

Corporate social responsibility

We have long encouraged a social, ethical and environmentally responsible approach to our business activities. This is our second year of formally reporting on our corporate social responsibility policies and performance in accordance with the Association of British Insurers (ABI) guidelines. We are pleased to report progress in a number of areas although progress has not been uniform across the Group. In addition to this formal report, our communications with stakeholders regarding corporate social responsibility (CSR) are supplemented by periodic updates on the www.electrocomponents.com website.

Corporate accountability

The Board has overall responsibility for the Group's CSR policies and performance and Corporate Governance processes. These include well established procedures for the identification, management and control of significant risks to the business. The Chief Process Officer has specific responsibility for CSR, and for ensuring that the associated risks are incorporated into the risk management process on which the Board receives a formal report with periodic updates as required.

Our CSR policies and Guiding Principles are summarised in the Group Policy Manual which is updated annually and issued to the management teams who are responsible for ensuring that employees are familiar with the Group's Guiding Principles. These require each Operating Company and Process to maintain the highest standards of ethical conduct.

Ethical trading

We have a wide supplier base and a large range of products that are sourced worldwide. We provide specific guidance for employees on Ethical Trading in the Group Policy Manual which requires that we do not knowingly trade with suppliers, customers or others whose activities involve unethical practice. The process of 'Ethical Audits' for direct suppliers in developing economies has been underway since 2001 and was updated in 2003 using 'Ethical Trade Initiative' guidelines. Following the implementation of the policy we have re-sourced a number of products as a result.

Environment

We are committed to minimising the impact of our activities on the environment, to continuously improving our environmental performance and to supporting the international commitment towards sustainable development. Our environmental policies require that each Operating Company and Process will:

- provide information and services to enable the proper use and disposal of products;
- wherever possible promote products with low environmental impact;
- as a minimum comply with all local environmental legislation and regulations;
- continuously improve the efficient use of raw materials and energy;
- encourage and support our suppliers in improving their environmental performance; and
- identify the key environmental impacts associated with the Group's business, and work towards reducing these.

We have therefore set ourselves the objectives of reporting at least annually on the Group's environmental performance, to identifying and reporting on our key environmental impacts and to setting realistic targets for improvement in key environmental performance areas.

Environmental management systems

We have developed a generic Environmental Management Standard (EMS) model and benchmarking process to support our businesses in implementing EMS and to the spread of best practice.

We are supportive of our businesses adopting an externally accredited EMS where these provide tangible business and environmental benefits. Businesses in the UK, RS Germany and RS Austria are certificated to the ISO14001 Environmental Management Standard representing 58% of the Group by turnover.

WEEE and RoHS Directives

We have undertaken a comprehensive review of the implications of the Waste Electrical & Electronic Equipment (WEEE) and Removal of Hazardous Substances (RoHS) Directives which are due to become law throughout European Union states from August 2004. We support the Directives' environmental objectives and will make our contribution to achieving these. We have exercised caution on offering generic advice on compliance with new statutory requirements until national legislation in EU Member States has been finalised.

Key Impacts

We have no manufacturing operations so our primary environmental impacts, and those which we can control and influence, are associated with national and international distribution. We believe that by using the Group to source products our customers can reduce overall environmental impact compared with using a more fragmented supply chain.

Packaging and paper consumption We use a variety of materials in transit and product packaging and have adopted a philosophy of 'reduce, reuse and recycle'. For example, we promote the use of reusable plastic 'replenishment modules' (RMs) as transit packaging for stock shipments between suppliers and our warehouses whenever appropriate for the product. Currently 35% of all products delivered to our UK warehouses from suppliers are in RMs thus reducing costs and waste by eliminating the need for transit packaging. RMs are also used for transporting products to our warehouses in Europe, providing efficiencies in stock handling and reducing packaging costs.

Our businesses reuse packaging materials as a matter of course, and recycle them at the end of their useful lives. As part of the ongoing drive to improve recycling efficiencies in the UK businesses, a 29% increase in the tonnage of card and paper recycled was reported.

