

**REXAM**

environmental and  
social update 2004



## contents

Chief Executive's statement	3
Group overview	4
Managing our environmental responsibilities	
Progress on 2003 targets	6
What sustainability means to Rexam	7
GRI compliance	7
Progress towards ISO 14001	7
Key Performance Indicators (KPI) project	8
Managing our social responsibilities	
Employee Health and Safety	12
Code of Conduct	13
Policies	14
Employee survey	14
Development of a social issues management process	15
Asia project	16
Supply Chain	18

## chief executive's statement



Rexam's vision is to be the world's leading consumer packaging company. Leading refers not just to the quality of our products, our levels of customer service or our ability to innovate, but equally to how we manage the environmental and social impacts of our business and how we are perceived by our employees and the world in which we live.

Rexam published its first environmental and social report, *The Future of Consumer Packaging*, in September 2003. In it, we set out our long-standing objectives regarding our commitment to the protection of the environment and the minimisation of the environmental impact of our operations and products. It also described the steps we had taken in identifying the environmental and social issues relevant to our business and the strategy and actions to date in managing these issues of corporate responsibility (CR).

This publication is a summary update of the work we have done in the ensuing period.

The response to that first report has been very positive. We asked for feedback and we received it. As you would expect, people were keen to understand more about our CR performance. The environmental impacts of our products, information on our Supply Chain activity, Global Reporting Initiative (GRI) compliance as well as our Social and other policies were just some of the topics raised. People were interested in what sustainability actually means to Rexam. They also wanted updates on targets and KPI performance as well as our advancement towards ISO 14001.

You will see in the following pages that we are able to update you on many of these areas.

We are proud of the progress that we have made during the year. We acknowledge that leadership of our industry brings with it many responsibilities towards the environment and the communities in which we operate. We are committed to continually improve our CR performance, minimising the effect of our operations on the environment and conducting business in an ethical manner. We have seen how the first report helped form a solid base for future discussions with stakeholders. I look forward to more feedback on this update.

A handwritten signature in blue ink, which reads "Lars Emilson". The signature is stylized and fluid.

Lars Emilson  
Chief Executive

# group overview

## Metals



Beverage Can  
Europe & Asia

HQ:  
Luton, UK  
Employees:  
3,500  
Plants:  
19 (+1 JV in S. Korea)  
Products:  
Beverage cans and ends.



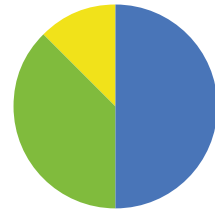
Beverage Can  
North America

HQ:  
Chicago, USA  
Employees:  
2,300  
Plants:  
19  
Products:  
Beverage cans and ends.

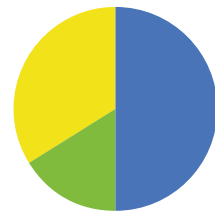


Beverage Can  
South America

HQ:  
Rio de Janeiro, Brazil  
Employees:  
1,000  
Plants:  
8  
Products:  
Beverage cans and ends.



Combined sales 2003	£bn
Europe	1.6
North America	1.2
Emerging markets*	0.4
<b>Total</b>	<b>3.2</b>



Global employees 2003 (average)	
Europe	11,000
North America	3,600
Emerging markets*	7,400
<b>Total</b>	<b>22,000</b>

## Glass



Glass

HQ:  
Barnsley, UK  
Employees:  
4,250  
Plants:  
14  
Products:  
Special and standard containers for the beverage, food, pharmaceutical and chemical industries.

## Plastics



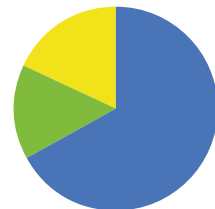
Beauty & Pharma

HQ:  
Paris, France  
Employees:  
8,740  
Plants:  
21  
Products:  
Complete packaging solutions for fragrance, cosmetics and make-up: spray samplers, dispensing systems, cosmetic closures.  
Pharmaceutical and medical devices.  
Injection moulded, child-resistant and tamper-evident closures for chemical, healthcare, food and beverage products.



Plastic Containers

HQ:  
Yate, UK  
Employees:  
1,200  
Plants:  
8  
Products:  
Thermoformed rigid thin wall containers and trays.  
PET and PEN containers for beverages.



