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GRUPPO FALCK

SOCIAL AND ENVIRONMENTAL REPORT | ECONOMIC, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY 2003



GRUPPOFALCK



SOCIAL AND ENVIRONMENTAL REPORT  
ECONOMIC, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY  
2003

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## PRESS RELEASE BY THE BOARD OF DIRECTORS

"The Board of Directors have commemorated with pride and emotion the sudden death of their Chairman and have undertaken to continue to follow the route as planned and to pursue the objectives identified under his direction.

Alberto Falck, who commenced his occupation as head of the steelmaking entities in very difficult times, has demonstrated that he could, without going into the limelight, take the responsibilities required in that function and had the know how to unite around him the skills, energies, and funds, all essential elements necessary to push forward projects in a new and exciting sector: the production of electric energy from renewable sources.

Never stop, never say die, he knew to recommence with enthusiasm despite the fact that the field of play has changed from the once known and traditional. This is the example that Alberto Falck has left us. His belief: ethical values, the foundation for the development of an industrial entity. Man of faith and entrepreneurship; to us the duty to continue his moral legacy."

**Our Chairman, Alberto Falck  
passed away on 3 November 2003.**

November 10, 2003

In remembrance, we are including an extract from a press release issued after the meeting of the Board of Directors of Actelios SpA held on 10 November 2003 and also by publishing in its entirety a letter written to his children, which was only partly published in the newspapers, this his spiritual will as a man and as an entrepreneur.

*Dearest,*

*Succession in a family concern is very delicate subject: in fact this is not just a technical-administrative problem, but embraces historical values, sentimental, emotional, psychological and impersonal: in short, the meeting point between work and family, between blood ties and capital relationships, between administrative logic and private enterprise, between personal interests and feelings. A potentially slippery ground – in fact some fail -, however decisive, also because of another factor which should not be forgotten: the personality of the one who has to go to the top, his ideas, his sensibility, his leadership qualities and, at the same time, be a point of reference for all the family.*

*Succession in itself is a traumatic experience: it may cause a crisis, since nobody is equivalent to the predecessor (even if what the predecessor really wants is not to transfer the role but what he stands for) and each one has his own way to be an entrepreneur. There is the Anglo Saxon Chief Executive Officer, the CEO, or the French PDA, and there are those who delegate the management of an entity to a top manager, as is in our case, and takes instead the Chairmanship serving as a backup to the Managing Director and as a bridge shareholder-management, so to say. It is clear however, that all business strategic decisions are taken in accordance with the principles and best practice of corporate governance and therefore these are the competence of the Board of Directors and/or the Executive Committee; the role of the Chairman is fundamental in both instances.*

*In reality, I think that for family businesses, this organisation model is the most suitable for today's economic development, but also, in particular, for the future, where it is essential to have a continuous flow of ideas, to predict the market before competitors and to assess risks. In a protected economy, or anyhow, in a stable economy, the traditional enterprise could have been managed by the proprietor, especially in the case of a charismatic and dominant business founder. Today's exigencies require multi disciplinary skills, experience and evaluation ability, much more than just the title of proprietor. It requires professional qualities: to adapt rapidly to changing circumstances, preferably to act ahead. Competitors, unquestionably, are moving forward; market opportunities, if not already taken, remain few.*

*Your professional training should therefore be in line with today's exigencies. The next generation should always be more prepared than its predecessor, but now more than before, the young members of a family that controls an enterprise have be purposely trained to be a manager: we are today faced with the necessity to instil a manger's sense in business owning families, at least in those members who aspire in the future to form part of the company's management. This does not only mean speaking good English, but signifies knowing how to move in all markets, having a worldly vision of opportunities, learning to stay in business in a different mode from that of our generation or that of your grandfathers; being capable to move forcefully in the strong currents of the global economy and to refrain from trying to keep afloat following a pretext.*

*This does not mean to exclude the family from being a point of reference. The family does give that extra drive if it believes that the business forms part of the family assets. The family unites around the business in times of crisis, and when necessity dictates, makes available funds to the business. Even in better times, the family with their complementary activities create a favourable environment for the business. This naturally requires that the conduct of family members is conducive and coherent with the actions and image of the business. All this might give you the impression that one is under a heavy cloak, a sort of collusion between austere moral principles, business exigencies, "republican virtues", however you have also to appreciate that even a business has a strong positive influence on the family since it constitutes a strong component for unity. To a family of affection interacts a family with business interests. It is therefore clear that the realities of the family and of the business are integrated and must integrate. On one side, there is the professional and managerial training, on the other, the strong family ties: I believe this is in summary, what I have said until now.*

*So let us take a closer look at certain specific issues.*

*With respect to yourselves, but clearly also with respect to your cousins, the first and most important suggestion that*

*I would like to put forward is: decide a way of life. Your way of life decided by yourselves. Each one of you is free to make a choice between being a violinist, a doctor in medicine, or an antiques dealer, but, if you decide you want to work in the business, this choice has to be made with complete clarity so that you would get the necessary and adequate training. A way of life that signifies commitment and willingness to learn what is needed. Anyone who does not have the necessary training would not have the necessary competence and without competence one would face insurmountable problems, not only, but would risk being at the mercy of those who do have it. In other words, the choice of life is crucial; it is that which decides whether you are strong or weak. In or out.*

*Furthermore, it is evident that the decision to set as the objective that to be in the top executive position within the business, two primary values converge, love and business interests, that is, the family logic and the business logic, blood relationship and the natural impulse to be a winning entrepreneur.*

*There is therefore a double commitment, to engage and merge one's personality in all facets, since the family should perceive the business intrinsic value, an indivisible asset and an element for unity, in the one who has taken the decision and therefore is entrusted by the family with the responsibility of the business. One shall contribute to this principle together with the business-commanding role. It therefore transpires that one has to act not only for himself, but for the whole family to ensure continuity and growth in value. This subsequently translates into that extra drive already mentioned.*

*It should be kept in mind that not even in a business like the one that bears our name, you will not be just heirs who are requested to manage with honour the wealth left by the founder, but re-constructors: every generation rebuilds a business, surely on the basis of what had been passed on, this by restructuring the business to upgrade in accordance with the appropriate period, or even changing it completely. The Falck business was started by its founder as a steelmaking entity (your grand grandfather), then after the war, it was reconstructed by the second generation and developed into one of Italy's major businesses, however my generation realised firstly, of a slowdown and then of a saturation in the steelmaking business. This necessitated a dramatic and radical re-construction, which left a dramatic and radical scars on the family: today the core business is electric energy, the production of which has motivated other activities, firstly within the same sector by means of cogeneration, then through connected activities like waste to energy and then waste recycling, the solution for the environment. The steel business has continued only for certain specific works. In substance, today Falck is a completely different story from the one initiated by your grand grandfather, restructured by your grandfather and great uncles, it has changed nature and structure: thirty years ago the business had 16,000 employees, today there are about 900.*

*This had to be done by us, the third generation. And you, what will you do? From what is happening, you might continue to follow the same road and shall develop it further, because energy has a great future, same as the environment sector, but I am also convinced that even yourselves will, in some way or another, restructure – this will be your justification as entrepreneurs - , close up activities and start new ones, selecting strategies, reacting to a diverse global and economic concept. You will go forward renovating and developing, because this is what an entrepreneur should do, and it is for this that you should prepare.*

*I have to include a couple of opinions regarding personality.*

*The character. In the long term this is fundamental, since on this depends the ability to chose, the courage to decide, and the decisiveness to risk. The character is in many occasions considered to be the stationary starting point, a gift of nature, like the colour of the skin or the size of the nose. I do not believe this is the case, as nature gives us an inclination, but this we can correct, educate, and shape. What I am saying is that one has to adapt the character, that is, in practice one has to learn to contain aggressiveness if it tends to be impulsive, or to restrain submissiveness if it is appeasing. If you make this choice of life, this necessitates character building not to be caught on the wrong foot. Another primary notion is tenacity, not dense stubbornness, but clear determination, more often than not, necessarily mixed with patience. If one follows a route he firmly believes in, difficulties, complications, bureaucracy or other*

*red tape should not discourage him, because at the end he shall succeed. It is frustrating to create a complex project which requires brainpower and resources which is then blocked for months or even years waiting approval, because of split hairs or because of the requirements of a regulation, however with tenacity one succeeds. You have to learn to cope with such situations to be able to psychologically resist and endure, especially working in a "rubber stamping" country like ours.*

*Finally, I would like to mention the notion of communication. As soon as one mentions that he is willing to become a businessman, one is engulfed with justifiable requests to learn financial mechanisms, operational techniques, organisation models, information technology, analytical analysis and whatever is associated with business. This is fine, however it is also important to talk about communication, which is the nervous and circulatory system: health depends on it, and sometimes so does enterprise-organisation, like the enterprise-family relationship.*

*Market sentiment fosters on correct and flowing communication, especially when this is carried out on a systematic basis, both with respect to funding sources, that is, the financial environment, which for our capital intensive business is essential, if not even, for our existence (today business requires principally a flow of ideas, funding is obtained through the financial markets, project financing etc) and also on society, since operating in the energy and waste sectors signifies also depending on the consensus of others, of public entities and the public in general. These are stakeholders that have to be taken into consideration. Therefore it is important to be known, to be trusted and be credible. Communication also fosters on the enterprise-family relationship: how can business culture grow and be rooted as the intrinsic value at the centre of the business, if one knows nothing or little about that business, if business life is undertaken by the few who are actually inside the business? It is fundamental that all family members are conscious of the strategic decisions taken and their motivation, of the value of the shares as an equity participation, of the problems and their possible solutions; because this is not only a basic condition for unity, but also permits an appropriate and agreed response during critical periods. In this respect, as you are aware, we meet at least twice a year.*

*There is also a second important objective, which is to instil interest in younger family members. Communication with the family serves to create the preamble towards a direction that tomorrow may become a choice of life, putting in place a deed towards the formation of a new generation that is a family's commitment.*

*At this stage I am a bit embarrassed. I am sure that I have told you important things, clear and pragmatic to me since I have experienced them, but I fear that you will take them as rhetoric. You may believe me because of personal esteem, but these are based on deep-rooted experience. Do not ignore what I have told you, keep them up your sleeves, prepare the luggage and then go to work overseas for a couple of years. Alone. On your return, we shall talk again.*

*I have a lot of confidence in you.*

# Ethics and innovation: competitive values for social responsibility

*A Letter from the Chairman*

*The Falck Group was one of the first companies in Italy to publish in 1998 a Report according to the three interdependent spheres of Sustainable Development - economy, society and environment. This year we prepared the integrated report which reflects the new company boundaries, after the short interruption due to the exit of Sondel from the company set up.*

*The company structure has undergone profound changes, but the **rigorous ethical principles** which have always guided it throughout its long history – the vocation to operate in strategic and innovative sectors of the economy and the society – steel industry in the past and renewable energy at present and the commitment to Sustainable Development remains unchanged.*

*The cultural prejudice according to which Social Development and profit are irreconcilable has to be removed. It is important for the companies to realize that a **lasting economic development** must take into account the social and environmental effects related to the changes necessary to pursue the same. In this way a "virtuous circuit" which enables the company's development in harmony with the surrounding world could be created.*

*As far as Falck Group is concerned, Social Responsibility is an **investment** and could turn into a **competitive instrument** for companies, an instrument through which it is possible to combine economic growth with the increase of living standards of the communities where they operate.*

*Therefore, Social Responsibility represents an **opportunity** where the stake involved is very high: the awareness that the adoption of socially responsible conduct contributes to **value creation** (for the entire community of entrepreneurs) and to the improvement of companies' ability to face challenges from new markets.*

*Being aware of this challenge, we have entrusted the preparation of the Social and Environmental Report for 2003 to Sodalitas – Association for the development of entrepreneurship in the social economy, which has the primary scope of spreading the principles of social responsibility within companies. Sodalitas has helped us free of cost, with intelligence and great ability.*

*This document purports to be a contribution of the Group to testify that social responsibility is not only a routine responsibility but an **in-depth strategic orientation** - an efficient and effective model capable of producing results without affecting profits.*

Federico Falck  
Sesto San Giovanni, 30 april 2004

*Energy is needed if the world wants to continue to grow. A mid-term solution could be the development of renewable energy sources. In order to achieve this, one has to invest in the most modern technologies that guarantee the least possible impact on the environment and which comply to efficiency criteria, providing the highest efficiency in the least time period. This is the approach to be followed to combat climatic variations and to go ahead with a really sustainable development, which allows economic and social progress which cannot be renounced.*

*To this end Falck Group has taken a strategic turn by modifying its core business and has chosen consciously to engage in the production of energy from renewable resources: with Actelios for the production of energy from waste and bio-mass and with Falck Renewables for the production of energy from wind.*

*In particular, the production of energy from wind is the one which provides the highest efficiency with a better possibility of development – in Europe alone an investment of 30 billion Euros for the period 2002 – 2006 is estimated.*

*Falck Group has decided to take advantage of this favourable market condition with projects in Spain, the UK and Italy.*

*With this initiative, Falck, for the second time in its long history is in the frontline in the process of modernisation of the country and its industry without changing its innovative character. The commitment taken upon is to produce energy from renewable sources, creating value through development of innovative and competitive projects able to provide solutions to environmental problems and to specific sectors of the industry according to the criteria of sustainable development.*

*The Social and Environmental Report was audited by Price Waterhouse Coopers consulting company in order to receive a professional judgement on the completeness and accuracy of the contents of the document with which the Group intends to reaffirm its values – permanent innovation, absolute safety, open and transparent dialogue, technical competence and value creation.*

*The above to put at the disposal of everyone a product, by now essential, which combines development and respect for the environment: a new "intelligent energy".*

Achille Colombo  
Sesto San Giovanni, 30 april 2004

**Innovative  
technologies and training  
for the production  
of intelligent energy  
at the service of  
sustainable development**

***A message  
from the Managing Director***

# Note on the methodology

## *Reporting standard*

Falck Group has closely watched the evolution of the best international practices on matters related to financial and non-financial reporting (for the latter type of reporting it is required to make reference to documents related to the social and environmental performance which are assuming a growing importance in the communication of value created).

