



ESAB Brazil has had a long association with the communities it serves. Programmes to support health, children, the disabled and local events have been a long-standing feature in the company calendar. These events are not just for the community outside the company; ESAB includes employees and their families. ESAB's environment, health and safety material and publicity have a common theme: "good for you, good for your family, good for the company." One such programme has been the Cidades da Solda (Welding Cities) Project, which is an initiative that trains youths in social risk situations as welders. Supported by ESAB, Cidades da Solda now has seven units and has successfully trained hundreds of welders.

## Approach and governance

The Board considers social, environmental and ethical matters in the context of the overall business environment. Charter is committed to understanding and responsibly managing significant risks to the environment and the communities in which it has a presence and where it has operational control or significant influence. They are managed as part of the overall corporate governance and risk management framework. Our policies and management approach can be seen in the Corporate Responsibility ('CR') section of our website, [www.charter.ie](http://www.charter.ie).

The operational heads of all Charter businesses have responsibility for implementing the policies and are accountable for CR performance. CR is being integrated within our overall risk management practices. The Head of Risk Management has an overall co-ordinating role in areas of CR to improve the sharing of best practice, collection of data and consistency of reporting.

The Board and the senior management receive a monthly performance report on environmental and health and safety ('EHS') performance. Formal reviews of major risks are undertaken by senior management (quarterly) and by the Board (every six months).

## Environmental, health and safety Management approach

In 2009, a new EHS policy was formally adopted by the Board, signed by the Chief Executive and distributed to all businesses. Also new Charter travel guidelines were approved, covering health, safety and security.

The Board and the senior management receive a monthly summary of EHS performance worldwide, presenting lost time injury cases, results of the incident analysis and key corrective actions taken. It also reports the number of near misses, progress on key activities and plans for the next quarter, enabling issues most relevant to the business to be prioritised and resources to be focused.

## Resources and training

EHS management resources were strengthened further in 2009 with additional central resources and reinforcement of operational capabilities through additional recruits and skills training. The ESAB Director of EHS is now also

responsible for Quality, which reflects our belief that these two areas complement each other as part of our corporate responsibility. Howden has appointed a full-time EHS professional for Africa and also for its Aeolus plant in Brazil.

An EHS conference was held in North America with representatives from all ESAB and Howden sites. A 3.5-day Howden EHS conference was run in Spain for all managers worldwide. The Howden Academy now runs two modules dedicated to EHS and global training schemes for all units are being planned for 2010.

Approximately £0.7 million was spent by Howden on EHS improvement projects in 2009.

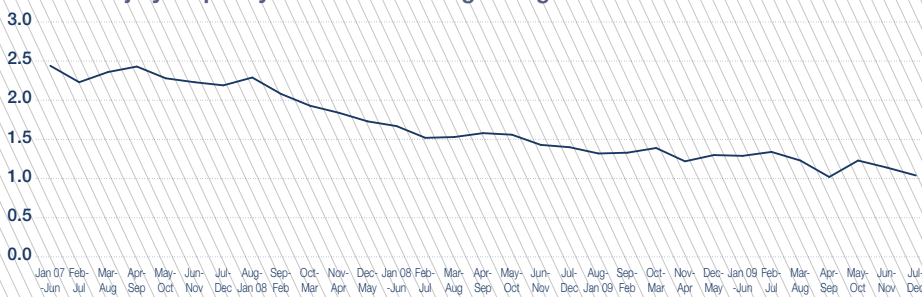
## EHS management systems

Charter aims for all operating sites to implement certified EHS management systems and significant progress has been made in recent years. In 2008 ESAB became the first international company to be jointly certified to ISO 14001 and OHSAS 18001 for the entire organisation. In 2009 this was extended to include the Romar automation business, acquired in 2008, with factories in Singapore and China. An ESAB energy management system will be developed in 2010 and incorporated into the existing EHS management system.

Additionally, trained internal personnel audit ESAB sites annually to assess compliance with policies and to monitor progress with improvement action plans. 41 audits were completed in 2009, representing 87 per cent of all ESAB operating units (2008: 24 out of 43).

