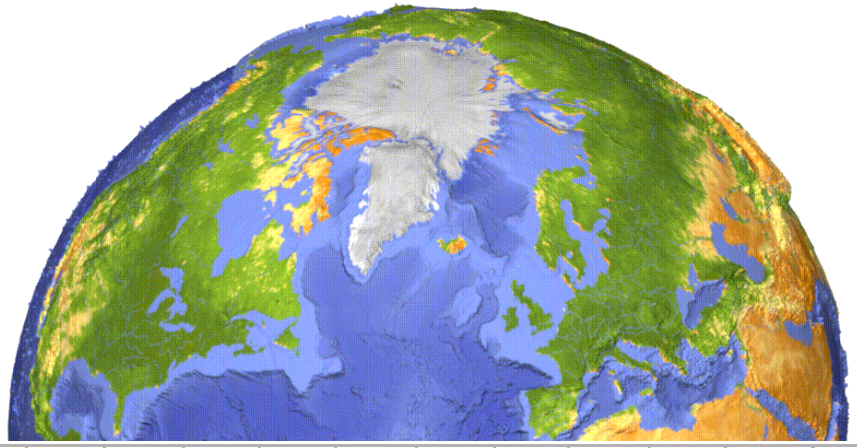
rotork



Environmental Report 2005

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Rotork
Environmental Report 2005

Welcome to the third annual Rotork Environmental Report.

Rotork has maintained its commitment to managing and improving environmental performance and to communicating this performance to stakeholders through the publication of this environmental report.

The Group Environmental Policy, which has been published on the company web site since early 2002, has been reviewed and updated to take account of legislative change and future commitments.

This year's report details activities and performance during the 2004 financial year ending 31st December 2004 for Rotork PLC, and includes, for the first time, performance data from our production facility in Malaysia. It also presents quantitative information about the environmental improvement programmes and initiatives undertaken during the past year.

Our aspect and impact assessment has been reviewed and once again has identified our key environmental impact to be packaging waste. Recycling facilities to reduce this impact have been installed with further development planned for the third and fourth quarters of 2005. Other impacts include the use of energy and water, and the procurement of goods and services.

We will continue to monitor and develop policies, systems and procedures to minimise other impacts on the environment as a result of our operation.

We continue to contribute towards sustainable development and environmental improvement through the products and services we sell. These are used around the world in all environments, including hazardous environments and in many types of industries. We believe our products help reduce human error and thus potential environmental disasters, whilst saving energy and resource.

Looking forward, Rotork remains fully committed to the principles laid down for inclusion in the FSTE4Good index and we will continue to implement systems to incorporate the relevant principles of the Global Compact. We will also work to improve our environmental management systems to reduce our operational impacts. We look forward to reporting the results in next year's report.

Company Overview

Rotork PLC is an international business with revenue of £147 million in the financial year to December 2004.

With the headquarters in Bath, England, our principal operations are in the UK, USA, continental Europe, India and Malaysia.

Our principal activity is the design, manufacture and support of actuators, their control systems and related products worldwide.

Organisational Structure

Our overall business is structured around four major business areas:

Electric –
This, the largest of Rotork's activities, supplies latest state of the art electric valve actuators for controlling the opening and closing of pipeline and other valves. Around 30% of these are supplied with digital control systems. Manufacture is based in the UK, USA, Malaysia and India**.**

Gears –
The valve industry's source for gearboxes, adaptor kits and ancillaries. Production facilities are based in the UK, Holland and the USA.

Fluid System –
Heavy-duty pneumatic and hydraulic valve actuators for emergency shut down in safety critical and sub sea applications. Manufacture is based in Italy, USA and Germany.

Process Control –
Actuators for mainstream and specialist process control and other positioning applications are produced in our facilities in the USA and the UK.

We have a worldwide network of subsidiary offices to support the sales and servicing of the four business areas.

Our third environmental report

This third Rotork annual environmental report covers the financial year ending 31st December 2004.

It includes for the first time information from our production facilities in Malaysia.

Comparison with our last report

Our policy is to maintain a consistent reporting style and format. To aid comparisons in future reports we have limited our performance data to:

- Energy
- Water
- Waste
- Hydrocarbons
- Volatile Organic Compounds
- Ozone Depletion
- Landscape & Biodiversity

Reporting process

The information for this report has been collected via an electronic questionnaire completed by an assigned environmental representative at each of the Rotork manufacturing sites.

We have taken into account the sustainability reporting guidelines of the Global Reporting Initiative (GRI) in preparing this report. However, at present, many of the GRI indicators are not relevant to our business.

Environmental impacts

A detailed aspect and impact assessment was initiated at our largest production facility in Bath in June 2003 and reviewed in December 2004. The next review will take place December 2005.

Significant impacts identified are highlighted for specific attention. Projects to eliminate, reduce or minimise these impacts are added to the management programmes and are reviewed throughout the year.

Impacts that are associated with legislation are given high severity ratings regardless of any operational controls in place at the time of the assessment.

The process of identifying our significant impacts has helped us to prioritise our most pressing environmental issues and to set targets to eliminate, reduce or minimise those impacts.

Environmental factors are also incorporated in the due diligence process undertaken for acquisitions.

Negative Impacts

Having identified our negative environmental impacts through an extensive impact assessment, work has started to reduce them.

Waste

Disposal of waste to landfill and incineration has a range of environmental impacts. Planned systems to recycle card, wood, plastic, paper, toner cartridges and IT equipment were introduced in the last quarter of 2004. Since then a Save-A-Cup scheme to recycle plastic cups has also been introduced.

