



### **BUILDING A BUSINESS FOR FUTURE GENERATIONS**

GKN can trace its roots back almost 250 years and has been incorporated in its present form (originally as Guest, Keen and Nettlefolds) for over 100 years. This longevity has not been achieved without recognising the need, in pursuing its objectives, to take account of the interests of a range of stakeholders, including customers, employees, shareholders and communities. As long ago as the mid 19th century, the Guest business in Dowlais in South Wales was instrumental in bringing fresh water and sanitation to the town of Merthyr Tydfil and the village of Dowlais.

GKN is committed to providing long-term, sustainable value to its shareholders by delivering outstanding products and services to its customers. When it does so successfully GKN can reward its people and help support the communities of which it is a part.

Every working day some 35,000 people come to work in GKN plants and offices located in more than 30 countries around the world. All of those people have expectations of GKN. They expect to work in a

safe environment which will not damage their health. They expect their rights, dignity and equality of opportunity to be respected by a company which upholds high ethical standards. They expect to be rewarded fairly for their efforts and to know how they and the company they work for are performing. GKN values the contribution of all its employees and works hard to meet their expectations. These also include freedom of association and collective bargaining where requested by a majority of employees, fair systems to deal with grievance and discipline, and the absence of any form of discrimination.

Those 35,000 people live in communities of which their employing company is a member. Those communities also have expectations. They expect GKN to minimise the impact of its operations on the environment. They expect GKN to make a contribution to community life and well-being. In less developed countries, GKN aims to ensure that community activities are sensitive to the local social and physical environment and will have positive long-term impact.



Building team spirit. A group of operators, design engineers and maintenance technicians of GKN Driveline and its joint venture with Toyoda Machine Works at Rayong in Thailand in training for the annual Tako tournament. Tako is a popular Thai sport which combines the rules of volleyball and soccer and the tournament is used to develop team spirit among operators and managers across the businesses.

Behind the net, from left to right: Khun Jarun, Khun Pichet and Khun Wanachai. Foreground, from left to right: Khun Jittipong, Khun Yuttasart and Khun Anuchit. Referees, left to right: Khun Thonchai and Khun Anu.

### Scope of the review

In this year's social responsibility review GKN has again used, as a framework to present the information, the Reporting Guidelines produced by the Global Reporting Initiative (GRI), an international multi-stakeholder group. The GRI Guidelines, last published in June 2002, are based on the 'triple bottom line' reporting concept covering economic, social and environmental performance. The financial aspects of the economic performance of the Group in 2003 are reported on elsewhere in this annual report.

GKN supports the terms of the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises and continues to work towards ensuring that there is no breach of these within its businesses. Our ultimate aim is to ensure that similar standards operate throughout our supply chains.

The review covers all of our subsidiary companies. The Group operates globally and it is therefore appropriate that our approach to social responsibility is global. To this end it also embraces our

joint venture companies through an open exchange of information and ideas; where practicable performance data is collected from those companies. Joint ventures may also participate in our global Safety and Green Scheme Award programmes.

The performance data presented in this review has been the subject of self-certification by Group companies together with some independent verification of data or data collection processes as described below.

We have again used sales as a measure for key environmental indicators. As referred to in last year's review this has a number of disadvantages, including distortions caused by price reductions, intra-Group trading and widely varying consumption levels in differing manufacturing processes. The development of alternative metrics continues. These will vary from division to division due to the differing nature of their business processes. We will report on them once adequate comparative data is available.

## **GOVERNANCE**

### **Management systems**

The principles of good corporate social responsibility are embedded within GKN's values which are embraced throughout the Group. They can be viewed on our website at [www.gknplc.com](http://www.gknplc.com).

The Board views very seriously its responsibility for ensuring that all the Group's businesses act as good corporate citizens. A working group chaired by Ian Griffiths, Managing Director GKN Driveline, has responsibility for guiding the adoption of the principles of sustainable development throughout all the Group's businesses; Dick Etches, Human Resources Director, has responsibility for Health, Safety and Environment programmes; and Grey Denham, Company Secretary, together with the Corporate Audit Department and the Audit Committee, oversees compliance with Group policies.