We provide catalogues and promotional literature to our customers around the world. We manage our paper catalogues to minimise environmental impact and use an optimised grade of paper to help reduce paper consumption and where practicable distribution costs. Paper pulp is obtained from Forestry Stewardship Council (FSC) approved sources. The printing facilities used for the RS catalogues are accredited to ISO14001 and the strict Scandinavian 'Blue Angel' standards for emissions control, or to appropriate local equivalents.

Corporate social responsibility (continued)

Energy efficiency A key objective is to improve the energy efficiency of our facilities and processes to maximise the business benefit and to help reduce environmental impact. An on-going process to calculate the environmental impact from energy consumption is in place.

The most significant source of energy consumption and related carbon dioxide emissions is from road transport operated by specialist third party contractors. Although we do not directly control these transport operations, we continuously explore with our transport partners opportunities for efficiencies and the reduction of environment impact, for example, by promoting improved engine technologies and increased fuel efficiency.

Energy efficiency is included in our facilities investment criteria. The recent warehouse investments in new locations in Germany, Italy and Spain included energy efficient technologies whenever practicable. Energy efficiency investments in existing facilities also produces benefits, with the UK reporting a 13% saving in electricity consumption in the 2003 calendar year compared with 2002.

Health & Safety

We are committed to health and safety (H&S) best practice as an integral part of our business activities, and as a minimum we will comply with all relevant H&S legislation and statutory provisions. Our strategy is to develop effective H&S management processes using risk management principles to promote continuous improvement. Our health and safety objectives are:

- to provide information, training and skills development to staff to support and promote our H&S objectives;
- to implement effective systems and processes to promote best practice in H&S standards and performance; and
- to regularly review our performance and drive for continual improvement through agreed objectives and target setting.

RS Components in the UK successfully achieved certification to Occupational Health and Safety Standard OHSAS18001 in 2003, and we are using the OHSAS18001 model to develop our H&S systems throughout the business. During 2003/04 we had no prosecutions or enforcement notices served for H&S offences.

We monitor the number of 'lost time' accidents where employees are absent from work for at least 24 hours. During the last year there were 26 'lost time' accidents across the Group, a significant reduction on the prior year. The 'lost time' accident rate fell from 0.588 accidents per 100,000 hours in 2002/03 to 0.306 accidents per 100,000 hours in 2003/04.

Although infrequent, manual handling injuries continue to be the most common cause of injury to our employees. This is consistent with experience in warehousing and distribution activities in other organisations with whom we benchmark our performance. Initiatives in respect of manual handling and workstation ergonomics are ongoing across the Group.

Employees

We value the commitment of our employees and our employment policies are designed to respect human rights and to ensure equal opportunity and diversity. We comply with the core International Labour Organisation conventions that prohibit the use of child, under-age or forced labour.

We communicate with our employees in a number of ways, including through the corporate intranet which provides staff with access to a wide range of company information and policies, and the Electrocomponents Forum which includes employees elected by each Operating Company and Process. We have made further progress in extending the intranet to all locations and to ensure employees are trained in its use.

Employees are encouraged to undertake training to actively develop their careers. RS Components in the UK holds the 'Investors in People' Standard in recognition of its training and development activities.

Community activities

We have a strong sense of community responsibility and we encourage our businesses around the world to enhance relationships with the communities in which they operate by contributions 'in kind' as well as financial.

Links with educational establishments are often strong, for example through the sponsorship of college prizes in the UK, Australia, Singapore and Malaysia, or by provision of facilities and career support functions to local colleges in the UK and France.

Verification

Electrocomponents evaluates its CSR policies and performance as part of its risk management and internal audit processes and those locations accredited to ISO14001 and OHSAS18001 have periodic external audits. The Board has considered external verification of the Group's CSR performance, but has decided to limit this to external professional advice on specific matters as required.