

Corporate responsibility

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

Electricity is a unique product that has the power to enhance the quality of life for people throughout the world. Companies involved in the provision of this commodity must also demonstrate responsibility. For a global wholesale generating company like International Power, this equates to following fair and ethical principles to govern the way we manage and conduct our business. It means working in a smart and integrated way – by ensuring our key competencies, technical expertise and best practices are properly implemented over a widely dispersed and diverse range of assets to produce power, water and process heat safely and cleanly. It also means that corporate responsibility (CR) as a specific element forms an integral part of our business decisions and contributes to our global competitiveness and reputation.

Establishing a sound reputation requires commitment at all levels of the Company. We work hard to build long-term sustainable partnerships in the communities in which we operate. Our strategy is to provide local employment, support the local economy and act as a responsible neighbour and employer whilst contributing to the improvement of local health and education services.

This strong commitment to CR flows from the top. The Board is briefed regularly on our CR performance and we are committed to delivering high standards of implementation throughout the business. Consequently, environmental and social considerations form part of our strategic decision-making process. In those instances where we share ownership of an asset, we encourage our partners to adopt our CR standards and principles, typically through influence at business level board meetings.

Power production is a complex process and our assets throughout the world use different fuels and different technologies to generate electricity, heat, water or steam. However, the way we record and report our CR performance must be undertaken in a consistent and transparent way. By working to the Global Reporting Initiative and the Association of British Insurers' reporting guidelines we, and our stakeholders, can check and compare our performance with that of other power companies.

In 2006 International Power was ranked 44th in the top 100 companies in the Business in the Community corporate responsibility and environment index (in 2005 the ranking was 48th). Involvement in Business in the Community provides peer group recognition of our commitment to improve continually our corporate responsibility performance.

- The strong commitment to corporate responsibility flows from the top down
- Corporate responsibility forms an integral part of our business decisions and contributes to our global competitiveness and reputation
- We record and report our corporate responsibility performance in a consistent and transparent way
- We were ranked 44th (2005: 48th) in the top 100 companies of Business in the Community's corporate responsibility and environmental index for 2006

Guidance

Our aim of improving and developing CR is aided by the provision of policies which help provide guidance. Our CR policies include:

Business standards

Community

Environment

Health and safety

Human rights

Business standards

We strive to demonstrate our responsibility through protecting and, wherever possible, enhancing the working conditions of our employees, the environment and the host communities who trust us to do our job safely, competently and efficiently. The following statements reflect our policies.

Competitive practices International Power will comply with competition laws throughout the world; we will not take part in unlawful cartels or any form of restrictive trade practice.

Confidentiality and honesty International Power and its contractors are required to comply with the terms of confidentiality agreements under which information is provided; all information should be true and not misleading by omission.

Ethics International Power will conform to local social norms and values enshrined in host countries' laws, regulations, customs and business practices, so long as compliance does not breach our code of ethical behaviour. In such cases we would seek to lead with new, higher, local standards.

Human resources We believe in fairness and equal opportunities for all our employees or applicants, regardless of race, religion, marital status, sexual orientation, age or disability.

Procurement Our procurement will be conducted so that any supplier that has the necessary abilities to be of service to us has a fair opportunity to secure our business.

Whistle-blowing International Power encourages employees or others with serious concerns about any aspect of work to come forward and express those concerns on a confidential basis without fear of reprisal or victimisation.

These business policies are set out in a code of conduct which is circulated to all businesses, which certify their compliance with its terms on an annual basis.

Community

Our policy is to provide local employment, support the local economy, act as a responsible neighbour and employer and contribute towards the improvement of local health and education services.

The need for electricity, fresh water and heating touches every area of modern life – this gives us considerable reach and global impact on people's lives. We, in turn, accept a reciprocal responsibility to conduct our business with a proper concern for the world around us, particularly in the spheres upon which we have direct effects. Community support is a major focus of International Power's corporate activities.

We play a positive role in the communities in which we operate, not because we have to but because we want to. We aim to provide local employment; support the local economy; act as a responsible neighbour and employer; and contribute towards the improvement of local health and education services.



Al Kamil, Oman

Environment

We strive for excellence in environmental performance through legal compliance, certified management systems, stakeholder engagement and the efficient use of natural resources.