Sales 2003 (per material)	%
Metals	67
Glass	15
Plastics	18

\*Primarily Russia, China and SE Asia, Brazil and other South American countries.

managing our

# environmental

responsibilities



## Progress on 2003 Targets

In our 2003 report we published several targets and/or objectives. Below is a table of those objectives and a summary of how we have progressed towards them. Full accounts can be found on the relevant pages.

### Environmental objectives in the 2003 Report:

### Progress:

Fully understand our environmental impacts.	Work is progressing in the creation of a Rexam-specific environmental footprint. It is not complete yet. When it has been finalised, the results will be available on the website prior to publication in the next CR report.
Continue to reduce our direct impacts, and work with our suppliers and customers to reduce our impacts elsewhere in the packaging value chain.	See Supply Chain Project on page 18.
Remain alert to changes in the availability of technology to reduce our environmental impacts.	We have introduced a system across all our engineering projects that ensure the best available technology is specified in order to reduce our environmental impacts. We intend to report on specific projects in the next report.
Ensure our established Key Performance Indicator (KPI) targets support our drive towards eco-efficiency.	Read more about this on page 8, "KPI Project".
Further refine our KPI data, so that by 2004 we are able to establish specific measurable targets for our plants worldwide.	Read more about this on page 8, "KPI Project".
No uncontrolled or abnormal environmental releases.	Unfortunately our Beauty & Pharma plant in Annecy, France discovered a leaking underground pipe and established that a quantity of trichlorethylene (TCE) had been accidentally released. A full investigation of the situation is now underway.
No significant fines imposed or actions taken against the Group.	Achieved
To have an Environmental Management System (EMS) in place at all our production plants by the end of 2006, based on the requirements of ISO 14001 (the International Environmental Management System standard).	See progress chart on page 7.
To roll out an e-learning based environmental training programme at all production facilities by the end of 2004.	Complete
To address all recommendations identified by the environmental status review by year end 2004.	Complete
To continue to work with our principal suppliers to understand and help reduce environmental impacts.	See Supply Chain Project on page 18.

### Additional 2004 projects not reported in 2003:

Adopt OHSAS across all operations.	See Safety section chart on page 12.
Zero accidents.	See chart on page 12.
Report on proactive health and safety metrics.	See Safety section on page 12.

## What sustainability means to Rexam

At Rexam we are committed to managing our business in a sustainable manner. We ensure that we do everything practicable to minimise the environmental impact of our manufacturing processes. We also ensure that our packaging products can be and are recycled in large quantities. Our sustainable performance is tested and checked against our audit process and our eco-efficiency indicators, allowing us to understand and monitor our performance across all of our businesses. This process has been refined during 2004 and we are now confident that the current data set provides us with a baseline from which we can target and deliver further performance improvements.

## GRI compliance

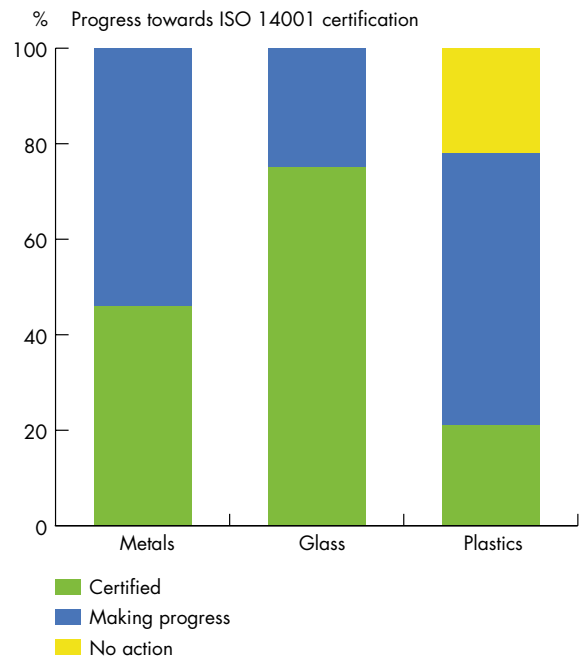
The Global Reporting Initiative (GRI) has developed globally applicable Sustainability Reporting Guidelines for reporting the economic, environmental, and social dimensions of a company's activities, products, and services. In the majority of cases we seek to meet the requirements of the GRI.

In 2004 we carried out a gap analysis between our current reporting areas and the GRI requirements. We will now identify those areas where we currently report and those which we intend to include in the future.