Howden has continued to make progress in 2009 with ISO 14001 certification, with five more manufacturing sites completing the process, and two more sites achieving OHSAS 18001 certification. Certified sites are independently reviewed as part of the re-certification process. It is planned to complete certification to ISO 14001 and OHSAS 18001 at all manufacturing sites during 2010. Howden UK's Construction and Maintenance Division retained its British Safety Council 5-Star rating with an improved score and was, once again, awarded a Sword of Honour. Howden has also made progress with the roll-out of a web-based EHS management and reporting system.

### Lost time injury frequency rate 6-month rolling average



#### EHS regulatory issues

During 2009, there were no environmental releases reported. Howden's operation in Mexico City, Buffalo Forge SA, paid a fine of £1,700 following an audit by PROFEPA in September 2005. No other regulatory actions, fines or penalties were reported.

Pre-registration under REACH (EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals) was completed by 30 November 2008. Charter has been preparing to participate in Substance Information Exchange Forums ('SIEFs') as required. ESAB has been revising product warning labels and safety information sheets to prepare for REACH compliance.

Howden has retained consultants to help develop a programme to comply with the UK's new, legally binding, climate change and energy-saving scheme, the Carbon Reduction Commitment, where Charter will be a full participant.

#### Safety performance

Charter operates in heavy engineering environments where there is considerable inherent risk and we recognise the need to adopt best practice safety management across all our operations.

We are pleased to report that no fatalities occurred in 2009 (including on-site contractors). Nevertheless, we regret that during the year we recorded six amputations, all involving fingers, five to employees and one to a contractor. These incidents are considered unacceptable and we have placed the highest priority on investigating the root causes and implementing corrective action plans in each case.

In 2009, the Lost Time Injury Frequency Rate (LTIFR) was 1.17, around 24 per cent less than in 2008, and 50 per cent less than in 2007. The number of days away from work per 200,000 hours worked was reduced by 26 per cent from 40 in 2008 to 29.5 in 2009. These numbers include acquisitions. The total number of hours worked in 2009 was 24.5 million compared to 26.1 million in 2008, a reduction of 6 per cent.

In 2008 and 2009, the total numbers of near misses were recorded. Just under 3,400 such

incidents were recorded in 2009, an increase of 76 per cent from 2008. This reflects our effort to identify and correct hazardous situations before they can lead to a more serious injury. We continue to eliminate the root causes through use of hazard and risk assessment tools.

Correcting unsafe conditions before they result in injuries is also an important part of our approach. In the last quarter of 2008, ESAB started recording reports of unsafe conditions centrally, and during 2009 over 3,000 were logged. This has contributed to a progressive fall in both the number of injuries, and also the severity of these injuries.

#### Health

To respond to the H1N1 flu virus, the business continuity plan was implemented, with Charter's crisis management team monitoring developments and issuing frequent communications. This ensured appropriate actions were taken at all businesses and continue to be taken.

#### Environmental performance

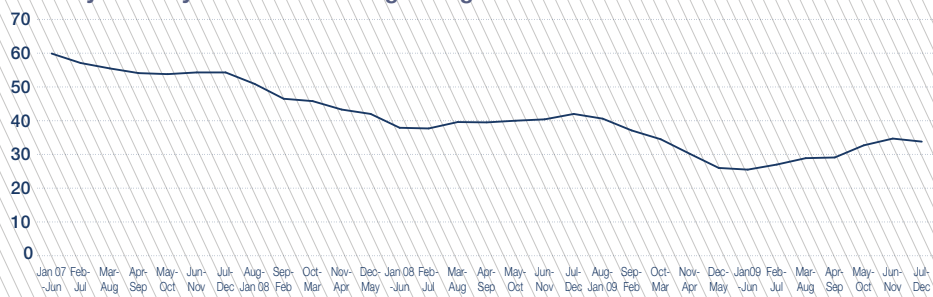
On the basis of UK government guidelines and the challenges of climate change and water scarcity, Charter has selected as environmental KPIs the reduction of direct and indirect energy usage, water consumption and waste transferred to landfill. This focus, which is integrated with the Lean Manufacturing initiative, is also expected to drive efficiency gains and cost savings.

