

# CORPORATE SOCIAL RESPONSIBILITY



OUR AIM IS TO ENSURE THAT INTERNATIONAL POWER CONTINUES TO BE KNOWN THROUGHOUT THE WORLD AS A RESPONSIBLE, EFFICIENT AND SUCCESSFUL COMPANY. OUR STAKEHOLDERS – OUR EMPLOYEES, REGULATORS, SHAREHOLDERS, CUSTOMERS, SUPPLIERS AND HOST COMMUNITIES – EXPECT NOTHING LESS OF US.



First Hydro, UK

Today's fast-changing world relies increasingly upon electricity. It also demands responsibility from the industry that produces it. For a global wholesale generating company like International Power, this equates to fair and ethical principles to govern the way we manage and conduct our business. It means working more smartly – by ensuring our key competences, technical expertise and best practices are properly implemented over a widely dispersed and diverse range of assets to produce power more safely and cleanly.

At stake is our reputation. Our aim is to ensure that International Power continues to be known throughout the world as a responsible, efficient and successful company. Our stakeholders – our employees, regulators, shareholders, customers, suppliers and host communities – expect nothing less of us.

This strong commitment to corporate social responsibility (CSR) flows from the top. The Board is briefed regularly on our CSR performance. Our three new Executive Directors attended an Institute of Directors' training course in 2004,

which included concepts of corporate governance and CSR issues.

Establishing a sound reputation starts at ground level. We work hard to build long-term sustainable partnerships in the communities in which we operate – particularly for our assets in developing countries. Here International Power's investment in local healthcare and education provides additional benefits for employees, their families and the wider community. As well as striving to improve life generally, we also donate funds to specific community projects.

CSR also covers the way we regard, develop and reward our employees. Details of this are contained in the Employees section on page 52 of this report.

As with any large industrial process, the environmental impact arising from electricity generation is now subject to international as well as regional and local scrutiny and regulation. Our continuing obligation is to manage our growing portfolio of assets so as to reduce the environmental impact of our activities.

Our ability to deliver better performance is demonstrated by our track record in competitive energy markets which is based on our heritage in the power industry. By disseminating technical expertise widely throughout the Company, we strive to raise overall performance. This has commercial as well as environmental benefits. Effective management systems increase transparency and accountability. By publishing key performance data, we demonstrate publicly how we are putting our principles into practice.

Where we are not the sole owner of an asset we seek to establish our CSR standards and principles with our partners, for instance through influence at the asset Board level.

In March our CSR performance was formally acknowledged and we are now included within the FTSE4GOOD index, which identifies companies that meet globally recognised corporate responsibility standards. The FTSE4GOOD index covers environmental sustainability, stakeholder relationships and upholding and supporting universal human rights.

## 2001 Flagship Project

The Citizens' Foundation (TCF) school, HUBCO-IPGD Campus in Pakistan, was officially opened in April 2004 and the junior section has been successfully running for a full year. The first and second year pupils of the secondary school are now in class. This school is built to the very high standard of TCF, a non-government organisation which, in partnership with industry, continues to build schools throughout Pakistan.

The school will eventually teach 500 children, many of whom would not have received a secondary education before the school was built.



### Policy

Since 2003, International Power has been working to a set of Board-approved values known as FIRST:

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

FIRST is translated into practical guidance through International Power's business policies. These cover the environment, health and safety, equal opportunities, procurement, ethical business practices, conduct in the community and charitable contributions. A staff handbook, the International Power Code of Business Conduct, which incorporates all relevant International Power policies, was approved by the Board to guide the Company's activities in all regions and has been distributed throughout the Group.

All our health, safety and environmental policies underwent systematic review and re-approval during 2004.

### Keeping people informed

Communicating with different groups of stakeholders is an important part of CSR management. In addition to our annual report to shareholders, we brief and provide information on-line for our stakeholders to enable them to monitor our performance. We listen to what they say and respond to their on-going need for information on company business.

To ensure effective communication with our employees, initiatives include the International Power Global Forum. This draws together staff from all global locations and levels and allows them to take part in discussions on company related issues. The next Global Forum will take place in September 2005.