The management of social responsibility issues is an integral part of the Group's overall corporate governance procedures and therefore this review should be read in conjunction with the corporate governance section on pages 74 to 79. In particular, the management of social, environmental and ethical risks is encompassed within the internal control procedures described in that section.

The internal control procedures are supplemented by arrangements under GKN's Integrated Loss Prevention Policy which is designed to protect assets, prevent accidents and losses, contribute to a safer working environment for all GKN employees as well as achieving and demonstrating sound environmental performance. The policy, which can be viewed on GKN's website, sets out the Group's systematic approach to loss prevention and covers all accidental risk areas. Operational management, supported by a network of specialists, advisers, Divisional Loss Prevention Committees (DLPCs) and the Group Loss Prevention Council (GLPC), has primary responsibility for implementing the policy, for integrating loss prevention into the business process and for performance delivery.

The GLPC assists this process by providing direction and promoting best practice, whilst the DLPCs are responsible for co-ordinating loss prevention activity within each division, investigating serious accidents and losses and reporting on performance to the GLPC.

Health, safety and environmental performance is reported to the Executive Committee on a quarterly basis and at least annually to the Board. Significant incidents are reported to executive Directors within 24 hours and to the next meeting of the Executive Committee.

The Business Excellence Programme is our primary route to achieving best-in-class standards in all aspects of managing the business which, going forward, will incorporate our corporate social responsibilities. The programme uses Business Excellence models and Six Sigma tools to identify opportunities for continuous improvement across a wide range of activities including leadership, empowerment, organisational processes, customer relationship management, and community contributions.

The most significant risks in relation to social responsibility issues are loss of reputation resulting from the manner of operation of our businesses and safety issues arising from quality or design of our products. Both of these could, potentially, impact shareholder value significantly as well as our employees and the communities in which we operate. In environmental terms, our manufacturing processes are not inherently high risk, however great care is taken to prevent any adverse impact arising.

### **Group governance policies**

A series of governance policies, which are applied throughout the Group, underpin our vision on corporate social responsibility. Our internal control procedures (described in the corporate governance section on pages 78 and 79) are designed to confirm proper implementation and identify material breaches of these policies. No such breaches have been identified in respect of 2003.

In support of its governance procedures, our Aerospace business, which operates in the highly regulated world of government contracting, has established an external Ethics Hotline. This provides employees with a means of voicing concerns on compliance and regulatory issues to a third party provider, on an anonymous basis if they wish.

#### ***Ethical standards policy***

The ethical standards policy sets high standards of integrity, honesty and fair dealing for all employees. As part of the overall Group ethical standards policy, individual divisional and company policies require that all business should be conducted with respect to human dignity and rights, and in compliance with all applicable laws and regulations, and that corrupt practices and the acceptance or making of bribes be prohibited. All commercial transactions must be properly recorded, and assets and confidential information must be fully protected and used only for the purpose for which they were provided.

Employees are also required to avoid conflicts of interest between their business relationships and personal activities. All employees have access to appropriate nominated executives or groups of executives for the purposes of advice and assistance and, where necessary, rulings on ethical issues which may arise.

#### ***Competition policy***

To ensure that Group companies comply with the laws relating to competition and fair trading, the Group has a policy that relevant employees are trained in competition laws applicable to their day-to-day activities. Employees are trained by way of attendance at courses or by use of interactive CD-ROM training packages developed by the Group.

#### ***Data protection policy***

The Group's data protection policy is designed to ensure that personal information held throughout the Group is treated with due respect for the privacy of the individual. The policy is applied worldwide even where it is more exacting than local legislation.

#### ***Employment policies***

The Group's employment law and practices policy requires every business in the Group to adopt employment policies and procedures ensuring that employees and prospective employees are given equal opportunities irrespective of sex, race, sexual orientation, disability, religion or ethnic origin. Wherever it operates, the Group complies with local employment law and practices.