As a global power generation company we recognise the importance of developing and implementing a low carbon strategy over both the medium and long-term, and we are taking active steps to address this issue. We have a broad portfolio of assets with a small but growing percentage of renewable generation. We use state-of-the-art, proven environmental technology at our new assets and, where possible are upgrading the older assets. We believe that our performance demonstrates our committed approach with reductions in our net CO₂/kWh over the last two years, from 0.889 kg of CO₂/kWh in 2004, to 0.715 kg of CO₂/kWh in 2006. We use net reporting for CO₂, which reflects our ownership interest in an asset. As of today, due to the different regulatory regimes that exist in the markets in which we operate, the level of carbon emissions has limited impact on our business. However, we believe this will change in the near future, and we are taking steps to address our carbon emission levels whilst still remaining commercially competitive.

Most governments in developed countries have introduced legislation to incentivise increased supply from renewable sources of generation. Growth in renewable generation is likely to impact production forecasts for our fossil fuelled plants. We have dedicated resources within our operations and engineering teams to review technology trends and advances, to ensure we are best positioned to participate over the short, medium and long-term in our drive towards a lower carbon environment – not only in the UK, but very importantly, also internationally. For example, we are also investigating means of reducing CO₂ emissions from brown coal generation at our Hazelwood plant in Victoria, working with both federal and state governments, and with selected technology specialists. This is a medium to long-term project, and we are pleased to be at the forefront of addressing such an important issue for the Australian power generation business.

With respect to environmental compliance, plant operating and monitoring procedures are effective in ensuring that our plants comply with the conditions of their licenses and consents. Whilst we have experienced occasional breaches of our environmental operating limits, there have been no recent incidents that have posed a significant threat to the environment or to our ability to run our plants. Compliance with environmental limits is reported as one of our KPIs.

Full details of our environmental performance are set out on our website www.ipplc.com/ipr/environment/env/endata/

Health and safety

We are committed to the best possible health and safety performance through management commitment, legislative compliance, certified management systems and continuing stakeholder engagement.

One of our core values is to instil safe behaviour in everything we do. We therefore decided to ask DuPont, an acknowledged world authority in this field, to carry out a safety review at a selection of our assets around the globe (Paiton in Indonesia, Hays in Texas, Rugeley in the UK, Pego in Portugal and Ras Laffan in Qatar) to ensure that our commitment to excellent health and safety standards, across our portfolio, is checked and challenged, and that best practice is shared by all our plants. In addition DuPont reviewed the corporate headquarters and the 'tone at the top' and the management link between the corporate centre and the assets. The lessons learnt from the review will be shared across our business once the review is complete. Health and safety is of vital importance in our business and therefore AFR is one of the non-financial KPIs that we use to manage our business.

Safety is achieved by focusing on three main areas:

Safety by engineering Delivered by comprehensive design reviews for new build projects, or in the case of an acquisition; a rigorous due diligence process is carried out to identify any risks. Plants are operated and maintained in line with applicable engineering standards with regular maintenance programmes ensuring that the equipment is always operating within design parameters.

Safety by management All International Power assets have formally documented management systems which are derived from a set of corporate principles. These systems are reviewed against international best practice and updated regularly. The majority of our assets have obtained external accreditation of their management systems through OHSAS 18001. A process is ongoing to ensure that the remaining few assets obtain accreditation by the end of 2007.

We also ensure that anyone in a supervisory position has an externally accredited health and safety qualification. In January 2007 the Executive Directors and senior managers undertook the Institute for Occupational Safety & Health examination for senior executives.

Safety by behaviour Safety by engineering and management can only be effective if everyone involved behaves in the appropriate manner, namely, complies with the rules, looks after themselves and their colleagues and reports unsafe conditions. To support safety by behaviour we have introduced a behaviour-based safety programme, across the company, called 'Fresh Eyes'. The aim of 'Fresh Eyes' is that through regular work observations by colleagues, 'at risk' behaviour and complacency can be identified and corrective action taken before any risks escalate into an incident.

We carry out regular benchmarking both internally and externally to ensure that we are constantly up to date with international best practice. In addition to providing a safe place of work for our employees, we also have proactive health programmes in place at the majority of our assets. These programmes provide regular health checks and encourage healthy lifestyles through a combination of training, health monitoring and subsidised gym memberships.

The reporting of health and safety issues is part of the Company's regular performance reporting and review process.