Energy

Burning gas and fossil fuels at power stations mainly generates energy used for heating, cooling and lighting buildings. This produces carbon dioxide, the main contributor to climate change. Rotork closely monitors our energy usage; however usage is largely dependent on customer orders and varies accordingly.

Water

Our business uses water mainly for sanitation and refreshment. Less than 2% of our water intake is used in testing and cleaning processes.

Packaging

Packaging used to ship and protect components from our suppliers is our most significant impact.

Components from all but a few UK suppliers to Rotork are included in a Kanban system. This involves the reuse of component bins; new bins are only purchased to replace those that are damaged or lost.

Packaging from overseas suppliers is monitored and measured. One objective for 2004 was to replace foam infill used to protect delicate subassemblies. This objective was achieved with the foam replaced by card, which is now recycled.

Although we cannot eliminate packaging waste, we are working with our suppliers to ensure, where practical, packaging materials used can be reused or recycled.

Transport and Travel

Due to the nature of our business the transporting of the product to worldwide destinations is significant.

Through the use of teleconferences and Internet services we are in some way attempting to manage this impact.

Also see the section on transport on page fourteen.

Positive impacts

Rotork actuators and associated products are used extensively around the world to operate industrial valves. They are used in varying environments and in industries, such as water purification, sewage, food processing, marine, irrigation, power generation, oil and gas, as well as heating and ventilation.

Our products are often used in unmanned sites, in unpleasant, dangerous and hazardous environments, in restricted spaces and inaccessible areas. From a small steam pipe in a boiler to a large water pipe supplying a city; from an emergency shut down valve on an offshore platform, to a metering valve in a refinery, Rotork actuators and associated products safely help to reduce human error and thus potential environmental disasters, whilst saving energy and resource.

Saving energy leads to less depletion of fossil fuels, lower emission of greenhouse gases, such as carbon dioxide, and a cleaner environment.

Environmental awareness

Rotork is a member of Envolve, an environmental business association based in Bath. We use Envolve extensively for providing educational resource on the environment and raising awareness of environmental issues.

Special environmental training is provided to personnel with specific environmental responsibilities.

Paper saving

Paper is saved through the use of electronic media systems for emails and reading documents, brochures, newsletters and other communications. Rotork operates an electronic storage system for data and document retention that also helps reduce the amount of paper used.

All of our product and customer support documentation is available on our web site. We discourage the sending of printed documentation and openly encourage the use of our web site for this and other information to stakeholders, other interest parties and non-government organisations.

Management

With our Group Environmental Policy and Strategy we intend to provide overall direction on our environmental performance.

Environmental Strategy

The key components of our Group environmental strategy are:

- Identifying and prioritising the environmental impacts of our operations, including any consequent threats or opportunities.
- Setting achievable environmental standards and best practice guidelines that meet business needs and move the business forward.
- Identifying common environmental risks and opportunities and providing a framework for managing them.

We will report the progress of these strategies on an annual basis in our Environmental Report.

Management Responsibilities

The Board of Rotork PLC is updated on environmental, social and ethical issues at least once annually, and more frequently when required, by the Group Chief Executive who sits on the Corporate Social Responsibility Committee.

The Rotork Corporate Social Responsibility Infrastructure

- **Corporate Social Responsibility (CSR) Committee**
  Chief Executive attends these meetings. CSR meetings are held at least once a year.
- **Social Issues (SI) Committee**
  Chaired by a Board Director, meetings are held at least once a year. The SI Committee reports to the CSR Committee and has responsibility for:
  - Social Issue policies
  - HR policies
- **Health and Safety (HS) Committee.**
  Chaired by a Board Director, meetings are held four times a year. The HS Committee reports to the CSR Committee and is responsible for:
  - Reviewing legislative change
  - Reviewing all accident and incident reports
  - Establishing and managing the Occupational Health and Safety Management System
- **Environmental Committee**
  Chaired by a Board Director, meetings are held at least two times a year. The Environmental Committee reports to the CSR Committee and has responsibility for:
  - The Environmental Management System
  - Review of all incident reports
  - Review of Environmental Audit Reports
  - Legislative changes

Environmental Management System

Rotork's Environmental Management System (EMS) is based on the international standard ISO14001. The Environmental Coordinator, based in Bath, also works with other sites in the Group to support their EMS activities and collate data for global reporting.

1. Environmental Policy

ROTORK PLC ENVIRONMENTAL POLICY **PL02 Issue 4**

The principal activities of Rotork PLC are the design, manufacture and support of valve actuators, systems and related products and services worldwide. Our products are used extensively in projects that greatly enhance or protect the environment. We do, however, recognise that in our day-to-day activities and operations we inevitably impact upon the environment through the consumption of natural resources.

As a FTSE company listed in the FTSE4Good Index and having also signed up to the Global Compact, Rotork is committed to the principles laid down for subscribers. Specifically, Rotork is committed to the prevention of pollution, to compliance with all relevant legal and other regulatory requirements and to continuous improvement. In this way we are contributing to the protection of the environment. Accordingly, this Policy has been developed to outline Rotork's intentions and expectations in managing our environmental impacts. In general terms, Rotork will:

- Meet or exceed the requirements of all relevant legislation in all areas of its operations.
- Seek verification of our Environmental Management System at the main assembly site in Bath during 2005.
- Continue to improve the recycling facilities for card, wood, plastic and electrical waste at the Bath Site throughout 2005.
- Continue to develop policies, standards and guidelines to embrace the 10 principles of the Global Compact Initiative. These policies, standards and guidelines will be based on best practice and applied across the business.
- Continue to adopt good environmental practice in new product development by designing energy efficiency in new products, which can also be re-used, recycled or disposed of safely.
- Continually review the visual impact of our operations and other impacts on the local environment, manage energy wisely in all operations and minimise our consumption of water.
- Continue to work with our suppliers to reduce packaging waste, our most significant impact, and to encourage them to improve their own environmental performance.
- Continue to improve the environmental awareness of employees by including environmental information in training and discussions with staff.
- Regularly report environmental performance data regarding our global operations on the Rotork website.