All businesses are required to ensure that employment decisions are based on qualifications and merit. The working environment must respect employees' human dignity and rights and be free from

all forms of discrimination and from any form of conduct, physical or verbal, which could be considered to be harassing (including sexual harassment), coercive or disruptive. Working conditions must be safe and healthy and there are specific requirements in relation to substance abuse and dangerous weapons.

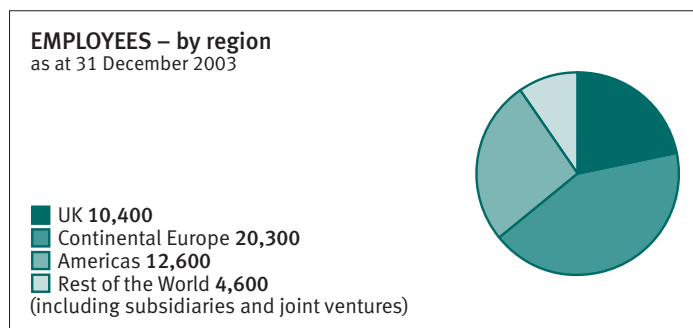
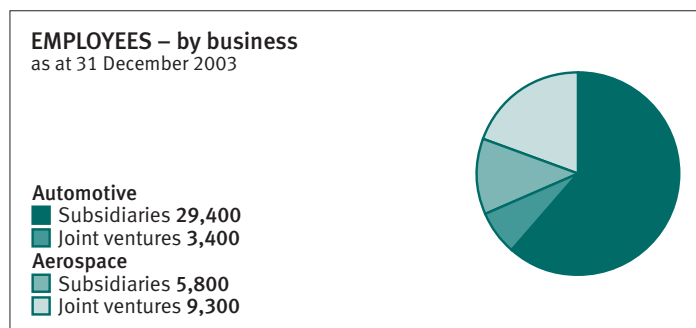
Policies are designed to encourage employees to report and discuss problems on a confidential basis and to provide expeditious and confidential grievance procedures.

#### ***Employee disclosure procedures policy***

Group companies are required to establish appropriate procedures to enable employees to disclose in good faith, at local company or if appropriate at divisional level, instances of wrongdoing by other employees at any level, including any substantial breach of the Group's policies. Employees must be able to do so in the knowledge that their concerns will be investigated and dealt with properly and sensitively and without fear of reprisal or disciplinary action. The process must also provide for employees, should they so wish, to make disclosures in writing directly to the Company Secretary or the Head of the Corporate Audit Department at the Corporate Centre.

#### ***Defence industry involvement***

We are aware that there are some investment organisations and individuals who are concerned by companies' involvement in the defence industry. GKN's primary interest in defence equipment is through its helicopter joint venture, AgustaWestland. All sales outside domestic markets are in strict accordance with UK and Italian Government export approval procedures, as appropriate. As well as having applications in defence, in many parts of the world AgustaWestland helicopters play a vital role in rescue, relief and humanitarian aid. GKN Aerospace Services is also a first tier supplier of aerospace structures for US and European military aircraft programmes, the export of which is in accordance with government export approval procedures.



**FOCUS ON OUR EMPLOYEES**

At GKN we are committed to creating an environment in which employees are able to realise their full potential. Training and development programmes at all levels within the organisation aim to ensure that employees have the skills and knowledge to perform their roles as effectively as possible and that they are able to maximise their potential and contribution.

**Communication**

GKN recognises the importance of communication as a two-way process and the substantial contribution employees can make to improving business performance. During 2003 we completed a programme of surveys of over 30,000 employees across the Group (85% of subsidiary company employees). The surveys covered a wide range of topics including product quality, health, safety and the environment, career development, communication and leadership, and company reputation. Key points which emerged from the surveys recognised as an important strength the ability to set clear objectives and the routes to their attainment. Whilst employees regard GKN as positive in its approach to change, communication was identified as an area for improvement across the businesses. There is also an opportunity to broaden our development activities across a wider population in order to help realise the potential of employees. The responses will help focus improvement initiatives and provide a benchmark against which to measure progress.

