

# Corporate social responsibility

**OUR COMMITMENT** ELECTRICITY IS A UNIQUE PRODUCT THAT HAS THE POWER TO ENHANCE THE QUALITY OF LIFE FOR PEOPLE THROUGHOUT THE WORLD. WITH THIS POWER COMES RESPONSIBILITY. FOR A WHOLESALE ELECTRICITY GENERATING COMPANY, IT MEANS PROTECTING OUR EMPLOYEES, THE ENVIRONMENT AND THE HOST COMMUNITIES WHO TRUST US TO DO OUR JOB SAFELY, COMPETENTLY AND EFFICIENTLY.

Corporate social responsibility (CSR) is not a new concept. Each one of our power stations and business units has, in the past, been empowered to work in line with their own business plans and targets, local and national regulatory systems for the welfare of their employees and in harmony with the communities in which they operate. They were given the freedom to be entrepreneurial and dynamic, which we believed vital in growing a new and vibrant business like International Power.

Now we have taken stock and analysed what is best within the Company. We are sharing the knowledge residing in our assets, much of it acquired from our heritage in the power sector. We are drawing together many different initiatives and individual examples of good practice into a cohesive process. This is a significant task in a Company with a range of assets spanning 12 different countries. However, through this process we expect to improve our CSR performance.

As well as taking a new, hard look at the way we operate, we are also conscious that we have to satisfy the outside world's increasing interest in our affairs.

CSR provides a coherent, coordinated and convenient matrix for appraising our values, policies, strategies and practices. It helps us assess how we are performing. It highlights where we need to align our approach. It shows us where we need to give extra support. In time, it will deliver our commitment through measurable improvements. And it will progressively allow our

achievements as a sharper, sleeker, well-organised Company to be benchmarked against other industries and other players in the power sector. Such increased transparency will, in turn, increase stakeholder confidence in everything that we do.

## Translating words into action

In 2003, the International Power Board of Directors approved a new set of principles for the Company, which we call FIRST:

- F** Fiscal discipline
- I** Integrity of communication
- R** Respect for the individual
- S** Substance with style
- T** Team-first culture.

FIRST is translated into direct action through a Code of Business Conduct. This covers the environment, health and safety, equal opportunities, procurement, ethical business practices, conduct in the community and charitable contributions (our website – [www.ipplc.com](http://www.ipplc.com) – sets these policies out in detail). Line managers will put the policies into practice and monitor performance. The Board will, in turn, review the effectiveness of these arrangements each year.



Left: Children from Loughborough Primary School and their mentors on the London Eye

A target was set in 2002 to incorporate CSR into our internal audit programmes. Health, safety and environmental issues are now fully integrated into the scope of our audits. In 2003, we developed a methodology for including community and employee issues which will be implemented in 2004.

Integrating CSR issues into our day-to-day business practice is part of the story. In 2003, we demonstrated our commitment to raise standards by taking part, with other leading companies, in the following initiatives:

- For the second year we are participating in the UK-based Business in the Community (BITC) Corporate Responsibility Survey.
- As a member of the London Accord, we took part in the Right to Read campaign in conjunction with local education authorities.
- As a member of the UK Emissions Trading Group, we are advising the UK Department of Environment, Food and Rural Affairs on the implementation of the EU Emissions Trading Directive.

It is satisfying when our efforts are recognised. In 2003, our Pego plant in Portugal was acknowledged by *Exame* magazine as one of the most socially responsible in the country. Our Hays plant in the US won the 2003 Water Efficiency Achievement Award from the City of San Marcos. Our HUBCO plant in Pakistan won an award for the most Environmentally Friendly Organisation 2002 from a panel of non-government organisations and regulatory bodies.

Both Rugeley and Deeside, in the UK, have retained their 'Investors in People' accreditation to the year 2005.

### A management system approach

All of our power stations have formal health, safety and environmental (HSE) management systems, operating to the principles of recognised international or national standards. These systems ensure that our stations not only operate in line with official regulations, International Power policies and Company standards, but also that they continue to improve their CSR performance wherever practicable.

In order that these systems are developed and maintained to the highest standards we encourage our stations to implement management systems which are certified to international or recognised national standards. For 2003 we set a corporate target to promote this process and our progress can be seen in the table opposite.

In 2003, a Health, Safety and Environment Committee (HSEC) was established to strengthen the management of HSE risks. The Committee is chaired by the head of Operations and Engineering and includes representatives from all the regions in which we operate. The Committee met on three occasions in 2003 and provided reports to the Board. The HSEC has already proved to be an effective mechanism for promoting best practice across the Company.