In the preparation of this work, Falck Group has developed in an original manner, the main international and national references available at present on "triple bottom line" (the Sustainability Reporting Guidelines of Global Reporting Initiative) and the indications regarding the reporting process obtained from the AA1000 (Accountability 1000), a guarantee to the quality of the preparation of the Social and Environmental Report and the information contained therein. The research document "performance indicators and sustainability rating" by GBS (Working Group for Social Report) has served as an important reference as far as the contents are concerned.

## *Reporting area*

The reporting area of this document is the Falck Group. In particular, data and information related to two main business sectors – renewables energy (with the exclusion of wind power plants) and steel have been considered. Services and new acquisitions in the year 2003 are not included.

## *Improvement process*

The economic and financial information given are related to the consolidated accounts of the Falck Group, if not specified otherwise. The annual data is referred to the year 2002-2003, supplemented for comparison purposes with some figures related to the previous years where significant.

Both at the level of the Group as well as in the sector level, Falck is presently defining and starting a process of systematic collection, processing and checking of quantitative and qualitative data on its behaviour from the social and environmental point of view. This work shall allow the monitoring of the continuous improvement recorded and shall represent the basis of future reporting documents. The information contained in this Report is based on various sources and on confirmation

received from the various units. Further details on the data collection can be found in the relevant parts of this report dedicated to the individual sectors of activity. As the Social and Environmental Report is an expression of an improvement process, uncertainties regarding the meaning or interpretation of some of the details contained in it cannot be excluded.

Due to the great care taken in order to ensure the completeness and clarity of information it has been decided to subject the document to a verification by an independent third party.

## Improvement objectives

Falck Group tries to remain loyal to the commitment for improvement by laying down clear objectives as regards the preparation of the Social and Environmental Report through:

- Improvement of the format and the reporting process for the preparation of an annual report, through a further involvement of the organizational structures in charge and with the scheduling of the flow of data and information;
- a methodical use of performance indicators which are always updated and systematic, with a view to enable the comparison between two reporting periods;
- intensification of the dialogue with the representatives of all the categories of interlocutors who have a direct or indirect interest in Falck Group's projects.

## Checks

# The Group

## FALCK, A FAMILY HISTORY, A HISTORY OF PEOPLE

When in 1906 Giorgio Enrico Falck founded the Società Anonima Acciaierie e Ferriere Lombarde, the Falck family were already the third generation of entrepreneurs. Long ago in 1833, Georges Henri Falck, the grand father of Giorgio Falck, from Alsace was brought in to manage the Ferriera di Dongo belonging to the Rubini family. Later, his son Enrico married Irene Rubini and headed the Ferriera di Malavedo in Lecco.

Steel manufacturing, the heart of the industrial modernisation and the business of the family was brought to Sesto San Giovanni in the suburbs of Milan – a strategic location due to the easy supplies of scrap, the abundant water resources, and excellent rail facilities for the transport of coal from Germany, by Giorgio Enrico Falck. Falck initiated a dense chain of acquisitions and development of new plants, both for steel production and in parallel, for the production of hydro-electric energy – in the period between 1906 and 1935 a network of factories which extended from the Alps to the region of Campania and hydro-electric plants in Valtellina and the Ligurian Apennines and Tuscany were born. The II World War was a hard blow to the Italian industry but the production in the Falck plants did not cease. The rebirth, with the support of the Marshall Plan after the war allowed Falck Group, by then the fourth generation of entrepreneurs to embark upon a new stage of growth. In 1963 the company which had 16.000 employees was listed in the Milan Stock Exchange. In 1971, Falck became the leading private steel producer in Italy with 1.5 million tons of steel production.

Faced with the crisis in the steel industry, which had characterised the last decade of the past century, the Falck Group, once again acted like innovators. It was during this phase that the company Sondel, which was founded in 1983 for electricity production and which owned all the hydro-electric power plants of the Falck Group, became the second private independent producer of electricity, confirming its leading position up to 2001, the year in which it was sold.

Actelios S.p.A. was founded in November 2001 focussing on the production of energy from renewable sources.

## THE BACKGROUND OF THE ENERGY MARKET

The Italian energy policy in the recent years is based on the forecast of a continuous increase in the electricity consumption. From the present 185 million tons of crude oil equivalent (3,2 tons per capita), the consumption is expected to rise to a level of 193-94 million by the year 2010. The above pattern is clearly in contrast to what was decided in the Kyoto Protocol and in the European Regulations which envisage a reduction in CO<sub>2</sub> emissions by about a hundred million tons by the year 2012.

Today, however, energy from renewable sources, a mid-term solution to the green house effect phenomenon plays a secondary role. Their contribution has in fact passed from 9 million tons of crude oil equivalent in 1990 to 13.9 million tons in 2001 and remained at a level of around 6-7% (7,4% in 2001) of the overall energy demand, while Italy should achieve a share of use of energy from renewable sources to a value of 12% of the total energy produced within 2010.

The situation is different in Europe; the experience of Germany, Switzerland, Denmark and also the Mediterranean countries like Spain and Greece demonstrate that renewables already provide an important contribution to the economy. Italy has 785 MW of installed wind power compared to more than 12.000 MW in Germany or more than 900 MW which Spain adds each year (thus reaching 5.000 MW in 2002) while the ratio between Germany and Italy is 12 to 1 also with regard to solar energy (278 MW of solar power in Germany and only 23 MW in this country).

The position of Falck Group purports to be in line with this reference framework: producing energy from renewable resources through development of projects capable of providing solutions to environmental problems in accordance with the criteria for sustainable development.

## PROFILE - FALCK GROUP

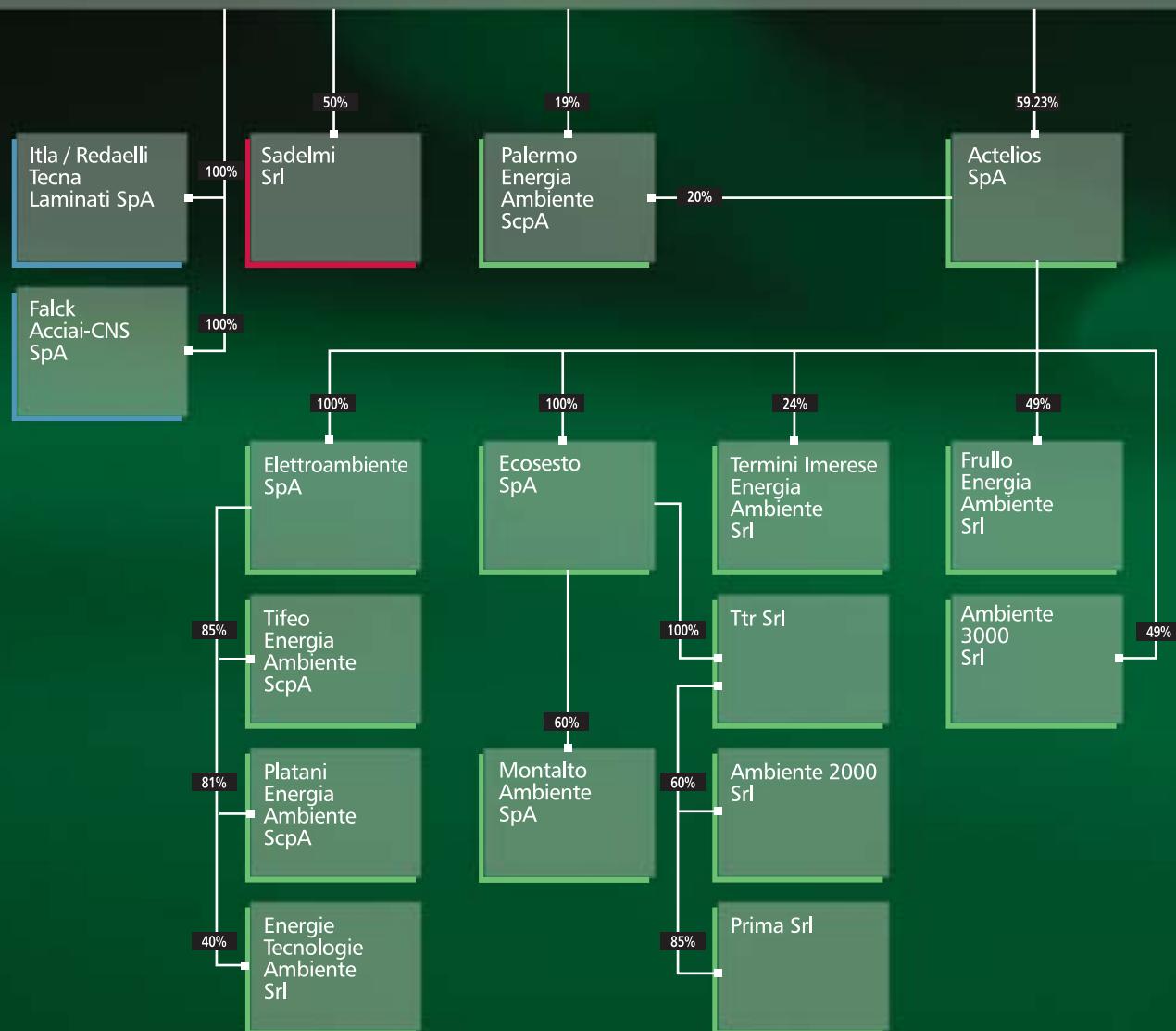
Falck Group, as of today is a completely new reality. A company which could change itself in the wake of radical changes in the European and the world economy, starting with steel and now with energy and environment, responding to the structural needs of the country through supply of highly innovative products and services, in the spirit of sustainable development.

### **Falck Group is active in the following sectors:**

- in the field of energy from renewable sources through Actelios S.p.A. for the production of energy from waste and biomass and with Falck Renewables Ltd. for the production of energy from wind. Regassification of liquid natural gas is also included in the energy sector.
- in the sector of hot and cold rolled strips of high carbon common steel and alloy steels for use in fine mechanics through **Falck Acciai-CNS S.p.A. e ITLAR-TL S.p.A..**
- in the sector of engineering and plant design (EPC-engineering, procurement, construction), with **Sadelmi**, born out of a partnership with Busi Impianti.
- in the services sector, through **Riesfactoring S.p.A.** as far as factoring activities are concerned. The Group also holds an important share holding in **Aeroporti di Roma S.p.A.** and in the banking sector in leading companies listed in the MIB 30 index (Banca Intesa, Mediobanca, Unicredito).

## Structure of the Group - 31 December 2003

### Falck S.p.A.

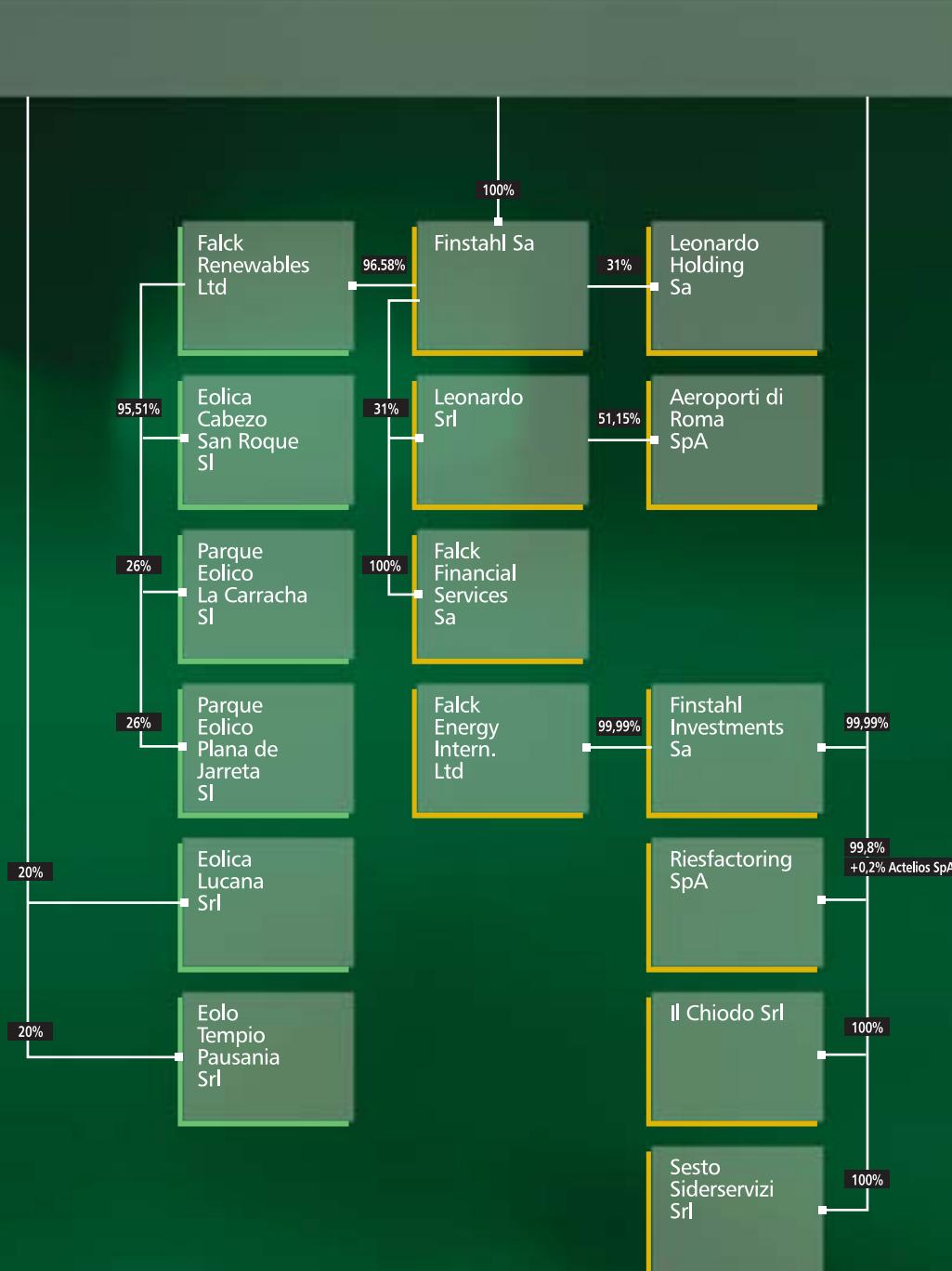


Steel Sector

Engineering

Renewable energy sector

Services



## Renewable Energies Waste to energy and biomass

**COLOGNO MONZESE**  
**COMPOSTING PLANT**  
Where: Cologno Monzese, Milan  
Feedstock: Organic Waste  
Capacity: 28,600 tonnes per year  
Client: agricultural production, private and public gardens and parks  
Technology: Aerobic composting