This policy has been reviewed and endorsed by the board of Directors who take responsibility for its execution and require that it is communicated to all employees. Copies of this policy statement are freely available to the general public, regulatory authorities, customers, stakeholders and other interested parties.

W H Whiteley
Chief Executive

2. Scope

The Environmental Policy applies to all manufacturing sites within the Group and is intended for the use of all employees. It will be of particular importance to Managers in understanding their responsibilities and their roles in implementing the Group's Environmental Management System.

3. Implementation

Rotork will, through its Environmental Management System:

- Allocate formal environmental responsibilities to ensure compliance with legislation.
- Support a culture of consultation with employees, key stakeholders and other interested parties.
- Provide environmental information, guidance and, where necessary, provide training that meets best practice.
- Monitor, measure, audit and seek continuous improvement in its environmental performance.
- Work with external agencies and bodies to ensure continued adoption of best practice solutions in environmental management.

4. Communications

Rotork will:

- Communicate best practice and publish internal and external information detailing its aims and achievements.
- Foster open communication with employees, customers, suppliers and other stakeholders via both electronic publishing and face-to-face discussion.

5. Responsibilities

Responsibilities for the implementation and monitoring of the Group's Environmental Policy and performance are defined in the Corporate Social Responsibility infrastructure.

Legal Compliance

Rotork is committed to complying with Health & Safety and environmental legislation wherever we operate.
No prosecutions or notices were issued against the company in the 2003 financial year. Rotork subscribes to the Environmental Legislation Update Service supplied by Groundwork.

Environmental Management System Project

An independent audit of Rotork's Environmental Management System (EMS) at the Bath site was carried out in March 2005. The audit established that a system was in place and working. Five minor non-conformities were raised and are due for closure in July 2005.

In the last environmental report we identified waste to landfill as the biggest operational environmental impact. Recycling facilities were introduced during 2004 to reduce waste to landfill, by two thirds by mid 2005.

Based on early data in the first quarter of 2005 from the Bath manufacturing site, the overall waste generated is expected to rise in 2005 by approximately 20%. In contrast to this the waste to landfill is expect to fall from 88% of total waste generated in 2004 to 23.5% of the total waste generated in 2005.

Significant Project Milestones

The following table identifies some of the environmental activities undertaken and the progress of these activities at the time of writing this report

Item	2004	Progress	2005
Environmental Management	• Complete implementation of an Environmental Management System at the assembly plant in Bath based on ISO14001.	Second stage independent audit complete March 2005. Five non-conformances were raised.	Close out non-conformance.
	• Carry out Environmental Impact Assessment of the activities and operations at the Bath manufacturing site.	Complete.	Carry out annual review of the environmental impacts and up-date impacts register.
	• Compile a Legal Register of applicable environmental legislation.	Complete.	Carry out annual review of our legal compliance and update register as appropriate.
	• Introduce Operational Controls to ensure compliance with legal requirements.	Complete.	Review and update in line with legal register review.
	• Develop Environmental awareness training module for new starters.	Ongoing.	Issue booklet, identifying responsibilities and essential system requirements, to all employees on starting employment.
	• Report EMS progress via Newsletters.	Complete.	Continue reporting EMS progress via Newsletters.

Environmental Score Card

The table on this page summarises the 2004 environmental performance for the Rotork group comparing the data with the previous year. No group data was available for years prior to 2003.

Performance Indicator	2003 Performance	[1] 2004 Performance	Movement on previous year	Movement on turnover
Energy (Electricity & gas) (kWh).	6376235 [2] [3]	6640305 [3]	+4.1%	-3.7%
Carbon dioxide emissions (generated at power stations) (Tonnes).	1953 [2] [3]	2035 [3]	+4.2%	+3.6%
Water consumption (m^3).	1376	1227	-11.5%	-18%
Volatile Organic Compounds consumption (Tonnes).	25.93	25.60	-1.3%	-8.7%
Hydrocarbon consumption (Tonnes)[4]	90 [2]	117	+29.3%	+19.7%
Waste Generation (Tonnes).	594	697	+17.4%	+8.6%
Waste recycled or reused (Tonnes).	138	259	+88.2%	+60.4% [3]
Hazardous waste generated via production processes (Tonnes)[5]	101	95	-6%	-13.5%

1. Performance data for 2004 includes data from the Rotork production facility in Malaysia.
2. Reporting error in 2003 performance data has been corrected in this report.
3. Data does not include the use of energy or CO^2 emissions in the manufacture of components by suppliers to Rotork.
4. Hydrocarbon is used to lubricate the product.
5. Mostly the bi-product from the use of volatile organic compounds and used hydrocarbons.

Impact Management

The following pages give information about how we have managed our key environmental impacts during the reporting year 2004. For the first time we have included data from our production facility in Malaysia.

The information is organised into seven key environmental issues:

1 Energy.
2 Water.
3 Waste.
4 Hydrocarbons.
5 Volatile Organic Compounds (VOCs).
6 Ozone Depletion.
7 Landscape and Biodiversity.

1. Energy

The issue

Burning fossil fuels for energy, either directly or to generate electricity, emits carbon dioxide (CO_2) into the atmosphere. Experts believe this is contributing to global warming, which may in turn be causing climate change. Energy use also depletes limited fossil fuel reserves.