## Progress towards ISO 14001

We are encouraging all our major production facilities around the world to strive towards an EMS based on the requirements of ISO 14001 verified by an independent third party.

As can be seen from the table, we are on the way to achieving our target. Our operations that use metal and glass in their production processes are largely certified or making progress towards certification. In plastics, our five Asian businesses have committed to starting work to achieve ISO 14001 in 2005 with a target of certification by 2008.



## Key Performance Indicator (KPI) project

When it comes to Key Performance Indicator (KPI) targets, we said that we would ensure that our KPIs would support our drive towards eco-efficiency. We also indicated that we would further refine our KPI data, so that by 2004 we would be able to establish specific measurable targets for our plants worldwide. Both these targets have been achieved.

We have a system for measuring and reporting common KPIs on a quarterly basis. The scope and definitions used are consistent across the Group for all indicators. The KPIs form an integral part of our EMS and our eco-efficiency approach. KPI data are normalised per tonne of production output and these figures become our eco-efficiency indicators.

We have grouped the data into our primary material types: metal (aluminium and steel), glass and plastics. The best performing manufacturing sites are being identified and they are becoming the benchmark for all operations. This system will allow us to develop measurable targets for the future and to report our environmental performance on a consistent basis.

We have measured data relative to "tonne of product" so that we can establish a standard that is comparable within Rexam year on year irrespective of factors such as the growth of the business. "Tonne of product" is a measure that we already use to manage our business in other areas.

Our original set of KPIs comprised 16 indicators. However, these have since been condensed to seven. They remain highly relevant to the businesses we operate and support our drive towards eco-efficiency. They facilitate the establishment of specific measurable targets for our plants worldwide.

Our KPIs are either derived through actual measurement (e.g. energy use) or calculation (e.g. CO<sub>2</sub> emissions).

The revised KPIs are as follows:

### Raw materials

We use a wide variety of raw materials in the manufacture of our products. We recognise that potentially they are a significant source of environmental impact. It is one area where, working with our customers, suppliers and trade organisations, we can encourage end users to recycle more packaging materials and hence reduce our reliance on virgin raw materials.

Raw materials consumption	2004		2003	
	Tonnes	%	Tonnes	%
Aluminium/alloys	560,457	23	514,405	22.8
Aluminium recycled	195,236	8	186,000	8.2
Glass cullet	705,125	28	606,296	26.8
Sand	487,985	20	463,691	20.5
Soda ash	142,258	6	138,778	6.1
Plastic pellets	156,147	6	136,731	6.1
Steel/alloys	135,786	5	119,471	5.3
Limestone	81,015	3	77,161	3.4
Coatings	15,524	1	16,981	0.8

Raw materials tonnes/tonne of production	2004	2003
Metals	1.58	1.45
Glass	1.25	1.20
Plastics	1.11	1.11

**Energy KWh/ tonne of product**

Packaging manufacturing can be an energy intensive business. This KPI enables us to effectively monitor and, where feasible, reduce our energy usage.

**Amount of energy (%) from renewable sources**

Given our high use of energy, we have established a KPI to determine the percentage that comes from renewable sources. At Rexam we are keen to promote the use of renewable energy sources.

**CO<sub>2</sub> emissions per tonne**

With global attention focussed on emissions of greenhouse gasses, we recognise that it is our duty to monitor, manage and report on our emissions of CO<sub>2</sub>.

Calculation of CO<sub>2</sub> equivalent values are arrived at by using the UNEP guidelines.

Energy use by source	2004		2003	
	Millions of Kwh	%	Millions of Kwh	%
Natural gas	1,853	72	1,930	73.2
Electricity from non renewable sources	650	25.2	642	24.3
Residual fuel oil/heavy fuel	18	0.7	18	0.7
Electricity from renewable sources	37	1.4	34	1.3
LPG	7	0.3	7	0.3
Gas/diesel oil	6	0.2	6	0.2

Energy Kwh/tonne of production	2004	2003
Metals	4,658	4,845
Glass	2,025	1,956
Plastics	15,369	15,369

CO <sub>2</sub> emissions by source	2004		2003	
	Tonnes	%	Tonnes	%
Production	752,148	94	746,688	95
Non road transport	35,263	4.4	35,660	4
Road transport	12,029	1.6	11,276	1

CO <sub>2</sub> emissions tonnes/tonne of production	2004	2003
Metals	0.77	0.79
Glass	0.62	0.61
Plastics	1.61	1.61

**Waste – Hazardous and Non-Hazardous**Non-hazardous waste per tonne of product

We are committed to monitoring and where possible reducing our generation of non-hazardous waste.