**TREZZO SULL'ADDA**  
**WASTE TO ENERGY PLANT**  
Where: Trezzo sull'Adda, Milan  
Feedstock: Household Waste  
Capacity: 18 MW  
Client: National Grid  
Technology: Waste combustion through water-cooled grate  
Emissions: below applicable limits

**BELLOLAMPO \***  
**WASTE TO ENERGY PLANT**  
Where: Bellolampo, Palermo  
Feedstock: Household Waste  
Net electric Power: 61,2 MW  
Client: National Grid  
Technology: Waste combustion through water-cooled grate  
Emissions: below applicable limits

**CASTELTERMINI \***  
**WASTE TO ENERGY PLANT**  
Where: Casteltermini, Agrigento  
Feedstock: Household Waste  
Capacity: 32 MW  
Client: National Grid  
Technology: Waste combustion through water-cooled grate  
Emissions: below applicable limits

**AUGUSTA \***  
**WASTE TO ENERGY PLANT**  
Where: Augusta, Siracusa  
Feedstock: Household Waste  
Net electric Power: 50 MW  
Client: National Grid  
Technology: Waste combustion through water-cooled grate  
Emissions: below applicable limits

\*(under construction)  
\*\*(minority stake)

## Steel Sector

**GRASSOBIO**  
Product: hot and cold-rolled coils in ordinary and special steel bearing a thickness from 0,5 to 15mm.  
Quantities manufactured: 90,000 t/year  
Client: 90% Italian market

**OGGIONO**  
Product: cold rolling, annealing and cutting of steel of 56 different types  
Quantities manufactured: 45,000 t/year

## Renewable Energies Waste to energy and biomass

**GRANAROLO DELL'EMILIA**  
**ELECTRIC POWER & CO-GENERATION PLANT**  
Where: Granarolo dell'Emilia, Bologna  
Feedstock: Household, Special, Non-Hazardous and Medical Waste  
Capacity: 18 MW & 24 Gcal/hr of thermal power  
Client: National Grid and District Heating  
Technology: Furnace-based waste combustion featuring 3 mobile grates  
Emissions: below applicable limits

**RENDE**  
**BIO MASS POWER PLANT**  
Where: Rende, Cosenza  
Feedstock: Residual biomass from wood and olive residues  
Capacity: 12 MW  
Client: National Grid  
Technology: Biomass combustion through water-cooled vibrating grate  
Emissions: below applicable limits

**CUTRO \*\***  
**BIO MASS POWER PLANT**  
Where: Cutro, Crotone  
Feedstock: Residual biomass  
Capacity: 16,5 MW  
Client: National Grid  
Technology: Fluid-bed based biomass combustion  
Emissions: below applicable limits

## Renewable Energies Wind power

### United Kingdom

BOYNIE (17.5 MW)  
CEFN CROES (58.5 MW)

### Spain

LA CARRACHA and  
PLANA DE JARRETA (99 MW)

CABEZO SAN ROQUE (23,25 MW)

### Italy

TEMPIO PAUSANIA (39 MW)

<b>Human Resources</b>	31/12/2002	31/12/2003
<b>Number of employees</b>	266	322 *

\* Please note that payroll refers to employees indicated in the annual report of Falck Group as at 31 December 2003, and hence including companies and new acquisitions which do not fall under the reporting limits of the Social and Environmental Report.

## Plants under operation and those under construction

### Steel Sector

Italy	Place
Cold Rolling Mill for strips in high carbon steel and alloy steel	Oggiono (Lecco)
Hot and Cold Rolling Mill for strips in common steel, high carbon steel	Grassobbio (Bergamo)

### Renewable Energies - waste to energy and biomass

Waste to energy	Trezzo sull'Adda (Milan)
Biomass Power Plant	Rende (Cosenza)
Waste to energy	Granarolo dell'Emilia (Bologna)
Biomass Power Plant	Cutro (Crotone)
Composting Plant	Cologno Monzese (Milan)
Land fill for special wastes	Canaglia (Sassari)
Integrated systems under construction	Augusta (Siracusa)
Integrated systems under construction	Bellolampo (Palermo)
Integrated systems under construction	Casteltermini (Agrigento)

### Renewable Energies - wind power

Italy	Place
Wind power farm under development	Tempio Pausania (Sassari)
Europe	Place
Wind farm under development	Boydie (United Kingdom)
Wind farm under development	Cefn Croes (United Kingdom)
Wind farms	La Carracha and Plana de Jarreta (Spain)
Wind farm	Cabezo San Roque (Spain)

## Significant investments in the recent years

During 2002, Falck Group has undertaken investment in tangible and intangible fixed assets for 83.205.000 Euros. Among the intangible fixed assets, the goodwill derived from the acquisition of the Rende business division related to the biomass based power production plant is to be noted. The tangible fixed assets mainly concern the investment for the waste to energy project at Trezzo sull'Adda, Granarolo dell'Emilia in collaboration with Hera and the investments for the construction of the composting plant at Cologno Monzese.

In 2003, the investments amounted to 215.748.000 Euros. In 2003 the intangible fixed assets mainly concerned the entry of the goodwill due to the acquisition of Elettroambiente S.p.A.. The tangible assets mainly concerned investments in Waste to energy projects at Granarolo dell'Emilia and Trezzo sull'Adda. To these investments it is required to add those related to the projects in Sicily.

As far as the steel sector is concerned, the structure of ITLA S.p.A. was strengthened through merger with Redaelli Tecna Laminati S.r.l. and incorporation (the new company is called ITLA-RTL S.p.A.) and the expansion of the Oggiono plant.

In 2003, Falck Group entered into the plant engineering field thanks to the acquisition of a 50% stake, in partnership with Busi Impianti, of the engineering division of Alstom Power Italia, at present Sadelmi S.p.A..

The investments made in the field of wind energy need a particular mention. In August 2002 the company Falck Renewables Ltd was constituted with the scope of contributing to satisfy the growing needs of clean energy, through development, financing, construction and operation of wind plants and the sale of the energy produced from them.

**Falck Renewables**, in collaboration with some European partners has built a Wind Farm at Cabezo San Roque S.L. (Spain) held to the extent of 95.5%, the commercial operation of which started in January 2004. The wind farms at Plana de Jarreta S.L. and La Carracha S.L. (Spain) with a capacity of 99 MW, are held to the extent of 26%. These have started production in February 2003. In the United Kingdom, thanks to the collaboration with RDC Scotland Ltd and Energy4All Ltd, a particularly innovative venture has been started which allows private individuals and the small local businesses to invest in wind farms participating in the economic benefits deriving from the production of the energy generated.

## CORPORATE VALUES

Falck Group is a member of the **World Business Council for Sustainable Development**, born in 1992, on the trails of the Rio Conference, to represent a coalition of 162 companies of international reputation united in their commitment for sustainable development.

The corporate values which guide the Falck Group are enunciated through the following statements:

*"Absolutely right ethical conduct, following the principles of **integrity, honesty, correctness, transparency**, in order to consolidate the "reputation" of a serious, reliable and professional partner in front of the stakeholders."*

*"The management of Falck Group is bound to seek a reconciliation between the search for competitiveness and an ever increasing level of performance in the safeguarding of the environment and to pursue a policy of innovation and economic growth, using in the best manner the natural resources and respecting the eco-systems".*

*"Operate, keeping always in mind the **interests of the local community and the civilian society**, collaborating actively with the authorities and the non government organisations towards implementation of initiatives of social nature and for the safeguarding of the environment".*

*"Commitment to develop the competence, capacity and talent of each individual employee following a policy based on merit and equal opportunities, in an environment which helps the highest level of communication and cooperation at all levels".*

*"Respect for the environment, operating by application of all the legislation on the matter and adopting all necessary measures to prevent any form of pollution".*

*"Transparency, correctness and truthfulness in the preparation of documents and accounting data".*

*"Commitment to guarantee the maximum competition in the market, respecting the regulations related to competition".*

The values indicated in the Code of Conduct are the prerequisites for the constant research for quality. To the above, some fundamental reference principles may be added:

- **permanent innovation**, i.e. investment in research aimed at the development of technologies which are ever increasingly safe, reliable and efficient;
- **technical and commercial competence**: by means of internal know how;
- **absolute safety**, through company certification, full respect for the environmental parameters, performance reliability over time due to a correct plant planned maintenance;
- **open dialogue** with all players (stakeholder) and other interlocutors present in the region: people, institutions and official bodies.

## DEVELOPMENT PROJECTS

Since 2003, Falck Group has initiated an important investment plan, to strengthen its core business.

- Actelios S.p.A. is involved along with Elettraambiente S.p.A. and PEA S.c.p.a. in the Sicily project. The objective of this project is to respond in a definitive manner the problem of disposal of municipal waste in eight of the nine provinces of the island and to contribute to the increase in the production from renewable energy in this country. The three systems shall have an installed capacity of above 150 MW. The project is the first of its kind in Italy.
- Falck Renewables is proceeding with the development activities of wind projects in the United Kingdom, in Spain and in Italy.
- Falck Group is participating in the development of two projects in the sector of regasification of liquefied natural gas, one off-shore in the province of Livorno and the other on-shore in the plains of Gioia Tauro. These projects are under examination of the authorities entrusted with their evaluation.

A photograph of a large, mature tree with a thick trunk and a wide canopy of green leaves. The tree is set against a backdrop of rolling green hills under a clear blue sky.

# Mission

In continuation to what is indicated in the Social and Environmental Report 2000, the explanation of the Group's mission undersigned by the Managing Director is given below: *"The objective that I consider to be of utmost priority is to stimulate the knowledge of our activities related to sustainable development and to encourage a wider agreement of our policy and our culture, in a manner so as to create value through improvement of performances in the environmental field and with the scope of keeping alive a frank dialogue with our employees, clients and citizens of the communities where the plants come up, and also with our suppliers and our business partners..."*

## Policy of Value creation

*"Falck Group is engaged in the sectors of energy, environment, steel and services from the point of view of sustainable development, having as principles the economic growth, ecological efficiency and social progress". (Falck Group's code of conduct)*

*Approved by the management of Falck Group, 1998*

In each of the business sectors in which it operates, Falck Group's objective is to create value:

- for its share holders, safeguarding and increasing the value of their investments;
- for its clients, satisfying their needs in terms of quality, timeliness and cost of services offered, and also providing innovative and reliable solutions;
- for the personnel, guaranteeing the development of their capabilities;
- for the business partners, contributing to create value through synergies;
- for the society, acting as responsible members of the community to contribute to the improvement of well-being, preservation of the environmental resources for the future generations, to make possible a good quality of life in the near future and guarantee further progress in the future.

## Falck Group and sustainable development

Falck Group considers environmental and social compatibility as a value and an element to become more competitive. Sustainable development means satisfying the needs of the present generation without compromising the capacity of the future generations to satisfy theirs. Good practice related to sustainable development requires the company to:

- design processes, products and services compatible with the environment;
- integrate the social and environmental factors in the planning for value creation;
- organize closed and isolated productive cycles with respect to the environment in case of production of an inherently polluting nature;
- train its personnel in the protection and safeguarding of the environment in the carrying out of their duties.

The continuation of value creation in the framework of sustainable development involves:

- improvement of the production reducing the consumption of raw materials and producing less quantities of waste and residues;
- reduction in the quantity of energy used in the production of goods and services;
- the reduction, where possible, of the polluting emissions;
- the selection of recyclable materials;
- the development of renewable resources;
- the extension of product and plant life cycles.

# Strategic Plan

From 2003, Falck Group is ready to face the market challenge in the production of clean energy through Actelios S.p.A., listed in the Milan Stock Exchange since February 2002, for the areas of waste to energy and production of energy from biomass and through Falck Renewables to seize the opportunity of growth and development in the wind energy sector.

The Group's strategy, based on the Industrial Plan 2003/2007, envisages the development of a balanced business portfolio through:

**I. a strong orientation towards production of energy from renewable sources**

In order to be the leader in the clean energy field, both in Italy and in the international market, Falck Group has concentrated on the production of **energy from renewable sources**. This industrial orientation represents the natural evolution of the Group's strategy after the exit from Sondel.

For **waste to energy**, the strategy pursued is that of construction and start-up of plants already in the operational phase and the development of new plants in partnership with local administrative authorities or private parties.

For **wind energy**, important projects for the construction of wind power plants in Italy – Sicily, Sardinia, Calabria and abroad in the United Kingdom and Spain. The aim of the program is to reach approximately 1.000 MW of installed power within 2008 and the listing of Falck Renewables in 2005/2006.