Background information

The effects of climate change include extreme weather conditions such as droughts, floods, rising sea levels and storms. This may seriously impair the ability of certain regions to support their inhabitants, leading to the mass migration of environmental refugees.

Mounting international concern for climate change led to the 1997 Kyoto Protocol, in which many developed countries have set commitments to reduce their emissions of CO_2 and other greenhouse gases.

Rotork's Impacts

The environmental impact of energy consumed by Rotork includes the use of gas and fossil fuels and generation of CO_2 emission by the power generation plant.

- A summary of significant energy usages within the Rotork manufacturing sites is:
- Lighting, heating and cooling of offices and buildings.
- Web-based systems of communication.
- Various test equipment and process equipment (such as compressors, paint spray booths, induction heating, product functional and life test equipment).
- CAD systems and printers.
- Vending machines.

Rotork is not a high-energy user, however, we recognise the need to tackle our contribution to global warming and are working to reduce our energy consumption by promoting energy efficiency initiatives within our businesses.

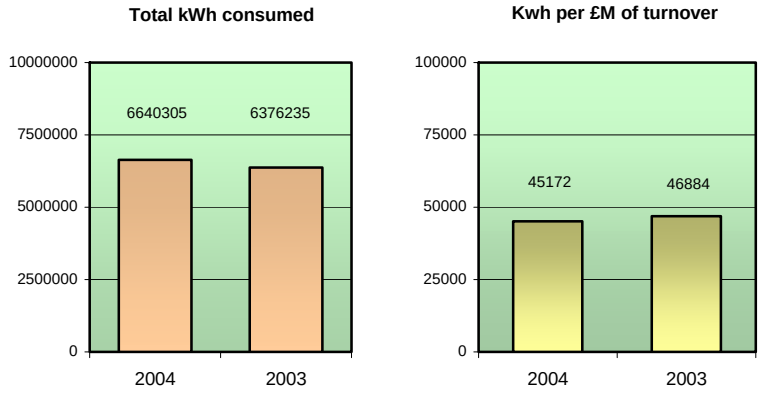
Systems and the installation of more efficient operational equipment will always be a consideration when replacement is necessary.

Energy Usage

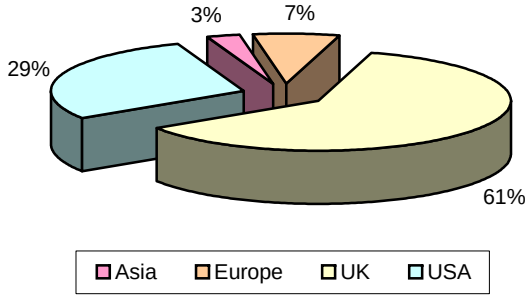
The following tables show the total Electricity and Gas, in terms of Kilo-Watt-Hours (kWh), used by the Rotork manufacturing sites worldwide.

An error in the performance data, for energy use and CO_2 emissions, reported in 2003 has been corrected in this report.

Overall consumption increase by 4.1% against 2003, there was increase usage recorded in the UK, up 11% and in Asia up 14.4%. The inclusion of our site in Malaysia represents just 0.62% of the total consumption for 2004. Any variation in data is largely the result of customer order input

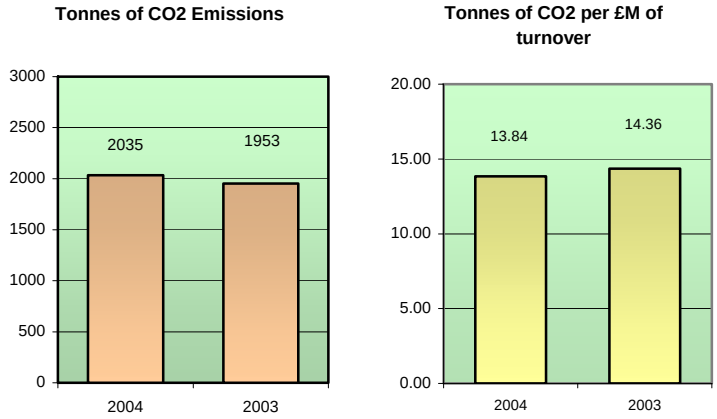


The following chart shows the share of energy usage across the group for 2004. The larger manufacturing plants are in the UK. For reporting purposes the UK has been separated from Europe, where there are sites in Italy and the Nederland's. This is to reflect the size of the UK operation. Asia includes sites in India and Malaysia; the remaining sites are in the USA.

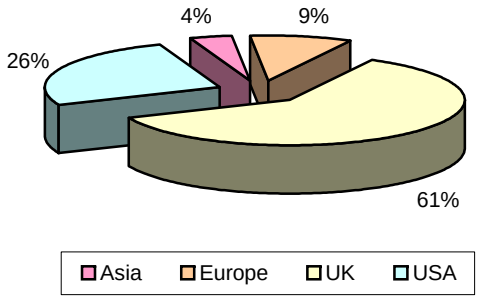


Carbon Dioxide

The following table shows the calculated carbon dioxide, CO_2, emissions by the power generation plants. This calculation shows there was a 4.2% increase on 2003 performance but a 3.6% reduction against turnover. The inclusion of our site in Malaysia represents just 0.82% of the overall total.



The following chart shows the CO_2 emissions across the group for 2004.



Transport

Rotork is actively pursuing a group wide policy of reducing the amount and complexity of transport routes. In essence, this means that wherever possible consolidating freight to minimise costs and environmental impact.

Since the beginning of 2005 we have consolidated all components sourced from Malaysia, using a single freight forwarder. This is showing some significant cost savings as well as minimising the number of journeys.