## Back to school

Thirty of International Power's head office staff in London have gone back to the classroom. Each week, they help children at a local primary school to improve their reading. Through regular contact with an individual 'mentor', the children (aged 7 to 8 years) have steadily become more confident and fluent with this essential skill. Their efforts were rewarded when a recent government education inspection officially up-rated the progress of Loughborough Primary School.

To further boost the Company's reading improvement initiatives, UK staff have raised money by raffle (matched by International Power's Charities and Donations Committee). Half of the £2,830 total has been earmarked for books for Loughborough Primary School. The remainder will benefit the Citizens Foundation's sponsored school in Pakistan.

### 2003 Targets

### 2003 Progress

Encourage all assets to operate to ISO 14001 (the international environmental management system standard).

All of our assets worldwide operate formal HSE management systems. To date, nine have been certified to ISO 14001. The remainder have formal targets in their 2004 business plans to achieve certification.

Encourage all assets to operate certified health and safety and quality management systems.

In addition, four of our assets have health and safety management systems certified to recognised international or national standards (i.e. OHSAS 18001). A further three have formal targets in their 2004 business plans to achieve certification.

Three of our assets have quality management systems certified to ISO 9000 (the international quality management system standard). A further three have formal targets in their 2004 business plans to achieve certification.

### Minimising environmental impact

When generating electricity, the key environmental impacts are emissions to air, water and land. These are subject to strictly defined official limits which may vary from country to country, or by region.

Wherever possible we try to improve our performance by going beyond regulatory requirements. However, when generating electricity in bulk, as with any other industrial process, there is always a small risk of an incident occurring. During 2003, across all of our stations, we reported three occasions where we did not comply with permit levels. Such incidents are investigated fully in conjunction with regulatory authorities and

measures are implemented to prevent re-occurrence. Because of their minor nature none of these incidents resulted in regulatory action.

We recognise climate change as a major issue, where International Power has an important part to play in reducing its emissions of carbon dioxide (CO<sub>2</sub>). Our strategy has two main elements: our drive to operate assets more efficiently in order to minimise emissions of CO<sub>2</sub>, and to seek viable opportunities for the use of renewables in our generation portfolio.

A key measure of our performance is the amount of CO<sub>2</sub> emitted for each kilowatt-hour of electricity generated. In 2003 the figure fell from 0.82 kilograms

### Putting road safety first

In a continuing effort to improve safety on the roads, Hazelwood Power in Australia sponsors the local Children's Traffic School.

The school is the only one of its type in the area. Local schools use it for their bike education and road safety programmes. It provides a safe learning environment for children of all ages. Parents are encouraged to learn the same skills as the children – use of safety equipment and respect for all road users – to reinforce road safety messages.

The school has become a popular venue for children's birthday parties, making learning fun.

of CO<sub>2</sub> per kilowatt-hour in 2002 to 0.81 kilograms of CO<sub>2</sub> per kilowatt-hour last year (see Figure 1). The performance data also shows a reduction in the total CO<sub>2</sub> emitted across our assets of approximately 2,214 kilo tonnes last year.

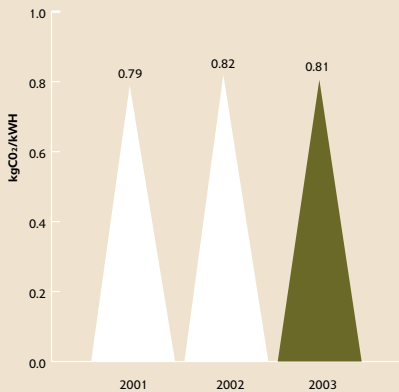


Figure 1: CO<sub>2</sub> emissions from International Power's power stations

Improving the energy efficiency of the generating process reduces CO<sub>2</sub> emissions. Ongoing initiatives to cut CO<sub>2</sub> emissions from our assets include:

- increasing thermal efficiency by improving boiler air heater performance;
- upgrading and refurbishing turbines;
- increasing combustion efficiency by reducing excess air in boilers;
- reducing in-house energy consumption;
- increasing the operational efficiency at our mine in Hazelwood, Australia.

Our Renewables Group is actively seeking viable opportunities for a range of renewable energy options for future development. Our strategy includes the development of both wind power and biomass fuels.