**II. a strengthening of the presence in the steel sector**

**III. a gradual sell-off of the financial stakes**

As a century ago, the holding company Falck S.p.A. is still owned by the family of entrepreneurs – Falck; inside the renewable energy sector, Actelios is controlled directly by the majority share holder Falck S.p.A..

In the ambit of corporate governance, the Board of Directors play a central role – the Board has the responsibility of defining the strategic and organizational trends and to check the existence of controls necessary to monitor the progress of social management.

The activities of the Board of Directors are co-ordinated by the President, who plays the role of guarantor for the application of a proper corporate governance within the management. Moreover the Board and the legal auditors receive a periodic and exhaustive report from the Managing Director regarding the activities carried out by him during his tenure.

Within the board of directors specially appointed Committees for remuneration and internal control operate – these are formed in order to discuss sensitive issues and sources of potential conflict of interests.

Since a long time ago, Falck Group has a specific system of internal control to carry out the following duties:

- evaluate the adequateness of the various company processes in terms of effectiveness, efficiency and economy;
- guarantee the reliability and correctness of the accounts and the safeguard of company assets;
- ensure the conformity of the operational procedures for complying with the internal and external standards, directives and operation procedures, and company guidelines which have the scope of guaranteeing a healthy and efficient management.

Falck Group is about to adopt a special regulation for the management and handling of classified information within the company which shall also contain the procedures for external communication, with particular reference to price sensitive information.

## Corporate Governance System

# Code of Conduct

The Code of Conduct, approved in 2000, contains the fundamental rules for an ethically correct conduct both within the Group and towards the public. The respect of the code by the employees ensures the commitment of everybody towards the integrity without any compromise, thus contributing, among other things, to the transparency of operations and behaviour.

The rules contained in the Code indicate the principles and the line of conduct to be followed in the conduct of business, interpersonal relations between employees and in all other relationships that would be established between Falck Group employees and third parties. All employees are requested to behave always keeping in mind the interests of the local community and the society. Further, the principles of the code of conduct are important references for the selection of suitable suppliers, independent third parties and partners for joint ventures.

The Code of Conduct deals with the following topics:

- the ethics of behaviour in the conduct of business;
- the administration of the Group, through the rigorous application of the principles of transparency, correctness and truthfulness;
- conflict of interests;
- cleanliness, safety and respect for the environment at place of work and in the carrying out of the duties;
- respect for the employees, their value enhancement and equal opportunities;
- safeguard the rights of the Group's resources;
- confidentiality and privacy.

The Code also envisages the institution of an **implementation committee** which is headed by the Group's top management and the President of the **Istituto dei Valori d'Impresa** (Institute for Company Values) which has the duty of ensuring the concrete application of the Code of Conduct and to check its effective implementation by all those who are directly or indirectly bound by it.

## **ORGANIZATIONAL MODEL D.LGS.231/2001**

Although it is not compulsory, Falck Group plans to adopt the Organizational and Management Model in compliance with the Legislative Decree 231/2001, in order to prevent the type of violations foreseen and the related administrative responsibilities of the company for actions apparently to its advantage. This Model will be prepared by Falck S.p.A. in its capacity as the holding company. Its adoption by all the companies in the Group, shall follow.

### **THIS MODEL IN A PARTICULAR WAY:**

- details and maps the risks of offences committed towards the Public Administration (to which in a subsequent phase, Falck's Board of Directors could add, through a special decision the so called "company offences" introduced in the D.Lgs 61/2002);
- devises a dedicated control system with specific protocols aimed at planning adequate counter measures (activities of providing awareness and information, condemnation of illicit behaviour, adoption of timely intervention procedures);
- designates a body for collective vigilance denominated as Compliance Officer – composed of an Administrator, an Auditor and the Internal Audit Group – having autonomous controlling power.

The Disciplinary Model, shall further provide for a system of sanctions for the violation of the rules of conduct, defined as Disciplinary Offences, leaving aside the result of any criminal proceedings. It shall be subject to monitoring by a specially instituted vigilance body in compliance with the Decree.

## **QUALITY, ENVIRONMENTAL AND SAFETY MANAGEMENT SYSTEM**

In view of the differences existing in the individual sectors within the Group, the responsibility with regard to environmental aspect, is in a large measure entrusted to each of the four main business sectors. In particular, environmental management systems complying to the international standard ISO 14001 is already in operation or expected, for all the companies belonging to the energy from renewables sector.

Further details regarding individual aspects of interest with regard to environment can be found in the section of this document dedicated to stake holder energy from renewables; inside the above section details regarding ISO 9001:2000 and 14001 certification programmes and also the status of accreditation to the EMAS (Environmental Management and Audit Scheme) regulation and the OHSAS 18001 (Occupational Health and Safety Audit Scheme) can be found.

Falck Group believes that it is not only useful but also necessary to pursue a policy of company certification and certification of each individual sites (plants, activities). In fact the ISO certification is considered as a starting point for the EMAS accreditation, which represents a precise commitment towards transparency as the declaration and publication of the data should be repeated every year.

# Actelios S.p.A.

Actelios, listed on the stock exchange since February 2002, is the leading company within Falck Group which offers most ideas for thought as far as the financial aspects are concerned.

Actelios produces value through development in the areas of power production from renewable sources of innovative and competitive projects which offer solutions to environmental problems of the land and specific sectors of industry in compliance with the criteria of sustainable development. Its sphere of activities is related to Kyoto Protocol for the reduction of green house effect gases.



## Ownership of Actelios

Actelios is held directly by the majority share holder Falck S.p.A according to the following share holder distribution:

	Italgest	16,67%
	Shareholders (<2%)	24,09%
	Falck	59,24%



## CORPORATE GOVERNANCE IN ACTELIOS S.P.A.

Actelios has defined its organizational structure on the basis of a Corporate Governance plan aimed at ensuring transparency and efficiency to its system of company governance. It has therefore prepared the basis to align itself to the provisions and indications provided by the bodies entrusted with the control and regulation of the stock market. In particular, it has already adopted the Self discipline Code and the Code for Internal Dealing, which adds to the Code of Conduct, already in use from the day the company was incorporated.

The Actelios Board of Directors has adopted voluntarily the **Self Regulation Code**, following the guidelines defined initially by the Committee instituted by the Borsa Italiana S.p.a. (*Preda Code*).

The **Dealing code**, in particular, is a code of conduct for the management, handling and the reporting to the market of information related to operations involving financial instruments issued by the company.

## Actelios financial indexes

### ROE

Net Profit/Shareholders' Equity

2003	2002
10,0%	2,5%

### ROI

Operating Profit/Net capital employed

2003	2002
5,4%	3,1%

The Board of Directors is appointed for three consecutive terms and is delegated with ordinary and extraordinary administration powers and meets at least once in three months.

It is composed of the following nine Directors:

### Federico Falck

*Chairman and Legal Representative*

### Achille Colombo

*Vice-Chairman and Legal Representative (executive)*

### Paride De Masi

*Vice-Chairman and Legal Representative (executive)*

### Salvatore Giammusso

*Managing Director and Legal Representative (executive)*

### Marco Agostini

*Director*

### Enrico Falck

*Director*

### Giuseppe Gatti

*Director (independent)*

### Ferruccio Marchi

*Director*

### Umberto Rosa

*Director (independent)*

## Trend of Actelios shares in 2003



# Economic value

## Falck Group consolidated Statements are reported below

(euro million)	2003	2002
Revenues from sales	139	75
Ebitda	12,1	0,4
Operating profit	0,6	(8)
Net profit	46	67
Portion of Falck Spa		
Net profit	42	64
Net profit per share (Euro)	0,6	2,6

## Consolidated Balance Sheet is as follows:

(euro million)	2002	2003
Fixed assets	195	363
Net current assets	68	38
Net capital employed	263	401
Shareholders' Equity	137	207
Net financial Position	(126)	(194)

The Group's consolidated Income Statement reflects a net profit of 41.833 thousand euro, 22.501 thousand below previous accounting period. Despite the reduction of net profit, Ebitda was up by +11.779 thousand euro, and operating profit by + 8.521 euro.

This performance may be attributed to the improvement in operating result in the field of electricity from renewable sources, biomass as well as waste to ener-

gy that could avail from the Rende plant throughout the fiscal period in addition to full operating capacity for 5 months of the facility located in Trezzo sull'Adda. The Income Statement also includes 43.588 thousand euro generated by Leonardo Holding Sa, valued on equity method; the amount refers to gains consequent to the sale of 44,74% stake held in Aeroporti di Roma S.p.A. to the Australian Group Macquarie. Lastly, the 2003 Financial Statements reflect extraordinary items to the tune of 267 thousand euro compared to 149.475 thousand euro in 2002.

## PERFORMANCE INDICATORS

Main indicators	2003	2002
Ebitda/ Revenues from sales	8,7%	0,5%
Operating profit / Revenues from sales	0,4%	-10,7%
Net profit / Shareholders' equity (ROE)	22,2%	48,9%
Operating profit / Net capital employed (ROI)	0,1%	-3,0%
Net financial payables / Shareholders' equity	0,92	0,94

## VALUE ADDED IN FALCK GROUP'S CONSOLIDATED RESULTS

Value Creation Policy is the outcome of a continuous interaction with the Company's stakeholders.

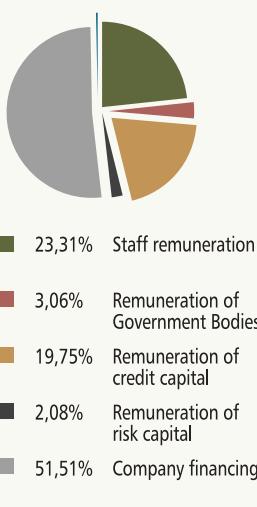
To this end, the distribution of Value Generated to share-holders, employees and the community at large, avails of proven value added calculation methods, understood as the link between the Consolidated Financial Statements and the Company's Environmental Report. The result is obtained via a reclassification of the items in Income Statement, that states in figures the relationship between the Company and the Social-economic system it interacts with. Reference is made to the main stakeholders included herein:

- Shareholders - remuneration of risk capital
- Providers of Finance - remuneration of credit capital
- Employees - remuneration of employees
- State, boards & institutions - remuneration of Government bodies
- Community - donations and gifts
- Financing - Company "remuneration"

Amongst the several configurations Value Added may feature depending on the aggregation level of profit items, Net Global Valued Added has been adopted as the reference methodology base as described in Social Statements Principles issued by GBS – Social Statements Study Group.

GLOBAL VALUE ADDED	2003	2002	Difference
<b>A) VALUE OF PRODUCTION</b>			
1. Revenues from sales and services	136.779	74.654	62.125
2. Variations in work in progress, semi-finished and finished products and goods	281	(159)	440
3. Variation in work in progress on commission	(31.693)	811	(32.504)
4. Other revenues and income	8.704	3.469	5.235
<b>Revenues from core business</b>	<b>114.071</b>	<b>78.775</b>	<b>35.296</b>
5. Revenues from non trading activities (time and material basis)	3.135	6.291	(3.156)
<b>B) INTERMEDIATE COSTS OF PRODUCTION</b>			
6. Raw materials	(45.179)	(38.882)	(6.297)
Variations in raw and ancillary materials	280	(446)	
7. Services	(31.753)	(25.133)	(6.620)
8. Use of third party assets	(2.535)	(1.600)	(935)
9. Provisions for risks	1	(169)	170
10. Other provisions	(737)	1.078	(1.815)
11. Sundry costs	(2.355)	(1.476)	(879)
<b>GROSS CORE VALUE ADDED</b>	<b>34.928</b>	<b>18.438</b>	<b>16.490</b>
<b>C) ANCILLARY AND EXTRAORDINARY ITEMS</b>			
<b>12. +/- BALANCE ANCILLARY OPERATIONS</b>	<b>61.394</b>	<b>(13.274)</b>	<b>74.668</b>
Revenues form ancillaries	73.976	24.229	49.747
- Charges for ancillaries	(12.582)	(37.503)	24.921
<b>13. +/- BALANCE EXTRAORDINARY ITEMS</b>	<b>267</b>	<b>149.475</b>	<b>(149.208)</b>
Non-recurring revenues	32.636	165.273	(132.637)
- Non-recurring costs	(32.369)	(15.798)	(16.571)
<b>GROSS GLOBAL VALUE ADDED</b>	<b>96.589</b>	<b>154.639</b>	<b>(58.050)</b>
- Depreciation by groups of homogenous assets	(11.105)	(7.941)	(3.164)
<b>NET GLOBAL VALUE ADDED</b>	<b>85.484</b>	<b>146.698</b>	<b>(61.214)</b>

#### DISTRIBUTION OF VALUE ADDED



## VALUE ADDED DISTRIBUTION IN FALCK GROUP

Value Added measures the capacity of the Falck Group in generating additional resources to be allocated amongst some main categories of stake-holders.