We consider material to be waste if it no longer fits the purpose for which it was originally intended and cannot be otherwise used or recycled. All Rexam sites are required to ensure they produce the minimum amount of waste. When waste materials are created, our businesses' first priority is to ensure that they reuse, recycle or send the materials for energy recovery. Disposal to landfill is the final option.

Hazardous waste per tonne of product

With the increasingly tight restrictions on the disposal of hazardous waste, Rexam is keen to reduce the burden

on overstretched landfills as far as possible through monitoring and where possible minimising the generation of hazardous wastes.

**Water use per tonne of product**

We do not use large quantities of water in our processes. However, we are aware of the environmental issues related to water and are keen to monitor our water consumption, with a goal of improving our water efficiency year on year.

**Air emissions**

We have air emissions from many of our facilities, particularly our glass manufacturing plants. Regardless of local regulatory regimes, we reduce, abate and closely monitor our air emissions.

Waste produced tonnes/ tonne of production	2004	2003
Metals	0.24	0.27
Glass	0.05	0.03
Plastics	0.12	0.13

Percentage of process waste recycled	2004	2003
Metals	88	87
Glass	85	82
Plastics	67	67

Water use by source	2004		2003	
	m <sup>3</sup>	%	m <sup>3</sup>	%
Municipal water supply	968,752	70	962,263	70
Surface water	262,429	20	257,280	19
Groundwater	138,214	10	149,520	11

Water use m <sup>3</sup> /tonne of production	2004	2003
Metals	1.6	1.7
Glass	1.5	1.8
Plastics	2.3	2.0

NOx emissions tonnes/tonne of production	2004	2003
Metals	0.0002	0.0003
Glass	0.0022	0.0028
Plastics	0.0014	0.0014

Particulates tonnes/tonne of production	2004	2003
Metals	0.0001	0.0001
Glass	0.00038	0.00023
Plastics	0.00018	0.00018

VOC tonnes/tonne of production	2004	2003
Metals	0.0058	0.0061
Glass	0.0000	0.0000
Plastics	0.0009	0.0011

managing our  
**social**  
responsibilities



In the year since the publication of our first Environmental and Social report, we have been focussing our efforts on the process of integrating Corporate Responsibility into our day-to-day decision-making processes. The following section describes progress on employee health and safety issues as well as the work we have done with our plant management teams and our supply chain community. It also describes the on-going stakeholder dialogue that we are undertaking to ensure that we continue to understand the issues of CR that are relevant to us.

## Employee Health and Safety

The welfare of our employees in their workplace continues to be of primary importance. Our overall goal is to ensure that we have a safe working environment in every country in which we operate for everyone that comes into contact with our Group.

### Incident reporting, analysis and prevention

Our Health and Safety target for 2004 was zero accidents. This was not achieved. In fact, our injuries rates have increased. This does not mean that our plants have become less safe to work in. It is rather that our reporting systems have become more efficient. For many years, our occupational health and safety programmes have recognised the absolute need to develop an embedded effective safety culture. Creating a 'no blame' culture for the reporting and monitoring of health and safety issues is vital for the success of our safety programme. Each Rexam business is required to enter details of all health and safety incidents into our online reporting system. During 2004 we have actively encouraged and monitored the reporting of injuries. Although we have seen a rise in reported incidents, we now believe we have a realistic baseline upon which we can measure improvement.