Due to reporting deadlines, the latest annual environmental data available is for 2008. This relates to a year where production volumes in ESAB were at their highest ever levels. Data for 2009 is expected to be available in the second quarter when it will be added to the Company's website.

Between 2007 and 2008, ESAB's consumables production and revenue both increased by 16.9 per cent; not surprisingly, all of ESAB's environmental KPIs also showed an increase. However, all KPIs reflect improvements in eco-efficiency when compared with the increase in revenue and production.

- Energy usage increased by 7.6 per cent (from 1,408,787 GJ to 1,516,299 GJ) whilst greenhouse gas emissions increased by 8.9 per cent (from 281,629 TCO<sub>2</sub>eq to

Lost days severity rate 6-month rolling average



306,587 TCO<sub>2</sub>eq). This reflects the increase in consumables production now in countries where a higher proportion of electricity is generated from fossil fuels, for example China and Poland. However, considering the increase in revenue, the business was more energy-efficient in 2008, resulting in an 8.0 per cent fall in energy consumed and a 7.0 per cent fall in CO<sub>2</sub>eq emissions per £million of revenue generated.

In April 2009, ESAB set a 12-month target to reduce energy consumption at each site by 10 per cent per tonne of consumables manufactured and by 5 per cent in its equipment factories and offices. A detailed blueprint for achieving best practice has been drawn up and communicated to factories. Each unit reports its energy usage monthly and also shares best practices with other sites. There are now 529 live projects.

- ESAB's waste to landfill increased by 8.8 per cent (from 8,694 tonnes to 9,460 tonnes) but, per £million of revenue, it fell by 6.9 per cent. This figure includes waste from a major project at the Monterrey site in Mexico that resulted in an additional 650 tonnes of waste to landfill in 2008.
- The consumption of water increased only insignificantly, from 1,248,292 cubic metres to 1,252,575 cubic metres, and the total per £million of revenue fell by 14.2 per cent.

Data for Howden has been collected for 2007 and 2008.

- Energy use increased by 12 per cent (from 118,919 GJ to 133,075 GJ) whilst greenhouse gas emissions increased by 8.9 per cent (from 17,660 TCO<sub>2</sub>eq to 19,233 TCO<sub>2</sub>eq). Considering the increase in revenue, Howden's energy efficiency improved, with a reduction of 14.3 per cent in energy consumed per £million of revenue and a corresponding 16.6 per cent fall in CO<sub>2</sub>eq;
- Howden's waste to landfill increased by 33.8 per cent (from 512 metric tonnes to 685 tonnes), equivalent to a 3.0 per cent increase per £million of revenue. The main reason for this increase was a manufacturing process change that resulted in an unusually high level of scrap;

- Water use increased by 1.4 per cent (from 62,742 metric tonnes to 63,606 metric tonnes) but, per £million of revenue, it fell by 22.4 per cent.

Howden has set a target for reducing the energy used by Howden's manufacturing sites by 5 per cent between March 2009 and March 2010. To provide an improved measure of manufacturing efficiency this will be normalised using production hours rather than overall revenue.

### Quality and product integrity

ESAB products are used in a wide variety of engineering structures across the world, requiring the highest levels of technology and manufacturing precision to provide assurance of weld integrity. In addition to our internal quality management, all of our products are tested routinely by external laboratories to provide the highest possible level of confidence.

ESAB is committed to objective disclosure on the quality and safety of our products, including real or perceived hazards relating to substances in the product, the product itself, or product use. Comprehensive safety data sheets have been compiled for every consumable product and are available online in 21 languages. They include advice on minimising impacts relating to product use and disposal.

The need for low-energy designs by our customers has led to the use of ever lighter materials, demanding more sophisticated welding techniques.

In 2009 ESAB's quality management team was strengthened with the appointment of a group quality director who will be implementing global standards to ensure that our products continue to meet the high specifications demanded by our markets.