Effective consultation mechanisms exist throughout the Group to provide open communication between management and representatives of union and non-unionised employees. During 2003, GKN Driveline Mosel received an award from the German Institute for Business Studies for its employee suggestion scheme which was judged to be the best in Germany. Group companies encourage employee participation in the process for improving

health, safety and environmental performance. Employee involvement is also encouraged and recognised through the GKN Safety Awards and the GKN Green Scheme. These schemes, now in their sixth year, recognise success and highlight best practice which is then shared across the Group. In 2003, a total of 72 applications were received. Details of the award winners are given later in this review.

**Training**

At operating company level, training and development activities continue to be an integral part of our business strategy, focused on equipping employees with the skills and knowledge needed to support their effective contribution to the Group’s business objectives. New employees receive induction training to introduce them to the Group as well as to the company at which they are based, and ongoing training is available through on-the-job experience, in-house training programmes and external educational providers.

Within GKN Driveline, the International College of Engineering provides a wide range of product-based teaching programmes which focus on technology as well as product development, and are for support staff as well as for engineers. The development of the IT infrastructure will support an e-learning facility which, in the course of the next 12 months, will be available to a wide range of employees.

GKN’s International Leadership Development Programme recruits high calibre graduates from many of the world’s leading universities and exposes them to diverse business situations through challenging assignments and project work. It instils confidence and self-sufficiency through international placements and develops proficiency in a new language. The Emerging Leaders programme targets individuals with the potential to progress quickly

to a key role within the Group. Together these programmes were recognised as the Best Executive Development Programme for 2003 in the prestigious Hays Group Awards organised by Human Resources magazine, a leading UK business publication.

#### **Diversity and inclusion**

One of our key strengths lies in the individuals who work for GKN as part of one global team. In order to ensure that we have the appropriate balance of skill, nationality and gender throughout the businesses, review processes which address issues of diversity were further developed during 2003. The aim of this ongoing analysis of our employee base is to gather relevant information which will help us progress our business strategy whilst maintaining operating principles in accordance with our core values. Whilst the engineering industry around the world is still largely populated by male professionals, recruitment processes aim to identify the best candidate for any given job, without regard to gender or racial background.

In developing our approach to diversity going forward we are mindful of the need to review our internal data in the context of the population of the local communities in which we operate. Our data in the US, for example, shows that 79% of GKN employees are white, 13% are black and the remaining 8% are of other ethnic origin, compared with an overall population where 75% are white, 12% are black and the rest are of other ethnic origin. Across the 20 states in which GKN operates, the match between employee and local population profiles is broadly similar.

#### **WORKING WITH OUR STAKEHOLDERS**

We define stakeholder as any person or organisation who is affected by, or whose actions impact upon, our business. These include local communities, shareholders, customers, suppliers, employees, business partners, local authorities, government agencies and non-governmental organisations (NGOs). We engage with these stakeholders in a variety of ways.

Under the guidance of the working group on sustainable development, chaired by Ian Griffiths, the GKN Driveline Leadership Programme involved young managers in a significant project to promote understanding of how sustainable development applies throughout the operations. They presented their work to the Group Loss Prevention Council and in January 2004 to the Executive Committee.

As part of our aim to contribute positively to the communities in which we operate, wherever possible we employ local labour in our businesses. We invest in local community projects both by way of financial donations and through the volunteer work of our employees, particularly in less developed countries. Examples of local initiatives are given on page 38.

A number of meetings have been held with major shareholders and NGOs to discuss the Group's performance with regard to corporate social responsibility and it is our intention to continue to seek dialogue with major stakeholders.

In addition to the impact of our own activities, the impact of our supply partners and the products we manufacture both during their life and in their end of life phase are of increasing importance. We continue to seek to identify ways in which we can support our key suppliers in this regard to our mutual benefit. As a component supplier, the impact of our products has to be addressed in partnership with our customers as well as our suppliers. This continues to be an important focus of attention.