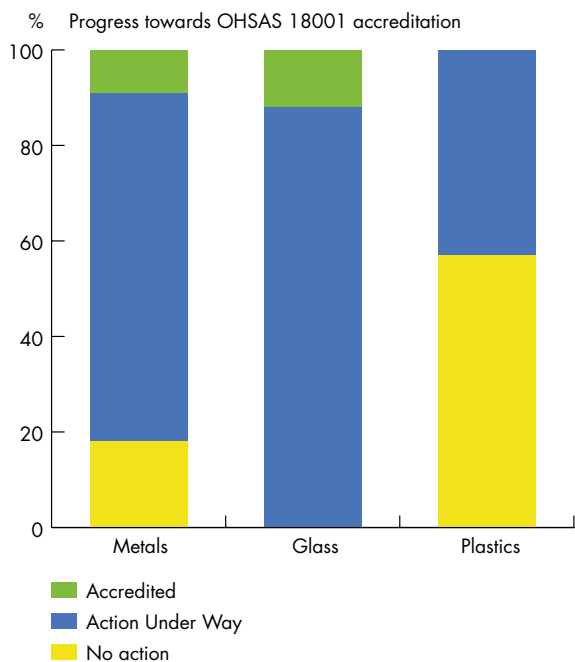
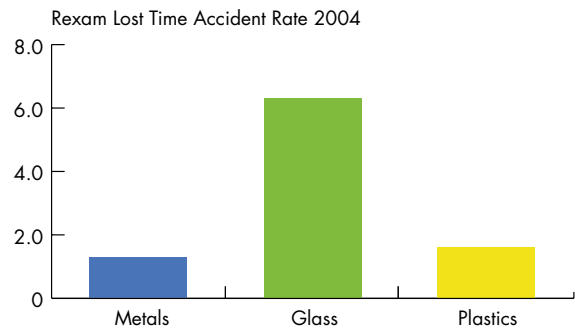
All injuries rates are calculated per 200,000 hours worked.

### Proactive indicators

In addition to adopting the more traditional health and safety performance metrics such as lost time injury and first aid rates, we also review proactive indicators such as number of employees trained, involvement of management and implementation of management systems such as OHSAS 18001.

### Safety management systems

The development of a proactive safety culture is a vital element of our safety management systems and programmes. Rexam businesses are encouraged to progress towards accreditation to OHSAS 18001. Many of our businesses have taken up this challenge and have targeted achieving accreditation by the end of 2007/8.



### **Training**

We require all our employees to be appropriately trained on health and safety issues. We require appropriate training for all our employees prior to starting with Rexam or on taking on a new role. All our operations participate in tailored regional training programmes, which focus on topics such as local regulatory requirements and key issues that affect our businesses and our people.

We continually review the scope and quality of our EHS training arrangements to ensure that they remain relevant and support our drive for an effective safety culture.

### **Involvement**

Rexam has an Inter Company Working Group (ICWG) formed by representatives from each of our manufacturing Sectors who meet regularly during the year. Its primary role is to ensure the EHS programmes are focused and relevant to our operations. The team determines the scope, content and format of our groupwide EHS audit protocols, training programmes and support system requirements. Their participation makes certain that the businesses are actively involved in the development of our safety goals and systems.

Some the projects the ICWG has undertaken in 2004 include:

- Sharing of Best Practice and Lesson Learned Programme
- EHS and Property Protection Audit Programmes
- Review of Group EHS Policies
- The Environment and Social Report
- Updating the Rexam Audit System (RAS)
- Improving the KPI reporting and target setting
- Accident definitions, data collection and analysis
- Group-wide EHS conference agenda and organisation
- EHS e-learning software and content

### **Recognition**

In order to recognise those businesses that have achieved Rexam's best practice standards, we have instituted an annual Rexam Risk Management Award Programme.

### **Regional EHS training and best practice conferences**

As in past years, in 2004 Rexam employees charged with risk management issues and their plant managers gathered in Europe, Asia and the USA to spend two days deepening their understanding of a range of risk management topics, including health and safety, fire safety, crisis management and environmental issues.

These sessions help them to build on their current knowledge and further enhance existing systems. During the meetings there are also opportunities for our people to come together to share best practice, discuss Group EHS strategy and to work together as a team. In Europe, the 2004 event marked our 12th annual conference on risk management issues.

### **Code of Conduct**

During 2004, Rexam produced a Worldwide Code of Employee and Business Conduct, which will be communicated to every one of our employees around the world. The aim is to set out clearly the attitudes and behaviours that we expect of our staff, and of how we expect people to do business.

The Code of Conduct is based on our existing policies (including those mentioned below) and summarises, in a short document, our policy and expectation in key areas of business, including:

- Health and safety
- Corporate governance
- Financial and accounting controls
- Insider trading
- Disciplinary procedures
- Conflicts of interest

The Code makes it clear that it is the responsibility of each member of staff to familiarise themselves with the content of the Code and with the detailed policies and procedures that lie underneath and to act accordingly.