Based on the same principle, we devised supply-chains from our Malaysian plant to Rotork Subsidiaries in Europe, USA and Canada consolidating, where possible, all freight through a single freight forwarder. We now ship from Malaysia to one central point in each country (Rotterdam/Los Angeles/Toronto).

In the second half of 2005 we aim to review all European freight using the same principle of a single freight forwarder collecting every day and distributing from depots throughout the EU, rather than the current situation of different vehicles on the same day.

2. Water

The Issue

Water is essential for life; it is necessary for drinking, for producing food, for washing, for sanitation, for our health. Water is essential for ensuring the integrity and sustainability of the Earth's ecosystems.

Yet in 2005 many areas of the worlds population is without access to hygienic sanitation facilities and adequate quantities of affordable and safe water.

Much awareness is made of these facts but all too often we continue to take the availability of water for granted.

Rotork Impact

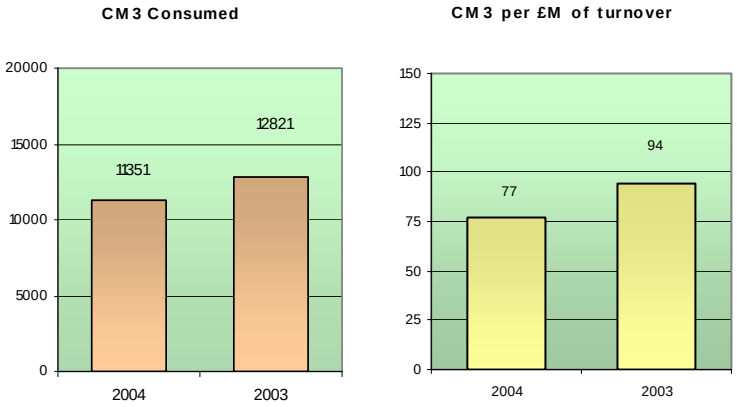
Rotork operate no process that is water intensive at any of our manufacturing sites, water is used mainly for sanitation and refreshment. A small amount of water is used for environmental testing of the product, which accounts for less than 2% of our total water consumption.

Rotork recognises the importance of water conservation and encourages our manufacturing sites implement policies to keep water use to a minimum

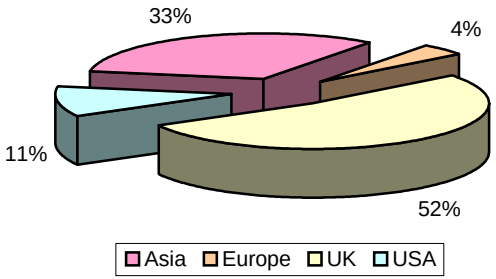
Water Usage

The following table shows the total water consumption for the manufacturing sites within the Rotork Group. The figures shown are in cubic metres ($m^{3)}$.

2004 saw a significant reduction in water consumption across the group. This 11.5% reduction against 2003 data was achieved with the inclusion of our manufacturing site in Malaysia, which accounted for almost 15.5% of the total consumption for 2004. Water consumption fell by 9.5% across the UK site and 10.5% across the USA sites.



The following chart shows the share of water consumption across the group for 2004. The larger manufacturing plants are in the UK for reporting purposes the UK has been separated from Europe.



3. Waste

The Issue

Waste materials are both a financial cost and a burden on the environment. Waste production will have consumed energy and resources and its disposal via landfill or incineration has several associated problems.

Landfill sites produce methane, which is a greenhouse gas and landfill can pollute soil, rivers and groundwater if not carefully contained. Landfill sites take up valuable land, in particular near urban areas, which could be put to better uses.

Incinerators contribute to global-warming and their use may be controversial due to concerns about emissions of heavy metals and dioxins, as well as the disposal of ash waste.

Reducing waste through minimisation, reuse and recycling is generally regarded as preferable to disposal. Electronic equipment contains plastics and metals, which do not biodegrade. The recovery of these materials can also bring financial savings and even rewards.

Rotork's Impact

In general our business generates a variety of wastes including:

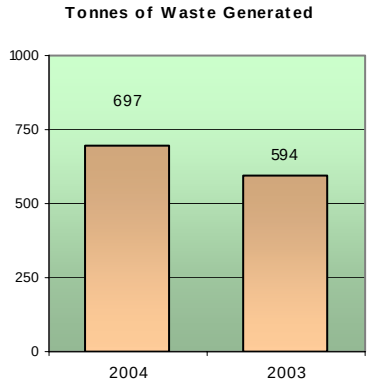
- Packaging waste (Card, wood and plastic) from overseas suppliers.
- Office waste such as paper, toner cartridges, monitors and furniture.
- Hazardous waste, such as paint waste and used oils populated printed circuit boards and batteries.
- Obsolete, damaged or replaced components.

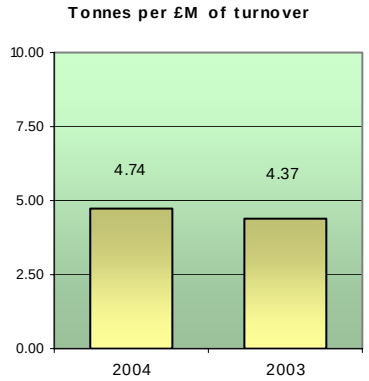
Waste Generation

The following table shows the total amount waste generated by all manufacturing sites within the Rotork Group. The figures shown refect the waste in Tonnes.