GKN plays a substantive role in a number of key industrial organisations. We are founder members of the Industry and Parliament Trust, the UK Per Cent Club and the UK Emission Trading Scheme. We are members of the Engineering Employers' Federation and Confederation of British Industry in the UK and the German Employers' Federation. We are also members of The Society of Motor Manufacturers and Traders (SMMT) in the UK, The Society of British Aerospace Companies, the US Organisation for International Investment and the British Occupational Health Research Foundation.

In 2000, GKN Driveline was one of 11 founding signatories to the SMMT's sustainability strategy 'Towards Sustainability' which outlines the automotive industry's commitment to balance economic progress with environmental care and social responsibility.

## **OUR COMMITMENT TO THE COMMUNITY**

GKN is committed to enhancing the welfare of the communities in which it operates. In 2003, charity and community contributions by Group companies amounted to some £840,000. Those organisations to which cash contributions were made during 2003 are listed on GKN's website at [www.gknplc.com](http://www.gknplc.com). Community support is widespread across GKN's worldwide operations. The following are just a few examples:

*Ukraine* – A team of graduates from GKN Driveline refurbished a home for mentally handicapped children in the Ukraine. The children's home, in Liwtschyzi in the small district of Shydachiwsky in western Ukraine, provides a refuge for over 100 children. The graduates erected a greenhouse to enable the home to grow its own vegetables and also renovated parts of the main dining room and kitchen. Another priority was to replace equipment at the home which was outdated and had fallen into disrepair.

*Brazil* – During 2003 a team of GKN Driveline employees revisited the Lar Carolina children's orphanage in Brazil where they helped to provide facilities on two previous occasions. During their stay, the team constructed a building which will contain a library, needlework room and workshop. On the first visit by GKN Driveline employees in 1999, a bakery was built at the home to provide it with the means to raise money by selling bread to the local community. The second visit in 2001 resulted in an upgraded playground for the children as well as new landscaping.

*UK* – GKN Aerospace Services Structures in Yeovil works with the Fiveways Resource Centre to provide workplace opportunities for adults with varying degrees of learning difficulties. Through a carefully structured programme the business provides meaningful employment bringing with it a sense of belonging and the rewards most people take for granted from a working life. In 2003, Kyle Yunnie, one of five such employees at Yeovil, travelled with his parents to San Diego in the US to receive an Aerospace Services Excellence Award.

*Germany* – Employees at GKN Driveline Deutschland in Mosel have responsibility for a project in which constant velocity joint assembly is subcontracted to a local workshop for people with mental and physical disabilities. The employees ensure appropriate health and safety and provide training. Quality levels and customer satisfaction have all been maintained.

## **HEALTH AND SAFETY**

Health and safety are well established as an integral part of a strong company culture based on shared values which are reflected in the behaviour of employees at all levels of the organisation. We continue to believe that strong, committed, visible and supportive leadership is the main driver for health and safety improvement and it remains a strong focus of attention. For 2003, we introduced an element of executive bonus based on safety performance.

### **Performance**

Our performance in 2003 again shows an improvement against the key performance indicators of accident frequency rate (AFR) and accident severity rate (ASR). Group results are shown in the charts opposite.

Over the past five years AFR performance has improved by 67% and ASR by 51%. In addition to a reduction in the total number of accidents we have maintained a particular focus on the causes and prevention of serious accidents. All serious accidents are reported to and reviewed by the Executive Committee. Our serious injury rate which is specifically designed to track and maintain visibility of serious accidents has shown a 70% reduction over the past five years.

In 2003, 17 enforcement actions occurred at plants in the UK, US and Australia. One action in the UK involved prosecution as a result of an accident in 2002 when an employee suffered serious injury whilst attempting an unauthorised and unsafe (but well intentioned) repair on a piece of equipment. Total fines for all actions of £17,414 reflect the generally minor nature of the issues raised. Nevertheless every one points to an improvement need and opportunity which is used to support our focus on prevention.

### **Targets**

Our ultimate goal is zero preventable accidents and, to drive continuous performance improvement towards this goal, objectives and targets are set, primarily at plant level where they can best reflect the particular needs, risks, priorities and opportunities for each site. The targets aim to ensure that GKN achieves an overall, clear and positive improvement trend leading to consistent achievement by every business of sustained performance at a world class level.