## Policies

Rexam has a well-established set of policies within its business that provide guidance to our staff on a wide range of issues. Policies defining action on many CR issues relevant to Rexam have been in place for many years.

In 2004, we continued the development work on additional CR-specific policies. They have been prepared with reference to those of peer group companies, to core CR texts, and in response to dialogue with different stakeholder groups. We also consulted with our businesses to ensure that they reflect operational realities. The following policies have been prepared and are ready to be introduced in 2005:

### Avoidance of bribery and corruption

The reputation of Rexam for lawful, ethical and honest business behaviour is one of our greatest assets. This new policy requires us to:

- Comply with the spirit, as well as the letter, of the applicable laws and regulations in all countries where we operate.
- Act with honesty, integrity and transparency at all times
- Conduct all our business relationships in an ethical and lawful manner.

### Worker welfare and labour conditions

Rexam is committed to protecting the human rights of everyone who works for the Group and all those who have dealings with it. As a responsible company, we support the United Nations Universal Declaration of Human Rights that sets "common standards of achievement for all people and all nations".

### Dealing with suppliers

Rexam recognises that our supply chain activities have a global impact and, therefore, that our responsibilities extend beyond our own operations into those of our suppliers. At the same time, we need to ensure that we deal with our suppliers in an open and transparent way. This policy sets out what we expect from our suppliers in terms of human rights, health and safety and other CR issues (see more on page 18).

### Protection of whistle-blowers

Under normal circumstances, we would expect employees to raise issues of concern with their line manager or supervisor. However, we recognise that this may not always be possible. This policy ensures that employees are able to raise genuine concerns in the knowledge that they will not face harassment or victimisation as a result.

### Bullying and harassment

Rexam wants its employees to work and develop in an environment that is respectful and productive. It is therefore committed to providing a work environment free of discrimination or harassment, whether committed by or against managers, colleagues, customers, vendors, or visitors.

## Employee survey

In 2001, we undertook a comprehensive survey of our employees (25% of the total workforce) to understand people's attitudes to their workplace. The results of this survey formed the basis for The Rexam Way programme.

In late 2004, we undertook a second survey to find out what people thought of our action plans and response to the findings of the first questionnaire. On this second occasion, we sent the questionnaire to all our employees around the world. It was translated into 14 languages and covered a wide range of topics, including:

- Effectiveness of internal communication
- Ethics in the workplace
- Management processes and their effectiveness
- Effectiveness and attitudes of managers
- The general atmosphere in the workplace

The results are still being processed and we will communicate the detail of the results and the actions arising from it, when available.

## Development of a Social Issues Management process

We intend our CR policies to be more than just words. However, we recognise that making them work across the business presents significant challenges.

Rexam operates in a number of emerging markets where prevailing norms on working conditions, labour practices, and corruption create an enormous challenge. Naturally, this does not prevent us from working towards our policy goals. However, we recognise that in these markets, full implementation of the policies will take longer than in developed markets and will require co-operation with other companies, NGOs and governments.

We therefore need to identify where action is required to meet our policies and to set clear targets for improving any short-comings. This needs to be the responsibility of our line managers, not a separate CR function. In the past year therefore, we have been running a pilot programme in our Beauty & Pharma sector to establish how this can be achieved.

This sector was selected for a number of reasons:

- It is the most complex of our sectors in terms of types of business and global structure. We believe that a management process that can be made to work in this business will work in the other more homogenous sectors.
- The Beauty & Pharma sector has businesses in China and Indonesia as well as Brazil where we face some of our most significant CR challenges.
- The business is the biggest employer in the Group, with more than 25% of Rexam's total workforce.

# asia project

## **Introduction**

The bulk of our efforts during the past year have been devoted to piloting a CR management system, as indicated in our 2003 Environmental & Social Report, within the Beauty & Pharma operations in China.

This business first entered the Rexam family in 1998, when we became minority owners of a Taiwanese personal care and cosmetics packaging manufacturer, Der Kwei. This investment brought an additional 3,500 workers into the Rexam fold, with plants in Shanghai, Tianjin and Shenzhen in China, and in Surabaya and Jakarta in Indonesia. It has since expanded significantly and now employs around 6,000 people. Rexam took full ownership of the business in 2003.