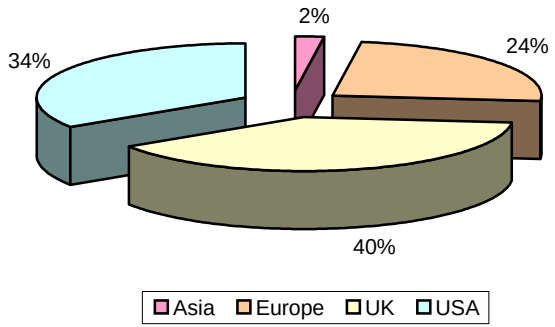
2004 saw a significant increase in waste generation across the group. The overall 17.5% increase in packaging waste against previous years data is the result of increased component sourcing from overseas suppliers. Increases across the group included UK 21%, USA 15%, Europe 8% and Asia 7%. Our manufacturing site in Malaysia included for the first time, accounted for 0.5% of the total waste generated.

The need to expand our overseas supply-base is a commercial consideration to reduce overall material costs.





The following chart shows the spread of waste generation across the group for 2004. The larger manufacturing plants are in the UK for reporting purposes the UK has been separated from Europe.

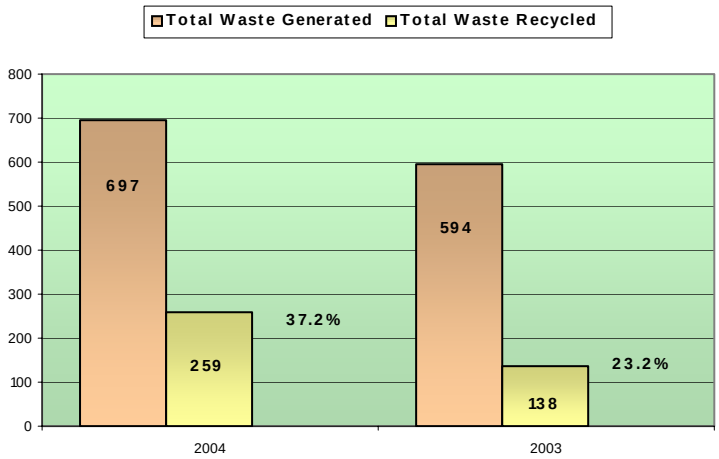


Recycling

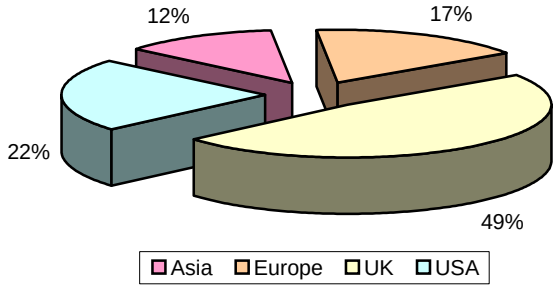
Materials recycled or reused by our manufacturing sites include paper, card, wooden pallets, plastic, scrap metal, toner cartridges, electronic printed-circuit boards and IT equipment.

The reuse of packaging materials, in particular wooden pallets, is a large part of the recycling operation; for example two sites in the UK reused 76 tonnes of pallets in 2004, up 44 tonnes on the previous year. Where in place recycling is reducing the cost of waste disposal, we intend to improve this part of our operation during 2005 and 2006.

The following table shows the amount of waste recycled against the total waste generated for the year in tonnes, which is up 121 tonnes on previous year. The percentage label is the percentage of waste recycled against the total waste generated.



The following chart shows the share of direct recycling undertaken by the group for 2004.



Waste Electrical and Electronic Equipment

Rotork's assessment of the WEEE Directive, with regard to the latest information available, is that it is unlikely to have a significant impact on Rotork, since we sell a component that needs an end product to function.

However, we fully understand that the end users within the EU will have responsibilities under this legislation for the correct end-of-life disposal of our product. During the second part of 2005, Rotork will publish recycling information in our installation manuals, and will include information on components within the product that may require special treatment.

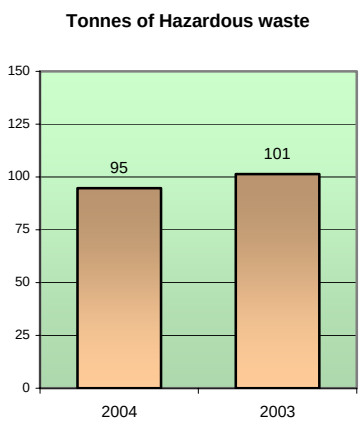
Hazardous Waste

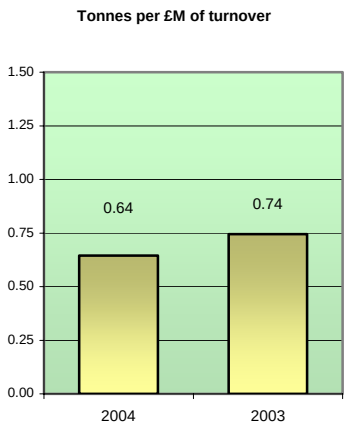
Hazardous waste generated by Rotork, that requires special treatment includes paint waste and used oils.

All hazardous waste is disposed of via waste carriers, licensed to transport the waste to approved hazardous waste treatment facilities.

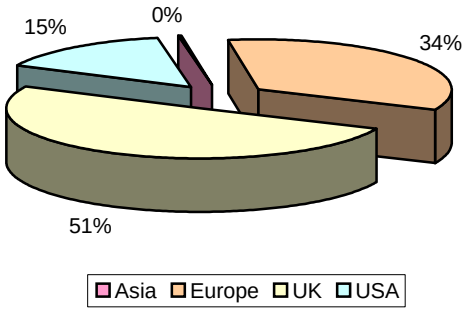
The following tables show the amount of hazardous waste generated, in tonnes, by all manufacturing sites within the Rotork Group and the tonnes per £Million of turnover.