During 2004 we intend to build the 46 MW Canunda wind farm in South Australia. Once operational, the wind farm will represent a significant contribution to reducing CO<sub>2</sub> and other emissions associated with fossil fuel based electricity generation. We are also actively progressing several other wind power initiatives in Australia, Italy, the Czech Republic and the UK.

The second component of our renewable strategy is the use of biomass fuels. These include residues from agriculture, such as straw and olive cake, and those from wood and paper production. Our Rugeley power station is using these products, through a process of blending with our traditional coal supply. The majority of biomass is currently moved by road. However, we are trialling the transportation of biomass on the Grand Union Canal.

In Europe, the revised Large Combustion Plant Directive and the Emissions Trading Directive will impact the power-generating sector. We are currently discussing the implementation of these directives with the UK government to ensure that industry concerns are considered in terms of their impact on the sector. We have strategies in place to ensure the eventual requirements of this legislation are included in our business planning process.



Left: The Children's Traffic School in Australia

## Health and safety (H&S)

Last year David Crane, our then Chief Executive Officer, pledged the “best possible health and safety environment at all locations for the benefit not only of the personnel of International Power but also for the benefit of our guests and neighbours.”

In 2003 we undertook a review of the H&S performance for each of our assets. This has been driven by a desire for open dialogue with our employees and to move towards a more proactive stance on the management of H&S issues. As a result of this review we have developed a set of more comprehensive targets to be achieved in 2004, including a number designed to encourage the prevention of H&S incidents and ‘near misses’.

Figures 2a and 2b track our performance in terms of the number of Lost Time Incidents (LTIs) over the last three years.

Four of our power stations have implemented certified H&S management systems to OHSAS 18001 or the equivalent national standard.

In addition to providing a safe place of work for our employees, we have health programmes in place at the majority of our assets. These programmes provide regular health checks and encourage healthy lifestyles through a combination of training, health monitoring and subsidised gymnasium membership.

## Our employees

Electricity is the same wherever in the world it is produced. But the people who produce it for International Power vary in race, colour, religion, marital status, sexual orientation and age. We believe in fairness and equal opportunities for all our employees or applicants and support the Universal Declaration of Human Rights. We will always appoint on the basis of the skills and experience required in a role. The continued application of this policy will ensure that International Power is staffed by those of the highest competence to lead the business forward.

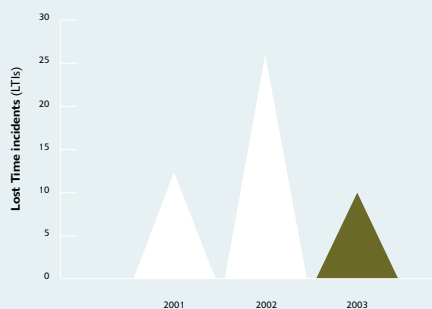


Figure 2a: Our performance in terms of the number of Lost Time Incidents (LTIs)

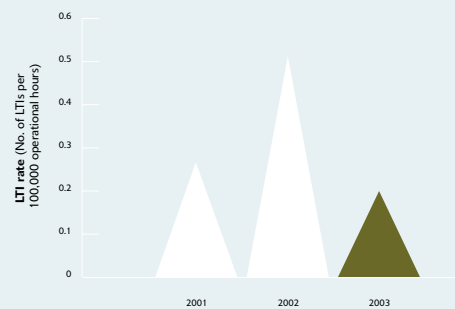


Figure 2b: Our performance in terms of the Lost Time Incident rate



Above: HUBCO's mobile medical unit visits a local village school

During 2003, in response to a 2002 target, we collected and analysed data from the main geographical regions where we operate to gain a better understanding of our employee population and their gender split and ethnicity. Our analysis concluded that, at our operational assets, we have a mainly male employee population recruited from the local available workforce. However, at our corporate offices we have a relatively higher female representation, again recruited from the local available workforce. We will continue to ensure that our local recruitment policies enable us to benefit from the wide ranging knowledge and experience of individuals in all sectors of society.

### Community involvement

Electricity touches every area of modern life. We, in turn, accept a responsibility to conduct our business with a proper concern for the world around us. Community support is a major focus of International Power's corporate activities. We play a positive role in the communities in which we operate, not because we have to but because we want to. Our strategy is to provide

local employment; support the local economy; act as a responsible neighbour and employer and contribute towards the improvement of local health and education services.

Many of our employees demonstrate personal commitment to local community initiatives through voluntary work. Where fundraising forms part of these initiatives, International Power considers match funding through our Corporate Charities Committee.