More informal information is sent to employees in a printed newsletter, three of which were distributed worldwide in 2004. The newsletter contains articles and employee news, submitted by staff, as well as Company news. Many of our regional businesses or individual power stations also issue specific information to employees and the local community on items of local interest.



## 2002 Flagship Project

This project backed the development of an energy garden at Deeside power station. The garden has been designed as a showcase for various forms of alternative energy generation with interactive and sensory displays.

As an educational resource, linked to the national curriculum, the energy garden's support materials also cover health, safety and a wide spectrum of environmental issues, including recycling, sustainable lifestyles, transport and water management.

2004 saw the launch of our new extranet site – ImPact – which can be accessed via the internet by our employees throughout the world. ImPact was built with input from staff in all regions and provides a wealth of information including our performance, policies, latest news, awards, community projects and CSR case studies.

Each asset at local level conducts direct contact with regulators. We continue to monitor and represent the Company's interests on current and future regional, national and international regulation covering our activities.

Any organisation or individual may visit our corporate website – [www.ipplc.com](http://www.ipplc.com) – for up-to-date information about the Company and its activities. This information is supplemented by more detailed asset-specific information on individual websites.

### Management

During 2004, our Health, Safety and Environment Committee met four times to manage and communicate HSE issues

company-wide. It supports the more regular local HSE committee meetings. Continuous communication with individual assets is carried out on an 'as required' basis. Health, safety and environment issues were reported, through the CEO, at main Board meetings throughout the year.

We work with suppliers to ensure that they understand and can respond to our CSR policies. During 2004 we set up a project to review the CSR practices of our major coal suppliers. We have now established an ongoing programme which requires them to report annually to us on their own health, safety and environmental policies and performance.

As well as monitoring performance, the Health, Safety and Environment Committee identifies and pools best practice and encourages employees to learn from the experience of their colleagues around the world. The Take 5 initiative was one which emerged from our Hazelwood site in Australia in 2004.

It prompts employees to approach their work with extra care through following five basic and simple steps:

- 1 Stop, step back, think through the task.
- 2 Go through the task and identify hazards.
- 3 Assess the risk.
- 4 Make the changes to control the risks.
- 5 Do the job safely.

Take 5 will now be progressively incorporated into the safety ethos of our power stations in all regions during 2005.

During 2004, International Power introduced Behavioural Safety Training systems at the Deeside and Hazelwood sites. Though recognising that our assets may differ widely, we are keen to ensure that staff receive the most appropriate health and safety training. Behavioural Safety Training will therefore be implemented progressively at other sites.

By evaluating initiatives and incidents from inside and outside the Company, we are able to refine our health and safety systems. Information is distributed company-wide as Health and Safety Information Memoranda. Lessons learned are used to promote awareness and encourage best practice.

We actively encourage our plants to achieve certification to recognised management systems. The majority have already reached the ISO 14001 standard. A rolling programme for the implementation of ISO 14001 has now been established across all five of our wholly-owned US-based assets, with the target date for an approved system at each site by the end of 2005.

During 2004 our Kot Addu power station was the first industrial plant in Pakistan to become accredited to all three management systems standards; ISO 14001, OHSAS 18001 and ISO 9001.

### Positive improvement

By stepping up our focus and emphasis on health and safety in 2004, we have achieved a reduction in the number of lost time incidents across our assets. Our Milford plant in North America has reached 3,000 days without a lost time incident, Hub power station in Pakistan has reached 2,000 days while others including Pego, Pelican Point, Synergen, Marmara, Pluak Daeng, Hays, Bellingham and Midlothian, have all achieved 1,000 days.

As a wholesale electricity generator, we recognise the impact our business has on the environment. During 2004, by utilising the latest technology and optimising the way we operate our assets, we achieved improvements in our environmental performance. In the key performance indicators we reduced our output of SO<sub>2</sub>, NO<sub>x</sub> and CO<sub>2</sub>.

### Recognition and benchmarking

Power production is a complex process and many of our assets operate in competitive markets. Although our power stations throughout the world may use different fuels and different technologies to generate electricity, the way we record and report our CSR performance must be undertaken in a consistent and transparent way. By working to the Global Reporting Initiative and the Association of British Insurers' reporting guidelines we, and our stakeholders, may check and compare our performance with that of other power companies. International Power's annual web-based CSR report is now produced in line with these accepted guidelines.