DISTRIBUTION OF VALUE ADDED	2003	2002	Difference
<b>A) Staff Remuneration</b>	<b>19.928</b>	<b>17.461</b>	<b>2.467</b>
Consultants	2.738	2.095	643
Payroll			
a) direct remuneration	13.070	11.687	1.383
b) indirect remuneration	4.120	3.679	441
<b>B) Remuneration of Government Bodies</b>	<b>2.615</b>	<b>36.204</b>	<b>(33.589)</b>
Direct Taxes	2.000	35.580	(33.580)
Indirect Taxes	615	624	(9)
<b>C) Remuneration of credit capital</b>	<b>16.886</b>	<b>25.427</b>	<b>(8.541)</b>
Short term capital charges	6.504	13.356	( 6.852)
Long term capital charges	10.382	12.071	( 1.689)
<b>D) Remuneration of risk capital</b>	<b>1.778</b>	<b>1.590</b>	<b>188</b>
Dividends (profits distributed to owners)	1.778	1.590	188
<b>E) Company financing</b>	<b>44.032</b>	<b>65.931</b>	<b>(21.899)</b>
<b>F) Donations &amp; gifts</b>	<b>245</b>	<b>85</b>	<b>160</b>
<b>NET GLOBAL VALUE ADDED</b>	<b>85.484</b>	<b>146.698</b>	<b>(61.214)</b>

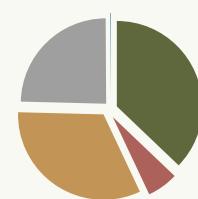
Value Added distribution analysis in 2003 has highlighted that as much as 23,31% of the share is distributed to employees which is evidence that a chunk of the wealth generated by the Group come back to those that actively participate in the growth of the Company. **51,51% of value added goes to the Company** and it is proof of the significant amount of investments the Company has carried-out through self-financing.

The balance of value added is broken-down as follows: 3,06% to state bodies; 0,29% in donations & gifts; 19,75% in interests to providers of finance.

Here aside, value added parameters broken-down individually according to the division being accounted:

- Energy from renewable sources
- Steel

DISTRIBUTION  
OF VALUE ADDED  
RENEWABLE SOURCES



■ 37,12%	Staff remuneration
■ 5,87%	Remuneration of Government Bodies
■ 32,41%	Remuneration of credit capital
■ 0%	Remuneration of risk capital
■ 24,51%	Company financing
■ 0,09%	Donations and gifts

DISTRIBUTION  
OF VALUE ADDED  
STEEL



■ 72%	Staff remuneration
■ 12%	Remuneration of Government Bodies
■ 13%	Remuneration of credit capital
■ 0%	Remuneration of risk capital
■ 3%	Company financing
■ 0,00%	Donations and gifts

# Relation with stakeholders

## Mapping of the main stakeholders of Falck Group

Local Communities,  
Sport organizations,  
Private citizens  
or organized in associations  
operating in:  
environment,  
social activities,  
rights protection,  
culture, art, etc.

### Note

*As indicated in the note on methodology, the limits of the this Social and Environmental Report considers Falck Group as a whole with in-depth analysis of the two main sectors of business: energy from renewables and steel. In case the sector of reference is not indicated, it shall be understood that the text reports data and information related to the Group as a whole.*



# Human Resources

*According to the Code of Conduct: "All employees shall be treated with rigorous respect of the principles and the values enunciated and in an atmosphere which helps communication and cooperation of the employees among them and with their superiors (...). The relationships among the employees at all levels shall be oriented towards correct criteria and behaviour, loyalty and mutual respect".*

In a period of strong organizational changes and re-orientation of the business, Falck continues to pay attention to the development of Human Resources and to the improvement of the integration process between personnel and organizational environment.

Falck Group is committed to develop the competence, capacity and the talents of each employee, following a policy of merits and equal opportunities. The selection, placement and the career prospects of the personnel depend exclusively, without any discrimination, on objective considerations and the professional and personal characteristics required for the work given and on the capacity demonstrated in carrying out the same, as explicitly stated in the Group's Code of Conduct.

Falck Group believes that motivating and enhancing the value of its employees through the development of both their technical and behavioural competence is a determining factor in attaining excellent results.

## FIGURES

As of 31.12.2003 personnel employed by Falck Group totals 240\* out of which 29 are managers, 21 supervisory staff, 64 clerical staff and 126 workers. The high presence of managerial staff is due to the high competence required for the development and the management of the business related to the production of energy from renewable sources.

\* This total refers to the number of employees calculated in line with the boundaries of reporting for the Social and Environmental Report 2003 as given in the note on methodology. For example, employees in the wind power sector are excluded.

## WORKFORCE

	Falck S.p.A.		Energy from Renewables sector		Steel sector	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
Managers	11	12	14	13	4	4
Supervisors	5	3	10	6	6	7
Clerical staff	8	8	33	32	27	23
Blue collar workers	1	1	65	63	60	68
Total	25	24	122	114	93	106

## SENIORITY

	Falck S.p.A.		Energy from Renewables sector		Steel sector	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
0-5	10	8	87	81	24	19
5-10	3	3	17	18	6	22
10-15	3	3	11	10	23	28
over 15	9	10	7	5	40	37

## AGE

	Falck S.p.A.		Energy from Renewables sector		Steel sector	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
0-25	0	0	0	0	1	2
26-35	5	4	33	30	10	13
36-50	11	12	62	64	56	62
over 50	9	8	27	20	26	29

## STUDIES

	Falck S.p.A.		Energy from Renewables sector		Steel sector	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
University	13	12	24	21	3	1
High school	7	7	12	11	17	18
Other	5	5	86	82	73	87

## ABSENCE\*

	Falck S.p.A.		Energy from Renewables sector		Steel sector	
	31.12.03	31.12.02	31.12.03	31.12.02	31.12.03	31.12.02
Sickness, Maternity, Accident	2,00 %	2,49 %	4,11 %	2,64%	5,54 %	6,98%
Strike	0,00 %	0,03 %	0,02 %	0,10%	1,43 %	0,71%

\* Data in percentage on the working hours separately for Falck S.p.A., Steel sector and the Energy from Renewables sector.

## **RENEWABLE ENERGY SECTOR**

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The issues addressed in the sector of renewable energy sector during 2003 mainly concerns the bonus on profits, work organization and company merger.

In particular, the bonus on profits (article 9, general provisions, section 3, Collective Contract for Metalmechanics) over and above its role as an instrument of industrial bargaining, and also a channel of dialogue between the company / trade unions / workers on matters regarding the company's profits. Therefore it is the company's objective to establish the bonus for all the production sites.

In the course of the year, some topics related to the work organization were taken into consideration, for which workable agreements have been achieved.

On the occasion of the merger of EVA (Energia Veneto Ambiente S.r.l.) and the subsequent incorporation of Ecosesto S.p.A., agreements were reached in relation to the article 47 of the Law 428/90.

## **STEEL SECTOR**

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The industrial relations in ITLA-RTL S.p.A. (normally based on issues related to the handling of the bonus on profits, work organization and health and safety at work) had gone through a period of disputes, in the second half of the year 2003, due to the refusal of signing the Collective National Contract of engineering industry workers by the unions FIOM-CGIL, who had intended to open up a front for claims at individual company level. In Falck Acciai–CNS S.p.A. some wage related matters linked to the application of the work contract were resolved with an agreement with the trade unions in December 2003.

In the past two years there were no contentious issues or claims by employees.

## DEVELOPMENT / TRAINING

*"Falck Group contributes to the training and professional growth of its employees providing them, periodically, opportunity to know each other and information regarding their work experiences, and other training with a view to promote the growth and to enable the development of their professional competence"* (Falck Group's Code of Conduct).

The training activities carried out during 2002 for the employees totalled 1.200 hours: 227 hours were utilized by managers, 700 hours by supervisors and clerical staff and 273 by workers. In 2003 the training activities totalled 1.911 hours: 374 hours for managers, 1.214 hours for supervisors and clerical staff, 323 hours for workers.

### TRAINING 31.12.03

Falck S.p.A.		Energy from Renewables sector		Steel sector	
	No. of persons Hours		No. of persons Hours		No. of persons Hours
managers	12 236	7 138	0 0		
supervisors	6 115	8 164	4 270		
clerical staff	7 171	10 236	4 258		
blue collar workers	0 0	19 125	54 198		

Professional training in the company was conducted through participation in specialized internal courses, primarily with reference to matters on safety, and individual courses in specialized external structures.

Further, in line with the company's wish to pursue continuous training regarding the development of the market for electrical power production from renewable sources, Falck Group has adhered to a series of meetings and conferences arranged through an agreement with the Ruling Companies Association (a non-profit association, in which representatives from industry and experts take part with the aim of promoting and spreading a culture of excellence in industry). These conferences have provided a training aimed at specific issues and chance of interaction with employees from other companies, to the managers.

A particular aspect of the training activity was the internal courses in English language, conducted by native English speaking teachers.

## **INCENTIVES SYSTEM**

For some categories of employees, a bonus scheme linked to the achievement of collective and individual objectives in relation to the strategic orientation of the Group, was introduced.

The incentives system calls for the payment of a variable part of the salary upon achievement of a level of entry determined by the company's Gross operating profit and upon positive evaluation of the individual objectives related to economic or to specific projects. During 2003 90% of the managers and 90% of the supervisory staff was drawn into this scheme.

In some production areas a production/profit bonus was paid, calculated on the basis of quality and production objectives defined for individual units.

## **EMPLOYEE BENEFITS**

Falck Group has stipulated, for the major part of the employees, an insurance cover in addition to the one envisaged by the Law for accidents related to work. For the managers, over and above the policies as per the contract, additional policies whose costs are borne by the company and which are optional and subject to taxation were introduced. 70% of those eligible have adhered to this scheme. They were also given the option to join a Supplementary Fund to the extent as stated by Law, in addition to the Pension Fund run by the association, whose capital is constituted by the premiums paid monthly, in part by the manager and in part by the company.

Further, as a supplement to what the contract states, an agreement was made with a Supplementary Health Fund for further reimbursements for the medical expenses.

Employees of the head office were given free access to the subsidized canteen facilities for lunch at the Group's head office.

## **INTERNAL COMMUNICATION ACTIVITIES**

During 2003, activities related to internal communications were strengthened with the updating of the **intranet site** related to the Personnel Procedure, functioning since 2002. This portal explains the company procedures and offers employees, the opportunity of being constantly updated on all the internal standards. Further, a restyling of the internal monthly **newsletter** was studied with the aim of spreading news regarding the Group (company acquisitions, plant start-ups, interviews with managers etc.)

## **CLIMATE EVALUATION**

In the first half of 2003, a project for the Evaluation of the Company Climate for the entire Group was initiated; the scope of this activity was to establish a positive climate of collective commitment and prepare a panorama of the critical areas where action is to be taken to make the working satisfactory. The analysis was prepared with the help of anonymous evaluation questionnaires distributed to managers and supervisors.

93% of the resources involved responded. The results were published in a special meeting and subsequently published in the Intranet.

From the analysis, the necessity to have better information on the strategic choices of the Group (suggested by 22% of the respondents) and the assurance of the company evaluation of their individual performances (22% of the respondents), emerged.

On an overall, satisfaction for the role played and for the work load was good. Cases of excellence also emerged, such as the cooperation between the different company staffs.

Upon the evaluation of the results, it was decided to put in place the annual feedback to the employee consisting of a precise evaluation of the performance and compe-

## ACCIDENTS

tences through the use of standard formats. An important document as regards the standardization of the above two procedures "Guidelines for the fixing of objectives and the evaluation of performance" was introduced.

## SAFETY AND PREVENTION AT WORK

In 2003, the activities aimed at improving the conditions of safety at work and measures related to environmental hygiene, continued: Falck Group is set on maintaining high standards and to guarantee all necessary measures of prevention against accidents and diseases at work. To this end, it continues to operate in full compliance to all the Laws on the matter and is committed to adopt all necessary measures to prevent any possible criticalities.

All newly appointed employees are subject to a medical check-up in relation to the specific duties assigned and to further check-ups according to the regulations, in force.

It is worth mentioning the process of replacement of the tools (computer, office equipment etc.) which is now under way to guarantee an ergonomically fit work environment.

In numerical terms, during 2003, the figures related to accidents are as follows:

Business Sector	Total Frequency Index*	Absence Gravity Index**
Falck S.p.A.	59,62	1,07
Renewable Energy	26.40	0.638
Steel	100.66	3.77

\* Total Frequency Index: ratio between the total number of accidents occurred and the total number of working hours, multiplied by one million.

\*\* Absence Gravity Index is the ratio of total days of absence and the total working days, multiplied by one thousand.

The Frequency Index and the Gravity Index for accidents in the Steel sector shows a situation that needs improvement.



# Customers

*"Falck Group's success is based mainly on its capabilities to satisfy the needs of its customers while maintaining always high levels of quality, performance and reliability. The employees must contribute to this policy identifying the customer needs and trying to fulfil their expectations by making better use of the resources and the synergy within the Group". (Group Code of Conduct).*

## RENEWABLE ENERGY SECTOR

Examining the main activity of renewable energy production in practice at present by Falck Group – waste to energy - it is possible to identify two main categories of users with whom the company deals: in the initial phase the local administration (to a minor extent also private parties), who pay for the waste disposal and in the final phase of the process, the National Transmission Grid Operator (GRTN, Gestore della Rete di Trasmissione Nazionale). As far as the waste to energy plant at Trezzo sull'Adda, the composition of the customers in the renewable energy sector is the following:

### Type of clients 2003

	number	%revenues
GRTN – National Grid Operator	1	60%
Local Public Administration	58	40%
Private parties	1	

Approximately 60% of the revenues from the sale of renewable energy sector come from the energy sales to the national grid operator GRTN. The remaining 40% concern the relationships with municipalities which do the differentiated waste collection, private parties who carry out activities as intermediaries for the wastes. At present, the customers involved are all the municipalities distributed in the province of Milan. In particular, municipal customers are part of the Consortium EST Milanese.

The company Prima S.r.l., which operates the municipal solid waste to energy plant at Trezzo sull'Adda, carries out a public utility service, disposing off waste through a long term contract. The tariffs are decided by the market and varies on the basis of the quantity of waste to be disposed and its type.

The wastes are brought to the plant according to a program decided by the company, based on a daily availability of 10 hours from 07.00 hrs in the morning to 17.00 hrs in the afternoon.

In order to provide an efficient service, the company Prima s.r.l. carries out a service of "Client Satisfaction" by means of a co-ordinator who takes care of the day to day interactions with the clients for the optimisation of the waste intake.