As reported in our 2003 Environmental and Social report, since taking an initial stake in the business, Rexam had already done much to improve working conditions in the plants, with the result that the Shanghai and Shenzhen plants have SA 8000 certification.

However, given the on-going CR issues relating to China and Indonesia, we recognised that more still remained to be done. As a result, this business formed a natural 'test-bed' for the development of a CR management process that could then be spread through our other businesses globally.

## **The work in the past year**

### Local review

As a starting point, we conducted an assessment of the CR issues relevant to Rexam's business in China. This was achieved through extensive dialogue within the business in China and with stakeholders in Hong Kong and at the plants.

### Policy amendment

Our global policies were edited in the light of the findings of this Asia impact assessment. This process also highlighted the changes to be made in Rexam's Chinese business to bring it into line with these policies.

### CR action plan

In collaboration with the local Rexam management team, we developed an action plan which defined those areas where change was needed and assigned responsibility for each change to the appropriate line manager. This plan was developed in the summer of 2004.

### Regular review

In the months since the development of the action plan, regular reviews have taken place to monitor progress in implementing the necessary changes.

## **Progress report**

Key developments in this project during the past year include:

### Dormitory conditions

Like many companies, Rexam provides dormitory accommodation to many of its staff. This is because they are migrants from remote, rural parts of China. We recognise the importance of ensuring that these dormitories are of an acceptable standard of size, cleanliness and have the appropriate facilities.

We have worked with experienced local NGOs to develop a 'dormitory standard'. We are in the process of assessing the proportion of our dormitory facilities that meet this standard and will set targets to ensure that all dormitory accommodation meets this standard.

### Bribery and corruption

Despite repeated and on-going efforts by the Chinese government, corruption is still endemic in China. This manifests itself to businesses like ours in many ways. To minimise the potential for corruption in Rexam's business, we have undertaken a number of steps:

- We have introduced a policy on gifts. This requires any gifts received or given to be declared and registered. The log of these gifts is reviewed regularly.
- We have also initiated a policy relating to entertainment. This requires the most senior person present to pay for the event. The expense claim must then be counter-signed by the next most senior person not in attendance.
- Cash handling procedures have been significantly tightened.

Overtime and wage levels

Significant steps have been taken to manage rates of overtime at Rexam's plants, and to ensure that all overtime is paid at the correct rates.

We have had a significant increase in our headcount in order to bring down overall overtime levels.

A small number of workers performing specialist functions were working excessive amounts of overtime. We are seeking to reduce these levels by hiring and training additional specialist staff.

We have introduced paid holiday for our workers. This is in addition to the statutory holidays.

Health and Safety (H&S)

Rexam's operations in the beauty business in China are very labour-intensive. They also involve the use of heavy equipment such as blow and injection-moulding machines and printing equipment. Health and safety is therefore very important to a safe working environment. To ensure that this is the case, we have made a number of changes in the past year:

- Internationally qualified H&S officers are being hired at each of our plants. To emphasise the importance of their role, each will report to the plant manager.
- Worker H&S committees have been established at each site.
- H&S training is being provided to all new workers.
- All employees are being provided with annual medical check-ups to ensure that any health problems caused by their work can be readily identified and addressed.
- Full H&S audits have been carried out by independent third parties at all Asian plants. Action programmes are under way.

Whistle-blower process

As an interim measure, we introduced an internally managed whistle-blower process in June 2003. This provided to all staff the phone numbers of the regional Managing Director in Hong Kong and Shanghai.

We are now working with external suppliers to develop a third-party whistle-blower process for our business.

Supply chain

In addition to work being done on our global supply chain, we have also begun to address the supply chain of Rexam's beauty business in China.

A local supply chain manager has been hired, reporting to the regional Managing Director. This will provide greater transparency in purchasing decisions.

Questionnaires have been sent to our largest local suppliers about social, environmental as well as health and safety issues. This process was intended as much to indicate to our suppliers the importance to us of these issues as to gain reliable information.

Inspections will begin of key suppliers' sites. This will include issues such as wage rates, overtime levels and health and safety.

**Next steps**

A number of further steps will be taken:

- We are defining a limited number of KPIs. Data on these will be collected from the beginning of 2005, both as a management tool and for the purposes of external reporting.
- We will continue engagement with suppliers on environmental and social issues.
- We will roll out development information on environmental and social issues to plants.