Human rights

As we regard our employees as the greatest asset in the Company, mutual respect is given the highest priority. We support the Universal Declaration of Human Rights and apply its principles throughout our workforce. This commits International Power to ensure:

- the health and safety of our employees and the environment in which they work;
- respect for the opinions of our colleagues;
- abuse of a personal nature has no place within International Power;
- respect for the value of our time, both at work, and the value of time devoted by our colleagues to their families;
- respect for different cultures and religions and equal opportunity regardless of employees' location, nationality, gender, ethnic origin, sexuality or religion.



Charitable giving

The Company's charities and donations committee oversees the award of charitable and other donations. In addition to assessing requests and making awards in response to applications for assistance from a variety of charities and good causes, the committee is also responsible for selecting the Company's community-based nominated charities and annual flagship projects. Donations are also made to alleviate hardship and to support relief efforts in response to natural disasters.

Within our regional businesses, each of our assets has an annual fund for charitable projects in the local area.

Nominated charities

International Power designates a number of organisations as nominated charities for periods of three years, providing a guaranteed level of annual funding over this time to support longer-term projects and planning. In 2006, the decision was made to continue to support our three nominated charities with an annual sum of £20,000 to each of them. These include Sight Savers to fund cataract operations and train medical staff in Pakistan. In addition we have provided equipment and instruments for a clinic dealing specifically with child blindness. This clinic is now fully operational. Our other nominated charities continue to be CRISIS, a London-based organisation which supports the homeless, the Queen Elizabeth Foundation who provide support for the disabled through training, and mobility services. It was decided to add a fourth charity namely Wellchild, where, in conjunction with Clifford Chance (our legal advisors), International Power are part-funding the services of a community nurse, to serve the Tower Hamlets area of London, for children who would otherwise have to remain in hospital.

During 2006 International Power and its subsidiaries contributed £1,050,000 to charitable causes and other community projects. Companies in which we have a minority shareholding (associates and joint ventures) contributed a further £346,000.

Flagship projects

Our flagship project programme, selected each year from staff nominations, has been running for five years. These are community projects corporately funded annually by International Power. Flagship projects can range in size and scope, but they all have a common goal: to improve the quality of life in the community.

The 2006 Flagship projects were awarded to:

- The Traralgon Conservation Reserve in the Latrobe Valley, Australia, supporting the final phase of development. The award will cover an information shelter and panels illustrating the native flora, fauna and history of the Reserve. An education and development pack for students has also been produced.

This facility is a vital community asset providing the opportunity to learn about and enjoy the ever-diminishing natural environment. It is ideally situated to provide numerous recreational and educational benefits for the local community.

This project was proposed by Loy Yang B power station located in the Latrobe Valley, Victoria, Australia

- A second grant was awarded to Rugeley power station in the UK to support Southern Staffordshire Forest Schools Cluster Group to provide an educational approach to outdoor play and learning. The philosophy of the Schools is to encourage and inspire individuals of any age by engaging in motivating tasks and helping to develop personal, social and emotional skills.

The award will provide the relevant equipment, materials and publicity to launch the Forest School in the Rugeley area.

Loy Yang B, Victoria





EcoEléctrica wins prestigious award

EcoEléctrica in Puerto Rico won the 'Community Development Program of the Year' award at the Platts Global Energy Awards in 2006, beating over 200 nominees. This is a prestigious award in the energy sector, that places particular emphasis on precision and full commitment.

EcoEléctrica operates the only natural gas-fired power plant in Puerto Rico, and was the first independent power producer in the world to integrate a power plant with a liquefied natural gas terminal. Based in a depressed area in the south – with high unemployment, few educational opportunities and contamination from a rundown petrochemical industry – the company opted to be a source of economic regeneration. EcoEléctrica instigated a social engagement plan called 'EEE' – Employment for the community, Education, and Environmental enhancement. The construction of the plant created over 1,000 jobs and today 82% of employees are from the local community. The company invests annually in a college scholarship programme

for 40 students, and supplies materials and equipment to schools. It provided half the funds needed to purchase 85 acres of the El Convento Cave, the only ecosystem in Puerto Rico that has an underground river. EcoEléctrica and its employees are also actively involved in many other community projects.

In the opinion of the judges, EcoEléctrica's efforts in community development outshine those of much larger energy businesses for sheer commitment and social responsibility.

This is just one of International Power's global community programmes. For more details visit our website at www.ipplc.com