## **GREEN CERTIFICATES**

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The production of energy from renewable sources is the main sector of activity of Actelios S.p.A. This sector is characterised by an enormous growth potential both on an international level and in Italy due to the **Kyoto Protocol** on the basis of which, the industrialized countries have committed to reduce within 2012, the emission of green house effect gases on a average of 5,2% with respect to the emissions in 1990. The countries forming part of the European Union have committed themselves to reduce the above emissions by 8% on a overall, and Italy has committed to reach a limit of 6,5%.

This objective can be achieved only thanks to a consistent resort to renewable sources along with a credible policy of energy savings.

By virtue of this environmental "mission" carried out by them, special incentives are envisaged for plants producing energy from renewable sources both in the European legislation and in the national legislation. Up to now, the incentives in Italy were based on the decree CIP6/92; this type of incentive has then been substituted by the one based on the **green certificates** market.

With a view to provide incentives for the use of energy from renewable sources the D.L: 79/99 (Bersani decree) obliges the producers and importers of energy from non-renewable sources, to feed in to the network a share of at least 2% of the electrical energy from renewable sources. This obligation may also be satisfied through the purchase of **green certificates** issued by producers of clean energy.

The Green Certificates are negotiated in the **Energy Pool (Borsa dell'Energia)** as considered by the Bersani decree and operated by GRTN.

The right to issue Green Certificates shall prevail for the first 8 years of operation. After this period, the right may be renewed through the replacement of specific parts of the plant as stated in the Law (e.g. for biomass power plants, the boiler and the turbo-generator will have to be replaced).

## STEEL SECTOR

### CHARACTERISTICS OF THE CUSTOMERS AND THE MARKETS CATERED TO

Falck Group's steel sector caters to about 650 customers, mainly coming from the domestic market. They are private, who in turn supply special manufactured products (sheerings or moulds) to other sub-suppliers, inserted in the production chain of the automotive sectors or in general the mechanical industry.

The products are semi-finished products in special steel, cold and hot rolled sheets, in special quality like steel suitable for thermal treatment, steel with high elastic limit, steel for deep drawing, structural steel.

The mission of the steel sector is the manufacture of products with ever increasing standards of quality, obtained by a continuous control of processes, a careful selection of suppliers and a constant monitoring of the end uses.

#### Steel Sector

##### number of customers as of 2003

FALCK ACCIAI-CNS S.p.A	212
ITLA-RTL S.p.A.	426
TOTAL	638

### CUSTOMER SATISFACTION

The steel sector business is aimed at providing the maximum satisfaction to the customer. On this subject, a formal complaints management program has been initiated as required by the applied quality system. The relationship with the customers is also oriented towards the search for the highest transparency and reliability.

## PRODUCT SAFETY AND PRODUCT QUALITY

The safety and the quality of the product are assured by a complete control of the packaging of the product. The adoption of all precautions pursuant to Law has avoided until now any accidents.

All products are certified and insured; the production sites are also certified according to ISO 9001 standards. Materials are sold along with the quality certificates according to the standards, in force.

Each product is labelled to an extent of 100% with all the information necessary for its use. Further, unique references (normally the reference number of the casting and the identification number of the material) are provided on the quality certificate, on the shipping documents and on the products itself which allow to retrace the entire history of the product distributed.

The packaging is made of completely recyclable materials (wooden pallets and metallic tapes).

### ADVERTISEMENT AND PROMOTION OF PRODUCTS AND SERVICES

For the advertising and commercialisation of the products, the following instruments are used: catalogues, internet sites, promotion and taking part in conferences in the sector.

In order to provide the best possible to the customers, a technical desk which orient the customer in the correct choice of the material and provides consultancy on its use has been inaugurated.

Companies belonging to the Group, in the steel sector, are members of the AIM (Association of Italian Metallurgy), Federacciai e Assofermet.



# Suppliers

In the entire Falck Group, the selection of suppliers, whose role is decisive towards the final quality of the products and services takes place *"stimulating, as far as possible, competition between companies of various types and dimensions, on the basis of objective evaluation aimed at safeguarding the commercial and industrial interests of Falck Group and in any case, creating more value for the Group itself"*. (Group's Code of Conduct).

## RENEWABLE ENERGY SECTOR

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The companies in the renewable energy sector have as objective the strengthening of collaboration and trust with their suppliers who are considered as active and important participants in the achievement of objectives of excellence fixed for the sector. This approach is a fundamental requisite to enable the participation of all the suppliers in the success of the various ongoing ventures.

Traditionally, purchasing was supposed to guarantee the best quality for a particular product/ service at the best possible prices. With a view to improve of the performance of the Group, this concept is being interpreted favouring suppliers who further to guaranteeing the compliance to some of the fundamental parameters like reliability, punctuality and the quality of the supplies, apply Quality and/or Environmental Management Systems.

All the suppliers must guarantee the respect for the worker's rights, the safety regulations at work place and the regulations for the safeguard of the environment; the violation of even one of the above principles may lead to the cancellation of the related contracts.

## SUPPLIER'S SATISFACTION

The commitment of the Group is to improve the relationship with its suppliers, with particular regard to the payment period.

The **average payment period** passed from 68 days in 2002 to 63 days in 2003. The average delay in payment passed from 45 days to 25 days. The objective fixed is that of further decreasing the above delay thanks to the introduction of a purchasing management system, under the implementation of an information system which is shared between the administration and the final user of products and/or services purchased, thus permitting an invoicing process in real time.

## PURCHASING - FIGURES

YEAR	national s.	local suppl.*	Purchases ML. **
2002	32%	68%	25,5
2003	23%	77%	34,0

\* By local suppliers is meant, those who operate exclusively at a regional level.

\*\* Purchase of materials and services excluding the re-invoicing between companies within the Group.

## STEEL SECTOR

In the European scene the number of steel suppliers are decreasing, both due to the dismantling of plants and due to company mergers. At the present state, two big industrial groups and many smaller businesses of relatively smaller dimensions operate in the market, the latter following the commercial policies established by the former.

## SUPPLIER SELECTION AND THEIR EVALUATION

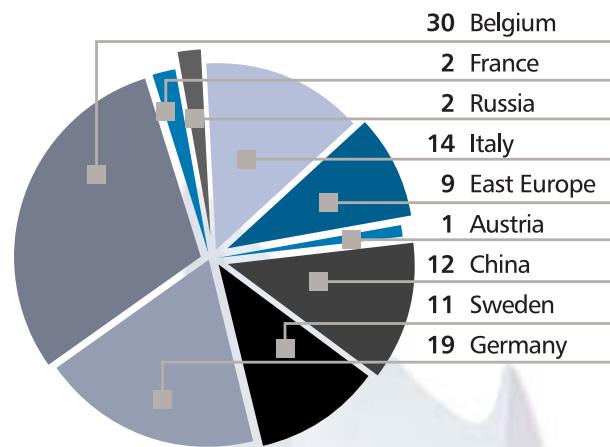
The suppliers of Falck Group companies are all producers from Europe and in some cases producers from outside the EU.

The Quality Department monitors the suppliers and prepares for each supplier an evaluation table according to parameters of efficiency, quality and availability. On the basis of this information, the companies in this sector are able to plan the purchasing policy for the forthcoming year.

### Geographical distribution of steel suppliers figures expressed in tons/ year

Italy	11.906
East Europe	7.995
Austria	788
China	9.809
Sweden	9.558
Germany	16.173
Belgium	24.648
France	1.581
Russia	1.991
total	84.449

### GEOGRAPHICAL DISTRIBUTION OF STEEL SUPPLIES FIGURES EXPRESSED IN %



In detail, Belgium, with whom a long term contract was stipulated, supplies 30% of the raw material, while Germany supplies 19% of steel.

The Italian suppliers who are in the third place, are destined to go down further in the ranking, as a consequence of the closure of the company Falck Nastri.

# Relationships with the local communities

The policy within the group is to maintain a dialogue, inform the stakeholders – citizens, institutions, clients, partners, employees and opinion leaders – listen to their requests and requirements according to a strategic **multi stakeholder approach** which cannot be renounced. This is particularly true for the territories in which Falck operates with its plants, but also as far as Milan is concerned and specially for Sesto San Giovanni, where the Group has its historical headquarters. The management policy and the relationship co-ordination with the community envisages the implementation of initiatives aimed at positioning the Group, in relation to its new core business - energy from renewables. All initiatives thus conceived are based on the **values of human, economic and social relationship between the territory and the company**. To achieve this objective, the Group undertakes studies and research to understand the social needs and the economic problems of the territory in which it operates, involves the municipal and provincial administration and the political representatives constantly in the decision making process and makes use of local suppliers.

The Company has committed itself to provide its managers involved in the dealings in the territory, training to govern and coordinate the construction of alliances and rapports.

## OPEN MINDEDNESS TOWARDS THE COMMUNITY

With the objective of repositioning the Group according to the new business, some instruments to measure the expectations which calls for basically dialogue both with reference to the local and national framework were adopted.

In particular Falck Group has adopted the following instruments:

MEANS	TARGET	OBJECTIVES
Meetings "ad personam" and through the participation in municipal councils and in the events organized by the local administration	Representatives of the community and of the local associations and locals "in conflict"	To illustrate the Group's projects and to find out the expectations
Web sites (of the plants and the institutional one) of the Actelios Group ( <a href="http://www.actelios.it">www.actelios.it</a> <a href="http://www.termotrezzo.it">www.termotrezzo.it</a> ) are constantly monitored, to check the number of visitors. The site Actelios has totalled 10.700 number of visitors and the site Termotrezzo 6.140	Conceived with particular attention towards the local community	To provide information in a transparent manner and to receive suggestions from interested public
Direct relationship with the local press offices (e.g. press conferences and joint press releases)	Citizens of the territory where the Group operates	To formulate an activity of shared information
Initiatives that fit into local events (the Festival of Cologno Monzese town in October 2003, Restoration of Falck Hall at the Museum of Science and Technology in Milan)	Citizens of the territory where the Group operates	To maintain high level of information on the activities
Direct intervention of company personnel (e.g. house visits for checking of the plant noise/presence of odour with special instruments)	Citizens of the territory where the Group operates	For resolution of the requests/complaints with respect to critical or difficult situations
Distribution of informative handouts, specialized dossiers to be attached to the local papers, setting up of billboards	Citizens of the territory where the Group operates	To provide information in compliance with the request for "transparency"
Availability of the local staff	Local public	To provide answers to the request for information
Creation of a company visual identity	For the external and internal community	To guarantee uniqueness and an easy identification of the Group

## **ORGANIZATION TO DEAL WITH THE COMMUNITIES**

The management of relationship with the communities is entrusted to the external relations office which carries out various tasks:

- initiation of dialogue towards inside and outside;
- management of disputes;
- preparation of training modules for the employees involved in the handling of the relationship with the community;
- organization of meetings with the Group's top management to illustrate communication projects;
- preparation of debates along with the plant management constantly involved in the relationship with the public and community affairs for the realisation of initiatives for external relations and events which have an institutional importance at national and European level;
- finding out the synergies which strengthen the existing alliances and the mapping of the associations in the sector.

## **FALCK FOUNDATION**

This foundation, which was born on the 21st February 2000 as a result of the initiative of the family and the Falck company, undertakes community development activities, having among its objectives the promotion of initiatives in the fields of education and learning (studies, research projects and restoration of works of historic and artistic importance) and financing scientific research and social assistance.

Since 2002, the foundation:

- has contributed to the construction of a hospice run by Vidas, the association which provides assistance to terminally ill patients;
- has financed the restoration works of "Edipo a Colono" a painting by Giuseppe Bossi (1777-1815) presently exhibited at the town library at Trezzo sull'Adda.;
- has supported FAI (Fondo per l'Ambiente Italiano) in restoration projects also by means of sponsoring an annual concerts (since 2002);
- has provided financial support to three of the main Milan orchestras: the Giuseppe Verdi Symphony Orchestra, the Orchestra Guido Cantelli and the Orchestra of the Scala Theatre;
- has restored Falck Hall at the Museum Science and Technology "Leonardo da Vinci" of Milan.

## **INVESTMENT IN SOCIAL WELFARE AND EDUCATION**

Falck Group has supported the following initiatives:

- MEMA-Bocconi - Master in Economics and Environmental Management
- Milan College: Falck Group contributes an amount of 52.000 euro annually (since 2002). The Institute was born out of the initiative taken by the Milan Universities, Aspen Institute Italia, Assolombarda, Milan City Council, Chamber of Commerce and an important group of companies.

## **TERRITORY/LOCAL COMMUNITIES**

During 2003 Falck Group has carried out the following:

- the inauguration of biomass power plant at Rende (Cosenza);

The inauguration of the biomass electrical power plant at Rende was an event which had involved the local communities and the institutional representatives from the public administration and politicians from the Provincial and Regional levels. A round table took place to which the councillor for environmental and energy policies of the Calabria Region participated and was followed by the opening tour of the plant.

- rehabilitation of the area in front of the composting plant at Cologno Monzese as public green area.

## **SPONSORING**

The activities related to sponsoring within the Group, in line with the information and communication programs, involve mainly initiatives related to sport and social activities and differs according to the territory referred to.

Local sponsoring:

1. San Maurizio al Lambro, Volley Ball team,
2. Cologno Monzese, Firemen
3. Rende, Car race

Sponsoring at national level:

1. Conference Assolombarda "Energy: development, market and environment", 30-31 January 2003
2. TAUEXPO 2003
3. Rome Energy Meeting, March 2003
4. World Forum on Energy regulation, 5-9 October 2003
5. Ecomondo 2003, 22-26 October
6. Cop 9, 1-12 December 2003.