CR training

We have also begun to develop specific training on CR to be undertaken by the management teams of our plants.

This training is based on a CR workbook, which includes:

- An explanation of what CR is and why is it relevant to Rexam.
- Details of the steps taken so far by Rexam to address CR issues.
- Exercises to encourage managers to be able to identify CR risks in their own operations.
- Step-by-step guidance to enable employees to address these issues.

The training is being rolled out through a series of workshops. We will run pilot workshops for the managers of the Beauty & Pharma businesses in France in early 2005 and intend to extend this across the rest of Rexam's businesses later in 2005.

# supply chain

We recognise that our responsibilities extend beyond our own businesses into the supply chain of products and commodities we buy.

In 2004 we took a number of steps to develop and roll out our Responsible Sourcing Programme. This programme is a key strategic project of our Group Supply Chain Council and the project is being led by a group of our supply chain professionals drawn from across the Group.

Although consideration of CR issues will eventually be required as part of all our purchasing decisions, we want to ensure awareness and buy-in from all levels of the organisation. Therefore, we have designed our projects and processes to engage those involved in procurement. We will also use open forums to encourage discussion of issues, exchange of internal and external best practice and facilitate collective problem solving activities.

## **Assessing and improving suppliers' CR performance**

Rexam buys from thousands of suppliers all over the world. We cannot address all these companies at once, and so we have chosen to focus our activities by defining two groups amongst our suppliers which require the most urgent consideration:

- **High impact suppliers**

These are the companies who are our largest suppliers – usually suppliers of our most significant raw materials such as aluminium and plastics. They make up approximately 70% of our total supplier spend.

We have gathered information from these suppliers about their own CR programmes. We have started to assess this information against a basic set of six criteria, drawn from Global Reporting Initiative (GRI) indicators. Using this information we will then either develop improvement programmes where required, or look for sharing of best practice and joint initiatives where appropriate.

- **High risk suppliers**

These are companies that provide us with products that are likely to be sensitive, or that are from countries with problematic track records. To assess and manage our work with these companies we are developing the tools described below.

## **Responsible Sourcing handbook**

Our procurement teams are keen to incorporate CR issues into their decision-making processes. To support them and ensure all relevant issues are addressed, we are creating a Responsible Sourcing handbook to guide them in how best to do this. The onus is on engagement with suppliers and the handbook contains:

- An introduction to CR and what it means for Rexam
- A description of Rexam's activity and performance to date in this area
- Detailed guidance on:
  - incorporating CR issues into purchasing decisions
  - measuring supplier performance
  - assessing supplier and purchase risk
  - engaging suppliers
  - developing remediation plans where a supplier's CR performance is poor
  - developing and externally sharing best practice

We will introduce this handbook to our supply chain teams, managers and buyers through a series of workshops across the businesses globally in 2005.

## **Purchase risk assessment**

At the heart of the product evaluation process in the Responsible Sourcing handbook is an assessment of the CR issues related to the purchase of particular items, or to particular supplier countries.

To help our supply chain team to assess the degree of CR risk associated with each purchase, and to identify 'high risk suppliers', we are designing a Purchase Risk Assessment tool that contains:

- A register of potential CR risks associated with the products that Rexam buys and the locations from which it buys.
- A matrix to allow supply chain employees to assess the total risk associated with any proposed purchase.
- A database of information on these issues providing guidelines to enable supply chain managers and buyers to develop the relevant remediation plans with their suppliers.

The aim is to provide our people with the appropriate information to take an informed decision on each purchase they make, and to engage a supplier in an appropriate improvement process should this be required.

#### **New supplier assessment**

In the hunt for new suppliers, we have historically taken into account issues such as price, quality, reliability and delivery schedules. In all new procurements we will seek also to build CR issues into the decision-making process:

- At the stage of initially identifying a potential supplier, key CR issues are covered in the request for information or quotation that we ask of the potential supplier.
- Where appropriate, a company that has made it through our initial enquiries will have its sites inspected by Rexam staff. This inspection will include key CR issues such as health and safety, wage rates and environmental risks and the controls in place.
- A separate consideration for the supplier's corporate responsibility risks and what controls and measures are in place.
- Detailed specifications of goods to be provided should include CR targets to be met.

Our supply chain community are now, and will continually be, committed to supporting global improvement programmes and facilitating social and environmental best practice throughout our supply chain.

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