### Employment

#### Human resource ('HR') management

Charter, ESAB and Howden have a clear, three-year 'roadmap' for human resource development. The 2008-2011 plan is to take the 'HR' function away from traditional, reactive activities to one that delivers tangible business value.



In August 2009 Howden Africa Holdings Limited, in partnership with electricity providers Eskom, awarded a grant of R100,000 to the Kwazamokuhle Secondary School at Hendrina in Mpumalanga to establish a science laboratory at the school. A Corporate Social Investment ('CSI') committee was also appointed and to date has presented more than R200,000 in financial assistance to causes located near Howden's Booysens factory, South Africa. The principal long-term beneficiaries of Howden's programme include Cotlands, St Mary's Orphanage and Girls & Boys Town, the Viva English Project at Mount Pleasant School in Port Elizabeth and Nita Taljaard, Howden's beneficiary at United Cerebral Palsy.

The Group's key 2009 goals for human resource management were managing and developing our existing talent worldwide, succession planning and more consistent and rigorous performance appraisal systems, including increased emphasis on CR objectives.

We have retained these priorities whilst, in the face of a major downturn, also prioritising a responsible redundancy programme. Our approach has involved a combination of short-term working options, clear redundancy selection frameworks, appropriate compensation packages, clear communications, engagement with unions and government officials and outplacement counselling. This approach not only respects those affected but maintains the respect and trust of our retained employees.

To support our drive for more proactive HR management, our Group head of HR is also a Director of Charter Limited. We recruited a new head of HR for ESAB North America and strengthened HR capability supporting our global lines of business. The Howden global HR group, set up in 2008, has now identified 14 projects to be completed over five years, focusing on skills, development and retention. A new Howden HR information system was implemented in 2009, allowing the recording of employee details in seven languages in 17 countries and a similar system is to follow in ESAB. This aids legal compliance with equality laws, for example relating to ethnic origin in South Africa.

#### Employee numbers

Employee numbers at the end of 2009 were 11,982 (2008: 13,364). As a consequence of a fall in demand, reductions in manned capacity were implemented throughout ESAB's businesses, and through the calendar year of 2009 more than 1,200 jobs ceased taking ESAB's total reduction from autumn 2008 to December 2009 to 1,641. Howden has benefited to some degree from its backlog of orders, however, due to cost reduction requirements it was necessary to make approximately 270 people redundant in 2009.

#### Equal opportunities

Charter recognises and values diversity in the workforce and all recruitment, selection and promotion is on the basis of individual qualifications, skills, experience and merit.

Our equal opportunities policy was re-communicated in ESAB in 2009.

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

Recruitment, performance appraisal and reward processes have been enhanced across the Group. Through linking various processes together, such as the objectives planning process to that of budgeting and reporting, performance is being increasingly linked to reward. Talent management is linked to executive education, coaching and succession. This linkage of professional recruitment, performance management and reward directly supports the Company strategy of professional competence, excellence and customer focus. In order for ESAB to become the clients' preferred partner and to be seen as 'The Welding Authority', the aim of the HR function is to enable better solutions for customers by means of superior people performance. Likewise Howden has used this HR philosophy to support its five-year strategic plan.

Charter businesses invest in employee skills and capabilities through a variety of programmes, including training and succession planning. The Charter Manual is being updated to clarify line managers' responsibilities for managing their people and the Group continues to invest in developing skills across both ESAB and Howden, for example through the Lean Manufacturing programme. Two 'boot camps' have been run in ESAB to train lean practitioners each of 10 days' duration. During 2009, approximately 80 Howden managers from nine countries have participated in the Unipart Lean Leadership Training programme, with an additional 12 delegates from seven countries attending a 'boot camp'.

#### ESAB training

In 2009 ESAB made progress with its Leadership Development Programme. This programme involves 220 people worldwide who have been selected to join three talent groups: leadership talent, developing talent and technical talent. The programme has established an online community that can access a growing library of articles matching MBA standards and which can

contribute via a collaborative software system. This programme is seen as critical to the Company's sustainable development by harnessing and developing its core talent.