## **ASSOCIATIONS**

Falck Group companies have relationships with various association both within and outside the sector. The most important ones are: AIDAF – Italian Association of Family Businesses, Aspen Institute, Assolombarda, Assonime, Les Hénokiens, Sodalitas, UCID – Union of Christian Entrepreneurs and Managers, WBCSD - World Business Council for Sustainable Development, World Economic Forum.

## LES HÉNOKIENS

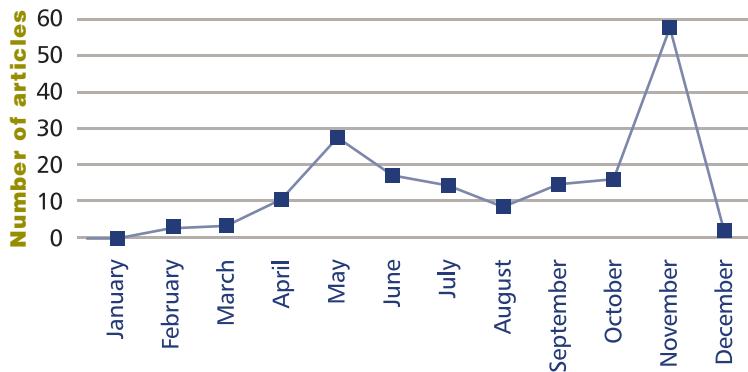
This is an association of family enterprises, with a tradition of over two centuries, founded in 1981 by the President of Marie Bizard, descendant of the creator of the first ani-seed liquor. This association brings together some of the great families in the world (the armourers Beretta, the first producers of saké Gekkeikan, the publishers of "Edition Henri Le Moine"), which, over a span of two hundred years, have founded a business reality and made it grow distinguishing themselves in the chosen business sector. The name Hénokiens derives from Enoch, one of the great patriarchs of the Bible who lived for 365 years, before Noah.

The first meeting of the families which form part of the Association took place in Bordeaux in 1981. The association has a membership of 32 entrepreneur families.

## RELATIONSHIP WITH THE MEDIA

The external communication of data and information is transparent and complete so as to project in a homogenous manner the image and the strategies adopted by the Group.

The trend of the presence of news related to the Group in the media had witnessed a particular intensity in May, with the inauguration of the biomass power plant in Rende and in November, during which changes in the top management of the company had taken place. In 2003, the Group had adopted a communication strategy which allows a controlled visibility to guarantee the completion of the repositioning processes in the renewable energy sector.



# Public institutions

Falck Group distinguishes itself for its commitment towards minimizing the environmental impact in its activity, thanks to the use of technologically advanced plants. In line with this, the Group views the adoption of severe environmental protection standards by the European Community and Italy with favour, interpreting these choices as prerequisites necessary to guarantee seriousness and reliability of the producers of energy from renewable sources.

## RELATIONSHIPS WITH LOCAL BODIES

The local administration bodies are an important partner for the Group, as they are a significant interlocutor in the creation of integrated systems for waste management and the production of electrical energy.

Falck Group has provided for an open and constructive dialogue with the authorities representing individual town councils (Environmental Councillor, Town council members), Provinces and the Regions, Ministry for productive activities, Ministry for environment and protection of territory, Bodies and Associations (Environmental Impact Evaluation National Commission, State Audit Court, Provincial Trade Unions, Association of Businessmen, Port Authorities, Asi, ICQ).

## FINANCIAL DEALINGS BETWEEN FALCK GROUP AND PUBLIC INSTITUTIONS

Revenues (Euro)	2003	2002
Share of the EU contribution for the support of innovative projects in the fields of energy conservation and recovery	297.719,10	
direct taxes	(2.000.000)	(35.580.000)
indirect taxes	(615.000)	(624.000)



# Environmental aspects

The activities of Falck Group for the safeguarding of the environment and the health of the citizens of the territory in which it operates is based on the values and principles defined in the Group's policy.

The Group continues to commit itself towards the improvement of its achievements in the environmental field through dialogue with its stakeholders and through participation at a national and international level in organisms for sustainable development.

Given the difference in the individual sectors taken into consideration in this 2003 report – renewable Energy and Steel – the responsibility on matters regarding environmental aspects are entrusted to each sector and is described in the sections below\*.

This section of the report refers to the performance of the organization with regard to the eco system in general and its direct and indirect impact on it.

\*The key environment related topics are different by nature; due to this, it is not advisable to summarize and compare these data and information at corporate level.

## RENEWABLE ENERGY SECTOR

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The environmental policies of the renewable energy sector were formulated by the **holding company Actelios S.p.A.** and applied to all the companies controlled, which have implemented them in their environmental policies and therefore in the carrying out of their activities at all operation levels.

In some fields of the renewable energy sector, the environmental policy is integrated with the policy for quality through adoption of an Integrated System which constitutes a solid base and a reference point to ensure the creation, development and the maintenance of stable behaviour in consistence with sustainable development.

The environmental policy is set out to guarantee excellence in management, keeping in mind the values of eco-compatibility, which is gaining ever increasing popularity and consensus, of its activities, and trying to reduce in a significant manner, the environmental impact, foreseeing possible environmental risks under all circumstances even beyond what is prescribed by Law.

In all the companies, all necessary means and resources

required for a correct application of the system is kept at the disposal of the management and the persons responsible and every year improvement objectives under the framework of the guide lines are established.

The guidelines on environmental aspects for each sector can be summarized as follows:

- construct and operate processes and technologically advanced plants which are compatible with the environment;
- improve one's conduct on environmental aspects taking into account the technological progress, scientific knowledge, requirements of the parties involved and in particular the client requirements, considering the commitment to respect the legislative framework as the starting point;
- not to cause damage to the environment through one's activities, minimising the resources utilized, the atmospheric emissions, the discharge of water and the production of waste;
- to undertake an in-depth collaboration with all suppliers and the clients who carry out activities directly on the plants operated by the company, so that they behave in compliance to the environmental policies;
- initiate programmes for the spreading of the environmental policies, to make everyone aware and get them involved in the safeguarding of the environment.

All the companies within the Group which adopt an Environmental Management System, certified by third parties, in compliance with the ISO standards, have instituted the role of Management Representative who are entrusted with all powers necessary to ensure the creation, development, implementation and maintenance of the System.

Particular attention is paid, at all levels, in all the companies in the sector on aspects related to safety and hygiene at work, which broadly speaking, forms conceptually a part of the environmental aspects of social activities.

Special training programmes are conducted every year and in the near future the integration of Environmental-Quality Management System with that of Safety according to the OHSAS 18001/99 standard, is expected.

## **GOVERNANCE AND ENVIRONMENTAL MANAGEMENT SYSTEM**

The structure model for the environmental management instituted by the holding company Actelios is applied to all the companies which operate in this sector.

Within the Board of Directors of each company, one Director is entrusted by the Board itself, all the functions of vigilance and control related to matters concerning environmental protection, accident prevention and hygiene at work, with powers to make

expenditures and to delegate functions and duties to managers and technically capable and suitable people.

This Director reports periodically to the Board of Directors on the activities carried out and on the achievement of environmental objectives.

The Director, in turn, based on his/her powers, confers more specific powers in connection with the company's business, to qualified personnel who can intervene in a better way, as they operate in company areas which are directly in contact with the plant and the territory.

Obviously, also these people entrusted with a formal and written act are given a wide expenditure and operating power.

At Corporate level, the structure for the environmental management envisages, under the direct supervision of the Managing Director, a Central Management Office, comprised of one manager and two persons who assist, coordinate and control the activities in the fields of environment, quality and safety of all companies within the Group. Ensuring the training and conducting refresher courses (technical and normative) for people and managers assigned in all the peripheral units is also included among the duties of the Central Management Office.

The structure, so divided, ensures the detailed diffusion of the policy and the environmental measures, so that all personnel and in particular to those who have influence on the activities directly involved with the environment, are made aware of the application and research in new procedures and behavioural patterns which improve the environmental performance of the Group's activities.

The feedback is also ensured due to the presence in the field, of persons assigned to the environmental activities in a bottom-up process. The results of work carried out and new proposals for improvement are reported with the aim of guarantee a continuous development and improvement of the processes, with respect towards the environment.

On an overall level, 13% of the staff operate directly in the environmental field.

The Environmental Management System, formalized by the company, through the preparation of specific management procedures, operating instructions and manuals includes:

- the identification and evaluation of key impacts through the preparation of an Environmental Analysis Document, made available for each site certified;
- the definition of priorities and improvement objectives of environmental impact with the aim of reducing them;
- the planning of the activities for improvement operations, with the availability of all the resources to execute them;
- the formalizing of instructions and operating procedures for the operation of the plant respecting also the environment;
- the implementation of analytical control programmes and the related reporting to the local and corporate management;
- implementation of the training and refresher courses for the personnel;
- supplier selection, preferably evaluated according to the Group's environmental criteria
- periodic reviews of the activities by the management (management reviews).

Within the Renewable Energy sector, the following certifications are currently available:

COMPANY	SITE AND SERVICES	TYPE OF CERTIFICATION	REFERENCE STANDARD	VALIDITY PERIOD
Ecosesto S.p.A.	Head office at Sesto San Giovanni (MI)	Integrated System Quality and Environment	UNI EN ISO 9001:2000 and UNI EN ISO 14001:1996	expiry December 2006
Ecosesto S.p.A.	Landfill at Canaglia (SS)	Integrated System Quality and Environment	UNI EN ISO 9001:2000 and UNI EN ISO 14001:1996	expiry December 2006
Ecosesto S.p.A.	Biomass Power Plant at Rende	Quality System	UNI EN ISO 9001:2000	expiry January 2007
TTR S.p.A.	Head office at Sesto San Giovanni (MI)	Quality System	UNI EN ISO 9001:2000	expiry February 2005

Further, the following projects have been started and is in an advanced stage of completion:

COMPANY	SITE AND SERVICES	TYPE OF CERTIFICATION	REFERENCE STANDARD	VALIDITY PERIOD
Ambiente 2000 S.r.l.	Head office at Sesto San Giovanni (MI)	Integrated System Quality, Safety and Environment	UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001	expected June 2004
Ambiente 2000 S.r.l.	Plant at Trezzo sull'Adda	Integrated System Quality, Safety and Environment	UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001	expected June 2004
Prima S.r.l.	Plant at Trezzo sull'Adda	Environmental management system	EMAS regulations and ISO 14001	expected June 2005
Ecosesto S.p.A.	Head office at Sesto San Giovanni (MI)	Integrated System Quality, Safety and Environment	UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001	expected December 2004
Ecosesto S.p.A.	Landfill at Canaglia (SS)	Integrated System Quality, Safety and Environment	UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001	expected December 2004
Ecosesto S.p.A.	Biomass Power Plant at Rende	Integrated System Quality, Safety and Environment	UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001	expected December 2004
Ecosesto S.p.A.	Composting Plant in Cologno Monzese (MI)	Integrated System Quality, Safety and Environment	UNI EN ISO 9001:2000, UNI EN ISO 14001:1996 and OHSAS 18001	expected December 2004
Ecosesto S.p.A.	Biomass Power Plant at Rende	Environmental management system	EMAS regulations	expected December 2005
Actelios S.p.A.	Head office at Sesto San Giovanni (MI)	Quality management system	UNI EN ISO 9001:2000	expected May 2004

## DESCRIPTION OF THE PLANTS

The plants managed by the companies in the Actelios Group which operate in the renewable energy sector include:

- the power plant situated in the industrial area of Rende (CS) which produces electrical power from the combustion of biomass, derived also from waste, having a production capacity of 400 ton /day and 12,0 MW of electric power;
- waste to energy plant from municipal solid waste at Trezzo sull'Adda (MI) having an authorized treatment capacity of 500 ton/day of waste and which produces 18,0 MW of power;
- composting plant at Cologno Monzese (MI) which is authorized to receive the humid portion of municipal solid waste and "green" wastes and having an authorized capacity of 28.600 t/year used to produce an approximate quantity of 10.000 t/year of high quality compost;
- landfill for special wastes at Canaglia (SS) with a volume of approximately 160.000 m<sup>3</sup>;
- waste water treatment plant and sewage pumping stations in the town of Montalto di Castro (VT) at the service of 7.000 permanent residents and 50.000 temporary residents.