### Demonstrating excellence

For the second consecutive year HUBCO in Pakistan has won the ROSPA high commendation sector award for the electricity industry. The award recognises HUBCO's highest standards of occupational safety and their commitment to continue to raise health and safety standards at the power station.

Hazelwood was awarded a national commendation for health and safety by the Minerals Council of Australia at their annual awards ceremony. The award recognises committed leadership and a strong and consistent safety conscious culture across the whole site.

In the US, our Midlothian and Hays sites both received the Texas Environmental Excellence award from the Texas Commission on Environmental Quality in 2004. The award recognises the use of innovative technology.

The plants are using clean burning technology and water conservation strategies, making ANP the first and only power producer in Texas to use sequentially fired combustion techniques to produce cleaner power, while greatly reducing gas emissions.

The plants' pioneering technology efficiently converts fuel into usable energy while reducing NO<sub>x</sub> and CO emissions by as much as 90%. In addition, to conserve water, they use air rather than water as a cooling agent in eight of their ten turbines.

Two turbines at the Hays site recycle reclaimed wastewater from the city of San Marcos, resulting in an annual saving of 100 million gallons of water.

### Targets

International Power has established a systematic twin approach to CSR target setting. Some targets are set at asset level by regional directors. These include specific local targets which would be inappropriate for other sites or regions.

Other generic targets are set at corporate level. This allows management to identify key areas for improvement across the Company.

Some targets set in 2004 will continue and be expanded year-on-year as part of an ongoing improvement programme. New performance targets are also added each year, as needed.

### Future regulations

As always, one of our key objectives is to comply with all applicable legislation at local, regional, national and international level. We also have to keep abreast of all forthcoming legislation likely to affect our business. Assessing the likely ramifications for individual assets is the responsibility of the Company's Health, Safety and Environment Committee.



## 2003 Flagship Project

In late 2003, EOP in the Czech Republic submitted a proposal to improve schools in its region, at a cost of £100,000.

The main task was a major upgrade of the teaching facilities in the local Opatovice School. Improvements included a new roof, windows, thermal insulation and modern toilets for the children. The work took place during the summer of 2004 and was ready for the new autumn term.

The second and third phases of the scheme included buying new IT equipment and teaching aids for the village primary schools of Ceperka and Dritec. Equipment included fully networked PCs, software and support equipment such as printers, data projector, scanner and digital camera. The equipment provides modern technologies to teach different subjects and foreign languages. It was installed in the autumn term and children are already deriving much benefit from it.

The revised Large Combustion Plant Directive and the EU Emissions Trading Directive will impact our European assets. We have continued to participate in industry-wide discussions to advise the UK Department of the Environment, Food and Rural Affairs and the Environment Agency for England and Wales on the implementation of both Directives. This is to ensure that the industry's view is voiced in terms of potential impact across the entire sector. International Power has strategies in place to enable our business to comply with the requirements of these key pieces of legislation.

We have also been proactive in assessing the EU Emissions Trading Scheme covering our carbon allocations and the potential impact for each of our European plants. The scheme came into operation in January 2005.

### Charitable giving

The Company's Charities and Donations Committee oversees corporate charity awards. The Committee is responsible for International Power's flagship projects (see case studies) which provide annual funding for community-based projects. On a local level, each of our assets has an annual fund for charitable projects in their area. The Committee is also responsible for International Power's match funding scheme. This enables employees to apply to the Company to match any money they have raised for good causes.

During 2004 International Power and its subsidiaries contributed £683,679 to charitable causes and other community projects. Companies in which we have a minority shareholding (associates, joint ventures and trade investments) contributed a further £137,612.

### Flagship projects

Our flagship projects – most of which were proposed by staff – have been running for three years. They are community projects funded annually by International Power. Flagship projects can range in size and scope. But they all have the same aim: improving quality of life in different corners of the world.

### Our responses to the Tsunami disaster

Since the Tsunami disaster, the Company's main aim has been to support locally co-ordinated efforts to help those who lost loved ones, homes or essential facilities in their villages. We believe this is best achieved by targeting aid at specific projects, mostly at a local level.

The total amount the Company and its associated companies are giving is just over US\$470,000 (£247,368). Details of the initiatives are located on our website.