****Environmental performance**

In selecting its performance indicators for environmental impact, Charter has taken into account government guidelines and the worldwide concerns over climate change and water scarcity. As a result, Charter has selected as performance indicators the reduction of direct and indirect energy usage, water consumption and waste transferred to landfill. Focusing on these performance indicators is also expected to drive efficiency gains and cost savings and will be integrated with the introduction of Lean Manufacturing processes.

The graphs on pages 34 and 35 show totals of energy consumption, greenhouse gas emissions, water consumption and total waste to landfill for 1997, 2006 and 2007 for all ESAB production sites. These totals do not include acquisitions made during 2007 but have not been adjusted for changes in the business as a result of new sites constructed, disposals, site closures or production line transfers. More detailed information will be available on the website shortly, including ESAB data for 2008 after it has been validated.

During the period 2006 to 2007, ESAB's revenue increased by 17.2 per cent with production capacity in consumables growing by almost 15 per cent. With such growth it is not surprising that all the KPIs show an increase, but most are less than the increase in revenue and production. Energy usage increased by 9.5 per cent whilst the rate of increase in greenhouse gases was higher at 10.2 per cent, reflecting the new consumables site in China where a high proportion of electricity is generated from coal.

Waste to landfill increased by 14.5 per cent. There was a good performance in ESAB's water consumption with the total reducing by 4.1 per cent. Howden performance data for 2007 and 2008 is being collected and will be reported on the website after consolidation.

The following additional targets have been set for reducing the energy intensity of Charter's businesses, as measured in March 2010 compared to March 2009:

- 10 per cent reduction in energy consumed per tonne of welding consumables manufactured by ESAB;
- 5 per cent reduction in energy consumed per unit of sales from other ESAB manufacturing sites; and
- 5 per cent reduction in energy consumed per production hour at Howden manufacturing sites.

Employment**Human resource management**

Retaining key employees and recruiting and training new employees with requisite skills is vital to the continuing success of Charter's businesses. In 2009, key goals for human resource management will be managing and developing existing talent worldwide, succession planning and more consistent and rigorous performance appraisal systems, which will include increased emphasis on CSR objectives.

Employee numbers

During 2008, the average number of employees increased from 11,240 to 13,279. As at 31 December 2008, the total number of employees was 13,364, compared with 12,180 at 31 December 2007. During the year, employees were recruited for two new ESAB factories in China. As a consequence of a fall in demand for ESAB products in the fourth quarter of 2008, reductions in manned capacity were implemented throughout ESAB's business which is expected to result in 940 employees leaving by 31 March 2009, of whom 635 had left by 31 December 2008.

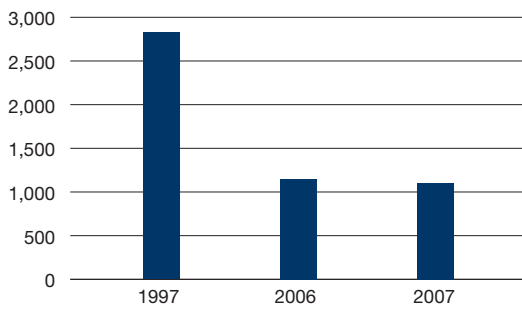
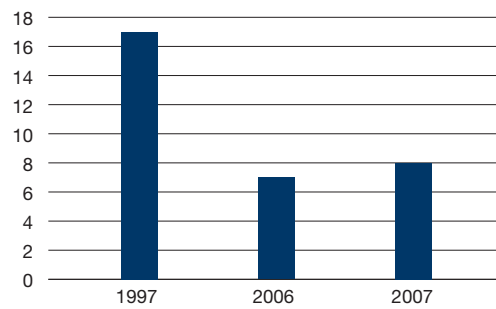
Equal opportunities

Charter recognises and values diversity in the workforce and all recruitment, selection and promotion is on the basis of individuals' qualifications, skills, experience and merit. No reports have been received of any breaches of anti-discrimination laws in all relevant jurisdictions concerning matters of gender, ethnic origin, age, religion, sexual orientation, or disability.

Training and development of employees

Charter businesses invest in employees' skills and capabilities through a variety of programmes, including training and succession planning. There is continuing investment in developing skills as shown by the ongoing investment in Lean Manufacturing training across both ESAB and Howden. In 2008, seventeen training sessions were completed, with 214 participants from 21 countries.

ESAB has continued with its Henley Leadership programme and during 2008 a further nine individuals completed the programme. In 2009 ESAB will begin to identify its Leadership Talent, utilising its present performance review systems and additional testing. This population will be eligible to attend the Senior Leadership programmes being run in 2009.

TOTAL WATER USED IN METRIC TONNES ('000)**TOTAL WASTE TO LANDFILL IN METRIC TONNES ('000)**

In 2008 a global e-learning pilot was launched by ESAB for 200 individuals across Europe, Asia and the Middle East. The SkillPort web engine from SkillSoft was selected and the pilot ran from September 2008 to January 2009. Within this period over 240 hours of e-learning was logged on the system. ESAB is looking at continuing its use of SkillPort in 2009.

Howden has an ongoing requirement for additional engineers with the required level of expertise in its products and industries to assist it in achieving its worldwide growth aspirations. To respond to this, in 2008, Howden set up the Howden Academy, an in-house training school for engineers new to the company intended to deliver focused training on products and applications. Two three-week courses were held in 2008, with 97 participants from 13 countries. The courses included a module on EHS and Howden intends to introduce more CSR content in 2009.

Employee relations and communications

ESAB is continuously seeking to improve communications with its employees. During 2008, ESAB continued with 'Let's Talk' and 'The Wire', and introduced monthly employee briefings which focus on updating senior management on current issues facing the business for dissemination down throughout the organisation.

Howden continues to produce the 'Team Brief' every two months and a group newsletter every six months. Works councils and other consultative bodies are also used to provide information to employees. In the UK, all Howden employees had the opportunity to participate in a workplace organisation assessment. Actions have been put in place to address key areas of concern highlighted by the assessment.

Sub-contractors and suppliers

ESAB and Howden's relationships with sub-contractors and suppliers create potential risks in their supply chains associated with a range of CSR aspects related to such issues as mineral extraction, manufacturing, employment, the environment and business ethics.

ESAB has a Code of Ethics for purchasing and, in relation to certain criteria not covered by this Code, has in place a self-assessment procedure through which some 1,500 suppliers have been surveyed since 1997. A list of banned and hazardous substances has also been circulated and is monitored regularly. Auditing and other tools for managing supply chain CSR risks and obtaining assurance are being reviewed for possible future use.

Howden does not yet have a formal programme for surveying or auditing its suppliers against environmental or social criteria; however, this is being reviewed and an approach will be formalised in 2009.

Code of Conduct

Charter's Code of Conduct provides the framework for the behaviour expected of all employees in conducting themselves, whatever their role and wherever they are located. It is the responsibility of all Charter businesses and employees to ensure the Code is followed and that all supporting policies and procedures are complied with. As part of the Code of Conduct, Charter operates a whistleblowing policy. During 2008, nine disclosures were made, all of which were thoroughly investigated. No substance to the allegations was found in four of the cases. In another four either final warnings were given or employees were dismissed. One case is still under investigation but no evidence of wrongdoing by Charter employees has so far been identified.

Communities

Many Charter businesses support local charities through fundraising or other forms of assistance. In addition, local voluntary initiatives and community investment serve to build stakeholder relations and enhance reputations as a good employer and 'corporate citizen'. Examples will be published on the website.