## KEY DATA ON ENVIRONMENTAL PERFORMANCE

The following quantitative performance indicators have been recorded:

### ENERGY

*Ecosesto S.p.A. – Biomass plant at Rende (CS):*

INDICATOR	Year 2003	Year 2002	Year 2001
generated electricity [GWh]	85,9	68,2	80,2
electricity supplied to the national grid [GWh]	76,5	61,0	72,1
consumption for internal use (self-consumption and others) [GWh]	9,4	7,2	8,1
efficiency (Electric Power sold / EP generated) [%]	89,0	89,4	89,9

*Prima S.r.l. – Waste to Energy plant at Trezzo sull'Adda (MI):*

INDICATOR	Year 2003*	Year 2002	Year 2001
generated electricity [GWh]	78,19	17,01	-
electricity supplied to the national grid [GWh]	74,0	116,22	-
consumption for internal use (self-consumption and others) [GWh]	15,07	4,42	-
efficiency (Electric Power sold / EP generated) [%]	94,6	95,4	-

\* = in operation since September 2002;

*Ecosesto S.p.A. – Composting plant at Cologno Monzese (MI):*

INDICATOR	Year 2003*	Year 2002	Year 2001
compost produced [t]	144,0	-	-
energy consumed GWh]	1,14	-	-

\* = in operation since July 2003;

**EMISSIONS:**
*Ecosesto S.p.A. – Biomass plant at Rende (CS):*

INDICATOR	Year 2003*	Year 2002	Year 2001
total emissions CO <sub>2</sub> [t x 1000]	129,9	124,1	132,6
CO <sub>2</sub> emissions per unit of electricity generated [g/kWh]	1512,2	1819,6	1653,4
total emissions NO <sub>x</sub> [t]	140,9	94,0	106,1
NO <sub>x</sub> emissions per unit of electricity generated [g/kWh]	1,6	1,4	1,3
total emissions HCl [t]	6,0	1,0	3,1
HCl emissions per unit of electricity generated [g/kWh]	0,07	0,01	0,04

*Prima S.r.l. – Waste to Energy at Trezzo sull'Adda (MI):*

INDICATOR	Year 2003*	Year 2002	Year 2001
total emissions CO <sub>2</sub> [t x 1000]	143,1	33,7	-
CO <sub>2</sub> emissions per unit of electricity generated [g/kWh]	1665,9	1981,2	-
total emissions NO <sub>x</sub> [t]	74,0	22,2	-
NO <sub>x</sub> emissions per unit of electricity generated [g/kWh]	0,9	1,3	-
total emissions HCl [t]	2,6	1,02	-
HCl emissions per unit of electricity generated [g/kWh]	0,03	0,06	-

\* = in operation since September 2002;

## MATERIALS:

*Ecosesto S.p.A. – Biomass power plant at Rende (CS):*

INDICATOR	Year 2003	Year 2002	Year 2001
biomass treated [t]	120.400	92.300	130.000

*Prima S.r.l. – Waste to Energy MSW at Trezzo sull'Adda (MI):*

INDICATOR	Year 2003	Year 2002*	Year 2001
treated waste [t]	94.400	25.400	-

\* = in operation since September 2002;

*Ecosesto S.p.A.– Composting plant at Cologno Monzese (MI):*

INDICATOR	Year 2003*	Year 2002	Year 2001
treated waste [t]	4.400	-	-

\* = in operation since 2003;

*Ecosesto S.p.A. – Landfill at Canaglia (SS):*

INDICATOR	Year 2003	Year 2002	Year 2001
special wastes received and stored [t]	28.227	29.961	48.065
percolate treated in authorized plants [t]	3.765	3.077	5.016

## SOLID WASTES AND LIQUID EFFLUENTS:

*Ecosesto S.p.A. – Biomass power plant at Rende (CS):*

INDICATOR	Year 2003	Year 2002	Year 2001
ash [t]	11.500	6.260	5.640
ash per ton of biomass treated [%]	9,6	6,8	4,3

*Prima S.r.l. – Waste to energy plant at Trezzo sull'Adda (MI):*

INDICATOR	Year 2003	Year 2002*	Year 2001
residues and ash [t]	22.200	5.300	-
residues and ash per ton of treated waste [%]	23,5	20,9	-
liquid effluents treated in authorized plants [t]	9.320	1.190	-

\* = in operation since September 2002;

Residues and ash were sent to authorized treatment plants.

*Ecosesto S.p.A. – Composting plant at Cologno Monzese (MI):*

INDICATOR	Year 2003*	Year 2002	Year 2001
liquid effluents [m³]	83,0	-	-

\* = in operation since July 2003;

*Montalto Ambiente S.p.A. – Waste Water treatment plant at Montalto di Castro (VT):*

INDICATOR	Year 2003	Year 2002	Year 2001
sewage water treated [m³]	792.424*	865.168	690.180

\* = the data related to the months of May, June and July are estimated.

**INDICATORS RELATED TO TRAINING:**

*all the companies of the Group included in the "limits of environmental consolidation":*

INDICATOR	Year 2003	Year 2002	Year 2001
n. of employees	95	63	44
average training [n. of hrs of training per year/ n. of employees)	5,1 %	4,8 %	6,8 %
environmental training [n. of hrs environmental training/ total training hrs]	23,7 %	3,3 %	6,7 %

## **COMMENTS ON THE FIGURES 2003 AND OBJECTIVES OF ENVIRONMENTAL IMPROVEMENT**

The main indicators of environmental performance reported by the renewable energy sector plants follow.

### ***PRODUCTION***

Actelios Group's electricity production from renewable sources amounts in absolute terms to 164,1 GWh equivalent to approximately 140.000 tons of oil (Tep). The production of the plants has increased thanks to the inclusion of the Trezzo sull'Adda plant, which shall reach its full capacity in 2004.

94.400 tons of waste and 120.400 tons of biomass, also originating from waste were burned producing 33.700 tons of residues and ashes totalling to 15,7% of the quantity of waste burned, obtaining in this manner a significant reduction in the volume of waste which would have otherwise been dumped in the authorized land fills.

In the composting plant at Cologno Monzese, which went into operation in July 2003, 4.400 tons of green wastes and solid organic municipal wastes, were treated producing 144 tons of quality compost, highly appreciated as corrector for soils.

This plant shall reach its maximum capacity in 2004. Thus, it will avoid the dumping of 30.000 tons of organic wastes in land fills whereas approximately 10.000 tons of compost will be produced which shall be used in agriculture to provide humus to the soils impoverished due to intensive cultivation.

In the landfill at Sassari, 28.200 tons of special wastes of industrial origin were received and correctly disposed off, maintaining the production levels of the previous year.

The waste water treatment plant in the town of Montalto di Castro has treated approximately 800.000 cubic meter of sewage water then released in compliance to the Laws.

### ***EMISSIONS***

Atmospheric emissions were mostly recorded by the continuous emission monitoring systems of the Rende (Cosenza) and of the Trezzo sull'Adda (Milan) plants.

The contribution to the CO<sub>2</sub> emission by the Biomass power plant at Rende was 1,5 kg/kWh of energy produced and that by the Trezzo sull'Adda plant was 1,66 kg/kWh. Although the data recorded for both the plants are substantially in line with the contributions from similar plants, the Group plans to reduce the specific contribution of CO<sub>2</sub> in its plants in the future.

The NO<sub>x</sub> contribution of both the plants was very modest, thanks to the efficiency of the abatement system installed in the waste to energy plant at Trezzo sull'Adda and the efficient operation of the Rende plant.

The absolute values are 0,9 g/kWh and 1,6 g/kWh respectively.

Also on this parameter further interventions are foreseen for improvement.

The contribution of HCl emission from the Trezzo sull'Adda power plant was particularly low thanks to the efficient operation of the flue gas neutralization system; for the biomass power plant at Rende the HCl emission was a bit higher probably due to the combustion of some lots of biomass with a high percentage of Chlorine.

In the future biomasses with reduced Chlorine content are planned to be treated in order to reduce the emission of hydrochloric acid.

The emission of dioxins and furans in the waste to energy plant fumes at Trezzo sul l'Adda was monitored and checked periodically by laboratory analyses. The results confirm that the emission of PCDD and PCDF are well below the limits imposed by the Law.

Actelios Group is concentrating on this parameter in particular and plans to increase the control frequency.

### ***CONSUMPTION***

The consumption of electrical energy recorded in the Rende and Trezzo sull'Adda plants, considered as the sum of the energy produced internally and the energy purchased, was low, on an average, 14,9% of the energy produced.

The objective is to improve this percentage by reducing the self-consumption.

## **STEEL SECTOR**

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The steel sector through the two operating companies intends to provide a contribution to the sustainability of development. For this scope, strategic choices have been made which include:

- the reduction and the control of the environmental impact at the source;
- improvement in the energy consumption;
- safeguard the health and safety of the human resources involved.

The innovative policy and the sustainability of the steel sector is supported by the qualification and involvement of all the personnel for the achievement of the objectives.

The steel sector commits itself in all its fields of activity to the systematic respect of the applicable Laws and to continuous improvement.

## **GOVERNANCE AND MANAGEMENT SYSTEMS IN THE STEEL SECTOR**

Both ITLA-RTL S.p.A. and Falck Acciai-CNS S.p.A. are ISO 9001:2000 certified. The instructions and operating procedures prepared at the time of certification had foreseen, within these two structures, persons appointed to develop company programmes with the aim of maintaining and improving the work environment. The above two companies use the services of an external consulting company to provide updates on the new Laws which regulate the internal safety norms and further monitor the risk situations like noise and emissions which could damage the environment in which the two companies operate.

Within the steel sector the following certifications are currently available:

COMPANY	SITE	TYPE OF CERTIFICATION	REFERENCE STANDARDS	EXPIRY DATE
Falck Acciai - CNS S.p.A.	Grassobbio – Hot and cold rolled strips in common and special steel	Quality System	UNI EN ISO 9001:2000	expiry December 2005
ITLA-RTL S.p.A.	Oggiono – Cold rolling, cutting and flattening of steel strips	Quality System	UNI EN ISO 9001:2000	expiry November 2004

## **KEY DATA ON THE ENVIRONMENTAL PERFORMANCE**

### **ELECTRICAL ENERGY CONSUMPTION**

*Electricity consumption: ITLA-RTL S.p.A.*

Year	Consumption KWh	Tons invoiced	Specific consumption KWh/ Ton
2002	3.807.600	51.002	74.66
2003	4.271.677	53.022	80.55

*Electricity consumption: Falck Acciai-CNS S.p.A.*

Year	Consumption KWh	Tons invoiced	Specific consumption KWh/ Ton
2002	441.883	67.550	6,5
2003	387.233	55.235	7.0

As can be noted from these tables, as far as ITLA-RTL S.p.A. is concerned, in a span of four years, and as far as Falck Acciai-CNS S.p.A. is concerned, up to 2002, a progressive decrease in the consumption of electricity per ton has been realised. This decrease is basically due to plant modifications carried out in the recent years and in part due to the drastic reduction in the number of working hours in Falck Acciai-CNS S.p.A.. In 2003, the specific consumption of Falck Acciai-CNS S.p.A. increased due to a decrease in the production caused by a reduction in the demand.

### GAS CONSUMPTION FOR FURNACES

Year	Consumption m <sup>3</sup>	Tons annealed	Specific Consumption m <sup>3</sup> per Ton
2002	1.122.727	44.001	25.5
2003	1.288.727	48.156	25.5

### WASTES

Basically there are three types of wastes: metal scraps, emulsions and packaging material.

In all these cases disposal using correct procedures in compliance to the Laws and regulations on the matter are expected.

As far as scrap is concerned, through proper planning every effort is made to reduce the quantities in use although from the tables which follow, it can be seen that for 2002, this was not possible. In fact the effort to optimise the use of material is not always in line with the effective needs of the client both in terms of quality and delivery times.

Year	Scrap Tons.	Production Tons.	Use %
2002	6.405	104.174	6,1
2003	6.199	99.235	6,2

## TRANSPORTATION

The raw materials supplies and the transportation of finished products take place exclusively by road – this naturally has a negative impact on the environment and being aware of this, an effort is under way in both the companies to try to reduce as far as possible the number of transport, trying to combine to the extent possible, different consignments with the same vehicle.

The construction of the new ring road within a few hundred metres from Falck Acciai–CNS S.p.A. has reduced by 100% the passage of trucks in the centre of the city and has decreased the traffic in the city suburbs.





## REPORT ON THE "SOCIAL AND ENVIRONMENTAL REPORT 2003"

To the Board of Directors of  
Falck SpA

We have performed the agreed-upon verification procedures in order to express an opinion on the Social and Environmental Report 2003 of Falck Group (the "Report") with respect to:

- The reliability of the data reported therein.
- The completeness and clarity of expression of the data and the information disclosed therein.

Our engagement was carried out by performing the agreed-upon procedures summarized below:

1. Evaluation and analysis of internal procedures used to collect and manage the information and the data included in the Report.
2. Testing, on a sample basis, of the correspondence of the economic and financial data reported in the Report with the data disclosed in the consolidated financial statements to be presented in the Shareholders' Meeting and of the correspondence of other data and information with management reports or other supporting documentation.
3. Evaluation of the completeness and clarity of the Report compared to the information generally included in the environmental and social reports already published and to the stakeholders identified.

This report, therefore, refers to the results of the application of the aforementioned procedures and we cannot exclude that, had we performed additional procedures, other matters might have come to our attention that should have been disclosed in addition to those already reported in the following paragraphs.

The results of the application of the agreed-upon verification procedures are:

1. The existing internal procedures to collect and manage the information and the data included in the Report are consistent with the objective of the Report itself.

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2. The economic and financial data included in the Report corresponds to that included in the consolidated financial statements to be presented in the Shareholders' Meeting and that the other data and information disclosed in the Report is adequately documented by internal management reports or other supporting documentation.

Regarding the evaluation of the completeness and clarity of the Report, we base our professional opinion on our experience, on the benchmarking of national and international best practices and on PricewaterhouseCoopers guidelines developed on the basis of the information requirements deriving from:

- Sustainability Reporting Guidelines (Global Reporting Initiative).
- GBS Guidelines (Gruppo di studio per il Bilancio Sociale).

In this respect, the Report reflects the information structure generally adopted in the environmental and social reports published to date and its contents are clearly stated. As a result of our analysis we report the following considerations:

1. the Report is the first published with respect to environmental and social results after those that were communicated for the period 1998-2000 and, as such, demonstrate the Group commitment in the continuous improvement process undertaken and its functionality to the development of the dialogue with stakeholders;
2. we recommend the development and implementation of activities that, from both an organizational and a processes point of view, provide the Group with adequate structures and strategies to pursue targets defined within a corporate social responsible framework;
3. as reported in the Report, the Group is aware of the fact that corporate social responsible behaviours lead to the value creation. We therefore suggest the development of a wider set of key performance indicators able to support the measurement of performances and their communication to the stakeholders.

Milan, 20 April 2004

PricewaterhouseCoopers SpA

Pierangelo Schiavi  
(Partner)

This report has been translated from the original, which was issued in Italian. We have not performed any control on the 2003 Environmental and Social Report translation.

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Social and Environmental Report 2003

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**SCIENTIFIC SUPERVISION AND METHODOLOGY  
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