Overall there was some improvement seen in 2004 against previous years data. Reductions were achieved in the USA 23.6%, down 4.4 tonnes, and in the UK 13.5%, down 7.5 tonnes. Against this trend Europe produced an extra 5.3 tonnes up 19.6% on previous years data.





The following chart shows hazardous waste generation across the group for 2004.



4. Hydrocarbons

Rotork's Impact

Oils, kerosene and grease are used for lubricating purposes and in some products for functionality, as in hydraulic actuators.

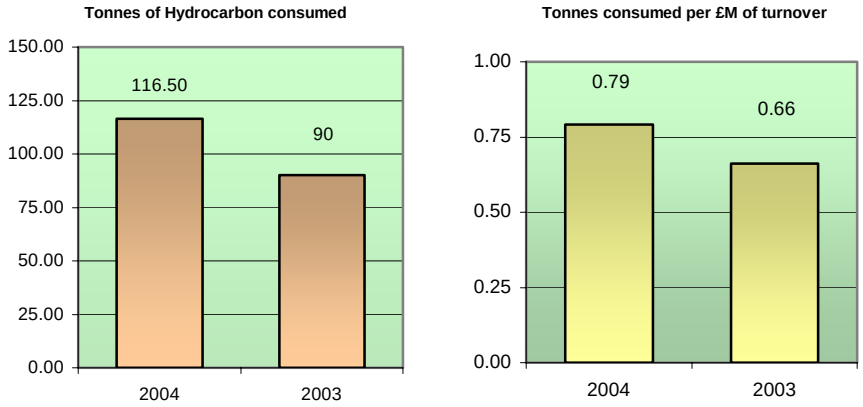
The safe storage of hydrocarbons is important to avoid polluting watercourses. Our main potential pollutants are oils and kerosene stored in bulk storage tanks and 205 litre drums.

Rotork complies with all national and local authority regulations applicable to the storage of hydrocarbons. This includes the storage of drums onto bunded pallets and bulk storage tanks that meet current legislation.

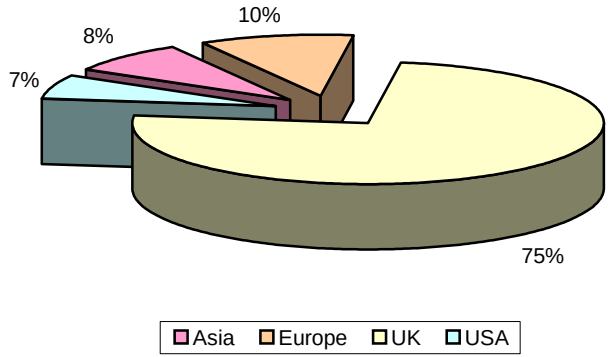
The following Table shows the amount of hydrocarbons consumed by all manufacturing sites within the Rotork Group.

An error in the performance data reported in 2003 has been corrected in this report.

2004 saw a significant increase in consumption of hydrocarbons up 26.5 tonnes (29.3%) on the previous year. The UK operation was where the majority of the increased consumption occurred up 25 tonnes (40%) on previous year's data. This was partly due a rundown of stock in 2003 before changing supplier, and partly due to increased sales. The increased consumption seen in Asia of 3.8 tonnes represents just 3.3% of overall total. Reduced consumption in Europe (10%) and the USA (11%) is also reported in this period. The data given is in tonnes.



The following chart shows the consumption of hydrocarbons across the group for 2004.



5. Volatile Organic Compounds (VOCs)

The Issue

Volatile Organic Compounds (VOCs) are carbon-containing compounds that evaporate into the air. Most VOCs are non-toxic or are present at levels well below guideline values. Others however, such as benzene and 1,3-butadiene, are of concern because of their potential impact on human health.

The most prevalent compounds are butanes (from petrol and solvents), ethanol (from solvent use and production processes) and toluene (from petrol exhausts and solvents). VOCs are one of the precursors of ground level (tropospheric) ozone, which is toxic to plants and can cause breathing difficulties in humans.

VOC emissions in the UK fell by 55 per cent between 1990 and 2003 to 1.1 million tonnes. This is slightly below the target

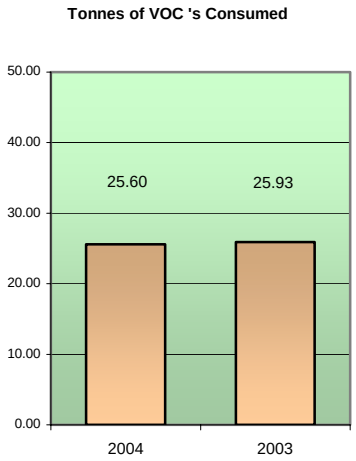
set for 2010 of 1.2 million tonnes under the UNECE Gothenburg Protocol and the EU National Emissions Ceiling Directive.

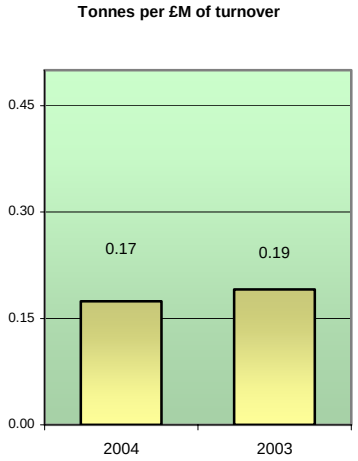
Rotork's Impact

Rotork uses VOCs in the form of paints and thinners for the finishing of our products. High volume components used in our products are painted before they reach our manufacturing sites the following charts do not include that data.