During 2003, International Power and its subsidiaries contributed £570,303 to charitable causes and other community projects. Companies in which we have a minority shareholding (associates, joint ventures and trade investments) contributed a further £157,375.

The annual variation in the level of contribution (shown in figure 3 below), reflects our policy on conduct in the community and charitable contributions where causes are carefully targeted to ensure that we improve economic, environmental, educational or social well being in demonstrable ways.

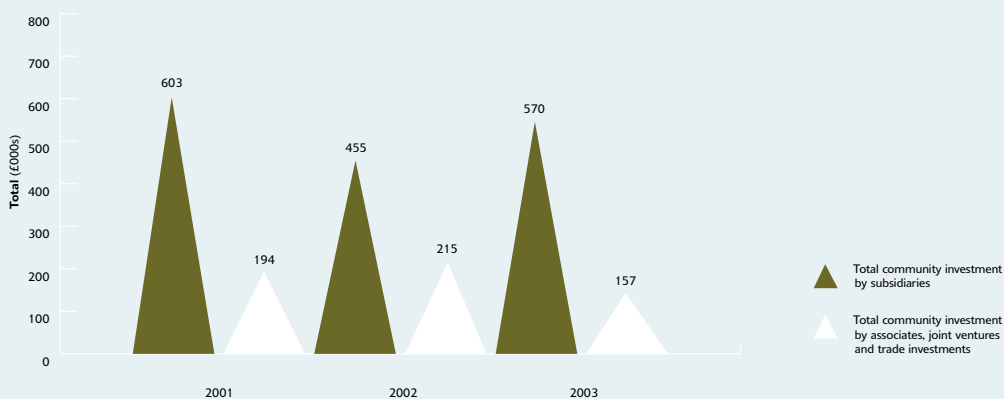


Figure 3: Charitable donations

### Working to keep children healthy

HUBCO in Pakistan is at the centre of an on-going sponsorship programme to improve health care in the local community. Last year, around 300 children from four primary schools were vaccinated against Hepatitis B. Throughout 2003, a mobile clinic provided 45,000 patients with the health care and free medicines they needed. Staffed by a qualified local doctor, health visitors and a nursing assistant, the clinic visited 25 villages in the vicinity of the power station.

HUBCO's continuing involvement in these and other preventative and curative services are recognised and have been commended by the region's government officials.

Further details on our policy and case studies of our community involvement projects can be found on our website – [www.ipplc.com](http://www.ipplc.com).

### Suppliers

International Power's major areas of procurement cover power generation and desalination equipment, fuel supplies and maintenance services. Our supplier relationships are covered by the International Power Code of Business Conduct, which sets codes of conduct and ethics.

When constructing new power stations, our projects are often arranged as Engineer, Procure and Construct contracts, where direct responsibility for main equipment supplies is written into formal contract agreements. We prefer to limit our dealings to a small number of world-renowned manufacturers of power generation and desalination equipment. We expect these companies to work to high CSR standards.

For our maintenance contracts, where we have more direct control, we also use major international equipment suppliers.

Many of our assets have an existing fuel supplier agreement which means that we have little or no ability to influence the CSR credentials of our fuel suppliers. However, where we do contract directly with fuel suppliers we seek to ensure that their social, environmental and health and safety performance meets International Power, European or World Bank standards. During the contract negotiation phase our suppliers provide us with general details of their environmental, health and safety and community performance. In 2004 we will seek detailed CSR performance information for all of our key fuel suppliers.

As an electricity generator, we see corporate social responsibility as being an integrated approach to managing environmental, health and safety, employee, community and ethical issues completely and transparently.

### 2004 targets

- Support assets towards their environment, health and safety or quality management system objectives/certification targets for December 2004.
- Improve employee awareness of our CSR policies and initiatives.
- Review the CSR credentials of our key fuel suppliers.
- Implement the integration of community involvement and employee management into our existing internal audit programme.
- Review our H&S induction processes at all of our construction and operational sites to confirm that these processes are appropriate.
- Ensure that as a minimum each asset undertakes at least 4 safety walks for each specified area per year.
- Ensure that as a minimum each asset undertakes at least 4 H&S toolbox talks per workgroup per year.
- Continue working to reduce the number of LTIs and our LTI rate towards our goal of zero.
- Continue to reduce the number of incidents requiring first-aid treatment.



Above and right: Bellingham, US

We see our corporate social responsibility as an integrated approach to managing environmental, health and safety, employee, community and ethical issues completely and transparently.