Where considerable improvement is needed aggressive targets are set. In 2003, 66% of plants achieved their AFR targets and 81% maintained or improved AFR performance. For ASR, 70% of plants achieved their targets and 83% maintained or improved performance. All divisions improved their AFR and ASR performance

with 75% achievement of both AFR and ASR targets. On an annual basis, plants that are considered to be underperforming are required to present their improvement plans to the Executive Committee.

In addition to performance targets for AFR and ASR we also apply targets and performance measures to key 'enablers' including health and safety training, the application of internal/self audit and the establishment of health and safety objectives and plans. The enablers and targets are subject to change as part of a dynamic approach to matching needs and priorities. Other arrangements that contribute to performance improvements are safety review visits by senior executives, safety workshops, high severity risk workshops, best practice guidelines, the GKN Safety Awards and internal and external benchmarking of practices and performance. Benchmarking results show our performance as significantly better than industry averages in the UK, Germany and the US, and against peer companies in the UK our performance compares very favourably. Many GKN businesses now incorporate in their operations features from the Health and Safety Management System OHSAS 18001. In 2003 six Group companies achieved certification to this standard.

**Verification**

A focused external review of the processes and procedures used in the collection and reporting of health and safety data has recently been completed. This review, which involved a sample of ten sites, will act as the base for a more detailed exercise in 2004 and whilst no significant deficiencies have been identified, minor improvement opportunities are being pursued.

**Occupational health**

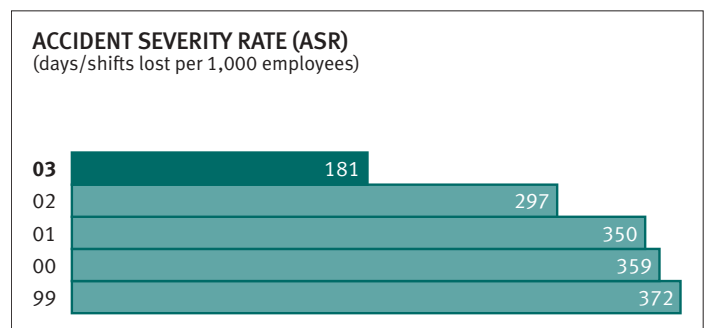
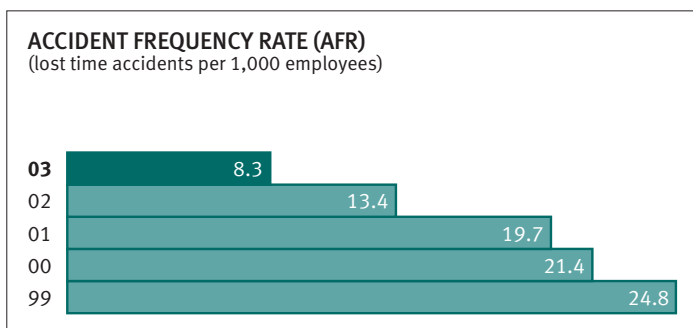
GKN's concern goes beyond the employee's physical safety and the prevention of accidents at work to focus heavily on the avoidance of work related ill health. Occupational health practitioners work closely with safety and environmental advisers to help create a

working environment which minimises the risk to employee health from the physical factors which can impact on workers, including noise, working practices and substances in the workplace. Concurrent health surveillance programmes reveal extremely low levels of adverse health effects among our staff and this reassuring combination is confirmed by very low levels of staff turnover or retirement on health grounds. Data on occupational ill health is collated centrally and, where cases occur, focused examination of the circumstances enables action to be taken to identify cause and prevent recurrence. Occupational health issues are reviewed and regularly discussed, along with safety matters, by the Executive Committee.