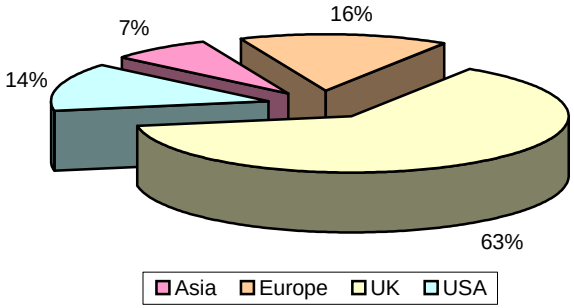
Rotork complies with all national and local authority regulations applicable to the storage of these compounds. This includes the bulk storage of paint in bunded storage.

Consumption of VOCs in Asia increased with the inclusion of data from our manufacturing site in Malaysia; Asia accounts for 7.4% of the overall total. An 11.5% reduction in consumption in the UK reduced the overall consumption down by 1.3%.





The following chart shows the consumption of VOCs across the group for 2004



6. Ozone Depletion

The Issue

The ozone layer in the upper atmosphere provides protection against ultra-violet radiation from the sun. It is essential to life since long-term exposure to ultra-violet radiation can cause cancers and damage ecosystems.

There is unequivocal evidence that man-made emissions of substances containing chlorine and bromine deplete the stratospheric ozone layer.

In 1987, international agreement to limit the production and consumption of the most important of these substances was reached in the Montreal Protocol. This has brought about substantial reductions in their production and consumption. World production of chlorofluorocarbons (CFCs) fell by 91 per cent between 1986 and 2002.

In the UK, production and consumption of CFCs had ceased by 1995, except for essential uses such as metered dose inhalers and laboratory or analytical purposes. However, these substances have a long life in the atmosphere, and it is anticipated that recovery of the ozone layer will not occur until the middle of the 21st century.

Rotork's Impact

The heating and cooling of the workplaces involves the use of ozone-depleting substances.

Ozone depleting materials or gases (mainly HCFCs) are present in certain office air-conditioning systems. Our actual impact is minimal since the gases are held in sealed systems and will only be released if there is an accidental leak.

Operational controls are in place for maintenance and end-of-life removal of this type of equipment.

With the exception of the above, no ozone depleting materials or gases are used in any process activity at any of our manufacturing sites.

7. Landscapes and Biodiversity

The Issue

Our planet's essential goods and services depend on the variety and variability of genes, species, populations and ecosystems. Biological resources feed and clothe us and provide housing, medicines and spiritual nourishment. The natural ecosystems of forests, savannahs, pastures and rangelands, deserts, tundra's, rivers, lakes and seas contain most of the Earth's biodiversity. Farmers' fields and gardens are also of great importance as repositories; while gene banks, botanical gardens, zoos and other germplasm repositories make a small but significant contribution. The current decline in biodiversity is largely the result of human activity and represents a serious threat to human development.

As well as leading to loss of biodiversity, insensitive land development can spoil the aesthetic value of an area.

Background Information

An international agreement to protect biodiversity was reached in 1992, known as the Conservation on Biological Diversity. This requires signatories to develop national biodiversity strategies and action plans, and has been signed by over 170 countries.

Rotork's Impact

Our main impact on landscape and biodiversity is the impact of our manufacturing sites on the local communities where they are located. Rotork is committed to continual review of the visual impact of these sites on the local communities.

The main risk of land contamination at any of our manufacturing sites is from the leakage of stored oil.

We store hydrocarbons (oils and kerosene), which are used in our products, in above-the-ground tanks and 205 litre drums.

Small amounts of fuel oil are stored to be used in back up generators in the event of power cuts.

The issue for Rotork is the risk of contamination from oil or fuel spills. These can pollute land and water and can harm ecosystems and wildlife. In the UK, the Environment Agency estimates that approximately one-sixth of pollution incidents are caused by oil spills. We are also aware of the potential for acquiring contaminated land as part of the purchase of a business or site.

In 1971 the Southern Testing Laboratories undertook a site investigation of the Bath site, where no contamination was found (report on file).

We carry out a due diligence process prior to site acquisitions to identify any potential risks and the cost of any necessary clean up to be undertaken by Rotork as part of the purchase.

External environmental initiatives

Global Compact

Kofi Annan, the United Nations Secretary-General first announced the Global Compact in an address to the World Economic Forum on 31st January 1999. The Global Compact's operational phase was launched at UN Headquarters in New York on 26th July 2000.

The Secretary-General invited business leaders to join an international initiative that would bring companies together with UN agencies, labour and civil society to support ten universal principles in the area of human rights, labour and the environment.

In August 2003 the City of Bath joined Melbourne, Nuremberg and San Francisco in signing up to the Global Compact by joining the GC Cities Programme. These cities have now since been joined by Porto Alegre and Jamshedpur. Rotork joined the initiative in November 2003. Since then the number of cities and companies that have signed up to support the ten principles has multiplied many fold.

Global Reporting Initiative

Rotork supports efforts to standardise and refine sustainability reporting. We have followed the suggested indicators of the Global Reporting Initiative where possible.

Investors

We continue to have open discussions with Socially Responsible Investment (SRI) rating agencies and investors.

Rotork is a member of the FTSE4Good Index.

FTSE4Good

FTSE4Good is the SRI index series designed by the global index provider FTSE. Its selection criteria cover three main areas:

- Working towards environmental sustainability.
- Developing positive relationships with stakeholders.
- Upholding and supporting universal human rights.

Supply Chain

While maintaining our own environmental standards, we also recognise the importance of product stewardship, being aware of the environmental issues of products and services both up and down the supply chain.

Communities

Rotork recognises the importance of the community role in society. Embracing this, we will:

- Report environmental performance data regarding our global operations on the Rotork website each year.
- Foster open communication with employees, customers, suppliers and other stakeholders via both electronic publishing and face-to-face discussion.