The ESAB University was launched, focusing on a number of learning themes and workstreams. This was accompanied by the roll-out of a global e-learning capability, extending the previous year's pilot to North America. 750 individuals across Europe, Asia, the Middle East and North America now use the SkillPort web system and more than 1,000 hours of training have already been delivered. Within ESAB University, a two-week residential leadership development programme was run with delegates from 13 countries spanning the Americas, Europe, the Middle East, South East Asia and China. The faculty included Charter Executive Directors including the Chief Executive, who led a session on EHS.

2009 has also seen the delivery of an awareness programme on diversity and inclusion. This aims to create a more culturally aware cadre of managers and to guide executives around the world on how to be more successful in regional businesses. Executive Directors of Charter, Department Heads of Charter and senior ESAB managers received a briefing on equal opportunities and employment law.

#### **Howden training**

Howden held an HR conference in Spain in September 2009, focusing on training for global HR staff, including training on psychometric profiling. The conference also looked at developing plans to support the business in managing through an economic downturn.

Howden piloted a global management development programme in 2009, involving 12 managers and covering a range of topics including recruitment, communications, performance management and leadership. Five more courses are planned for 2010, which will be extended to include EHS, and the goal is for all managers of people (385) to attend the programme over a three-year period.

A core talent and succession management programme has also been continued in 2009. The programme, which dovetails performance appraisals into talent development and

succession management, has achieved 100 per cent coverage of the 157 senior managers identified for participation.

The Howden Academy has continued in 2009; four cohorts have now been run, each lasting three weeks. Approximately 200 new engineers from 14 countries have attended the Howden Academy over the 1.5 years since starting in July 2008, with more than 90 per cent of the engineers' managers confirming an acceleration in productivity and effectiveness as a result of training received. The Howden Academy's success has been recognised by a number of awards, including the Glasgow Business Award for Excellence in Skills and Learning and the UK CBI Human Capital award for Education Skills and Leadership. In 2010 the Howden Academy will be made available to employees online, using e-learning modules. The course will also be developed further to include additional product ranges.

Media training has been provided for the Howden Board and Senior Executives and a coaching programme was delivered to develop those senior managers identified as potential leaders.

#### **Employee communications**

ESAB is continuously seeking to improve communications with its employees. During 2009, ESAB continued with its in-house magazine 'Let's Talk', and the monthly Cascade. The Cascade communicates key messages through the management chain with local content added. The Cascade brief is posted on ESAB's intranet to ensure the fullest coverage. Key messages show frequent links to other business initiatives such as environment, health and safety performance, the Lean Programme, objective setting, performance management and organisation development. Increasingly, the intranet is used as a source of information and education, including portals for specialist knowledge and online learning.

Howden continues to produce the 'Team Brief' every two months and a group newsletter every six months. Works councils and other consultative bodies continue to be used for two-way constructive dialogue and consultation on decisions affecting people at work.

### 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 CR issues linked, for example, to mineral extraction, manufacturing, employment, the environment and business ethics.

We aim to work with product suppliers that meet our own standards of safety, environmental and quality management. ESAB has a Code of Ethics for purchasing and has in place a self-assessment procedure through which about 1,500 suppliers have been surveyed since 1997; non-conformances are addressed by the ESAB local business units. A list of banned and hazardous substances has also been circulated to suppliers and is monitored regularly.

From 2009, the self-assessment programme is being strengthened with the introduction of on-site environmental, health, safety and quality audits for finished goods suppliers. All new finished goods suppliers will be audited and we will also systematically cover the existing supply base.

Howden has implemented, group-wide, a formal vendor audit process, which includes ensuring the Charter Code of Conduct is followed.

### 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 and all supporting policies and procedures are complied with.

As part of the Code of Conduct, Charter operates a whistleblowing policy which was re-issued in 2009. 20 events involving allegations of fraud, theft or other possible breaches of the Code of Conduct were investigated in 2009. 13 resulted in dismissals, two led to resignations, four required no further action and one is still under investigation.

### 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 our reputation as an employer of choice and a good 'corporate citizen'. Details of charitable donations are reported on page 46.