**GKN Safety Awards**

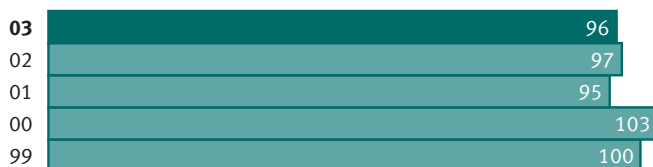
From a total of 37 applications, five teams received awards from Kevin Smith, Chief Executive, at the GKN Safety Awards presentation in November 2003. The overall winner was GKN Driveline Utsunomiya, Japan, for its commitment to continuous improvement and innovative approaches to communication, risk reduction and employee participation, as well as for its sustained excellent safety performance. Other award winners were GKN Driveline Alamance, USA, GKN Sinter Metals Conover, USA, GKN Aerospace St Louis, USA, and GKN Driveline Bruneck, Italy.

Three special safety awards were also presented to sites that had shown a clear commitment to safety and a significant effort to achieve improvement. GKN Aerospace Services Cowes and GKN Sinter Metals Lichfield, both in the UK, had demonstrated commitment to continuous improvement while undergoing major change and challenges within their organisation. GKN Sinter Metals Emporium, USA, was recognised for its consistent demonstration of best practice and achievement of three million aggregate working hours without a lost time accident.



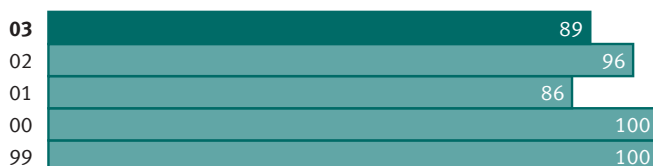
**GROUP PERFORMANCE: ENERGY**

index is normalised to £1,000 sales with 1999 as 100



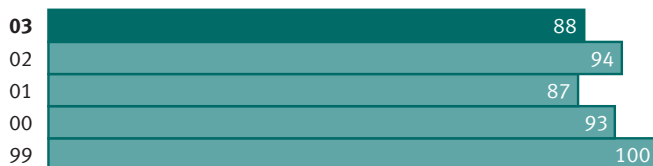
**GROUP PERFORMANCE: WASTE**

index is normalised to £1,000 sales with 1999 as 100



**GROUP PERFORMANCE: WATER**

index is normalised to £1,000 sales with 1999 as 100



**ENVIRONMENT**

The Group’s environmental management system (EMS), originally introduced in 1994, is part of the integrated loss prevention approach and is broadly based on the international management standard, ISO 14001. The EMS, like ISO 14001, imposes on companies a requirement to achieve continuous improvement in performance; ISO 14001 also requires companies to demonstrate that improvement to the certifying body.

**Targets**

GKN is committed to achieving accreditation to ISO 14001 at all its manufacturing sites throughout the world. 59 sites, representing 75% of Group subsidiary sales, are currently accredited and a further 26 have plans to achieve accreditation in 2004.

GKN maintains its commitment to reducing carbon dioxide (CO<sub>2</sub>) emissions relative to sales by 5% in 2005 starting from a 1999 baseline. The target, if achieved, will bring GKN’s reduction in emissions broadly in line with the targets set in the Kyoto Protocol.

**Performance**

We continue to concentrate on the key performance indicators of energy use and associated CO<sub>2</sub> emissions, waste generation and water use. As indicated in last year’s report, we are no longer reporting externally on VOC (Volatile Organic Compounds) usage as the use of such substances has now reduced to very low levels. However, we continue to monitor our performance internally in this regard.

Reference is made on page 33 to our reasons for using sales as a measure of Group environmental performance and also to the disadvantages of doing so. These disadvantages have the effect of understating the actual level of activity in terms of the number of products sold and thus also any performance improvement. The operating divisions are developing more relevant activity-based measures to monitor their individual performance.

**Energy consumption**

Energy consumption relative to sales showed a small decrease in 2003 compared with 2002. Variations in sales from division to division were not as marked as in 2002 and the reduction, although small, represents a real improvement in underlying performance. However, the potential for future savings in energy usage remains and we will strive to ensure that this potential is realised wherever it is economically viable. We do not consider there to be significant scope for major energy saving projects, but improvements will be made by the implementation of large numbers of relatively minor projects which cumulatively should deliver real reductions in energy consumption.

We are currently ahead of target in meeting the reduction of 10,000 tonnes of CO<sub>2</sub> required by 2006 under the UK Emission Trading Scheme (this represents an ambitious target of around 10% reduction in our absolute emissions over a five-year period) and, as a result, we now have a surplus of allowances. The current low price of these allowances has discouraged trading and we are maintaining stocks of allowances against a potential future shortfall. On a global scale our reported CO<sub>2</sub> emissions have increased but that is principally due to increased emissions of CO<sub>2</sub> by energy generators from which we source energy in the UK and US, two of our major areas of operation.

### **Waste generation**

2003 saw a reversal of the increase in waste generation relative to sales experienced in 2002. The significant change in product mix between 2001 and 2002, which was largely the cause for the 2002 increase, was not repeated in 2003. The proportion of our waste which consists of recyclable metal scrap continues to be high at 67%. The removal of a stockpile of steelmaking slag at our Hoeganaes plant at Gallatin, USA, during 2002 also contributed to the amount of waste 'generated' that year. We are currently trying to gain approval from the US state authorities for the re-use of this material as an aggregate in the manufacture of road paving.

### **Water consumption**

In our 2002 review we stated that water consumption would be a key focus of attention. As a result there has been a reduction of 5% in the absolute volume of water consumed despite an increase in production. GKN operates in a wide variety of locations, in some of which water is plentiful and in others where it is not. There is still potential for significant savings in water consumption but these involve capital expenditure and can be hindered by poor rates of return where water supply is plentiful and cheap.

Five GKN companies, all in the US, had enforcement action taken against them by regulatory authorities. Currently, total fines of US\$5,000 have been imposed and in some cases the level of the fine is still under negotiation. The offences related to violations of air permits (3), exceeding wastewater discharge permits (1) and waste operations (1). There were a further six minor offences, again all in North America, which resulted in notices of violations being served although in these cases no punitive action is being taken by the regulator. In addition a fine of US\$50,000 was paid in respect of a violation of an air permit which occurred in a prior year. Whilst the size of the fines indicate the relatively minor nature of the offences, nevertheless they all provide evidence of improvement needs which are being addressed.

### **Verification**

The suitability of systems in place to gather and report data is assessed by external independent certifying bodies as part of the certification to ISO 14001. Group companies are required to confirm the accuracy of the data. In addition, as part of its obligations as a member of the UK Emission Trading Scheme, GKN has employed external verifiers to check the accuracy of emission data collected during 1998–2000, the baseline years of the scheme. This will continue during the five-year life of the scheme and has already been completed for 2002 and 2003 data.

### **GKN Green Scheme Awards**

35 submissions were made for the Green Scheme Awards with the overall winner being Hoeganaes Gallatin in the US. The company was chosen for its development of an entirely new method of recycling oversize metal powder into the arc furnace. This development has increased the efficiency of the process and has significantly increased the efficiency of energy utilisation. The other award winners were GKN Sinter Metals Emporium, USA, GKN Freight Services, UK, GKN Wheels Nagbøl, Denmark, and GKN Sinter Metals Bonn, Germany. The winners received their award from Kevin Smith, Chief Executive, who also presented a special award to Gunner Kjær-Hansen, Environment and Safety Manager at GKN Wheels Nagbøl, for his contribution over 34 years to reducing energy consumption at the plant.

### **Special achievements**

We would like to take the opportunity of congratulating the employees of GKN do Brasil (GKN Driveline) for the part they have played in the company's achievement of certification to OHSAS 18001 (Health and Safety Management), ISO 14001 (Environmental Management) and ISO TS 16949 (Quality Management). GKN do Brasil is believed to be one of only three automotive companies worldwide to have achieved the Quality, Environmental, Health and Safety, and Social Accountability Integrated Management System certificate.

### **CONCLUSION**

Overall, GKN continues to strive to be a good corporate citizen. We recognise that, viewed against the GRI Guidelines, we have opportunities for further development. In the area of corporate social responsibility, as in other areas, we know our stakeholders will over time expect more. We aim to deliver this.