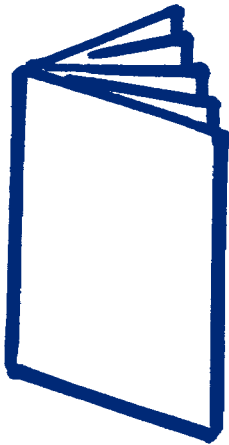




Corporate Social Responsibility Report 2003

our CSR journey



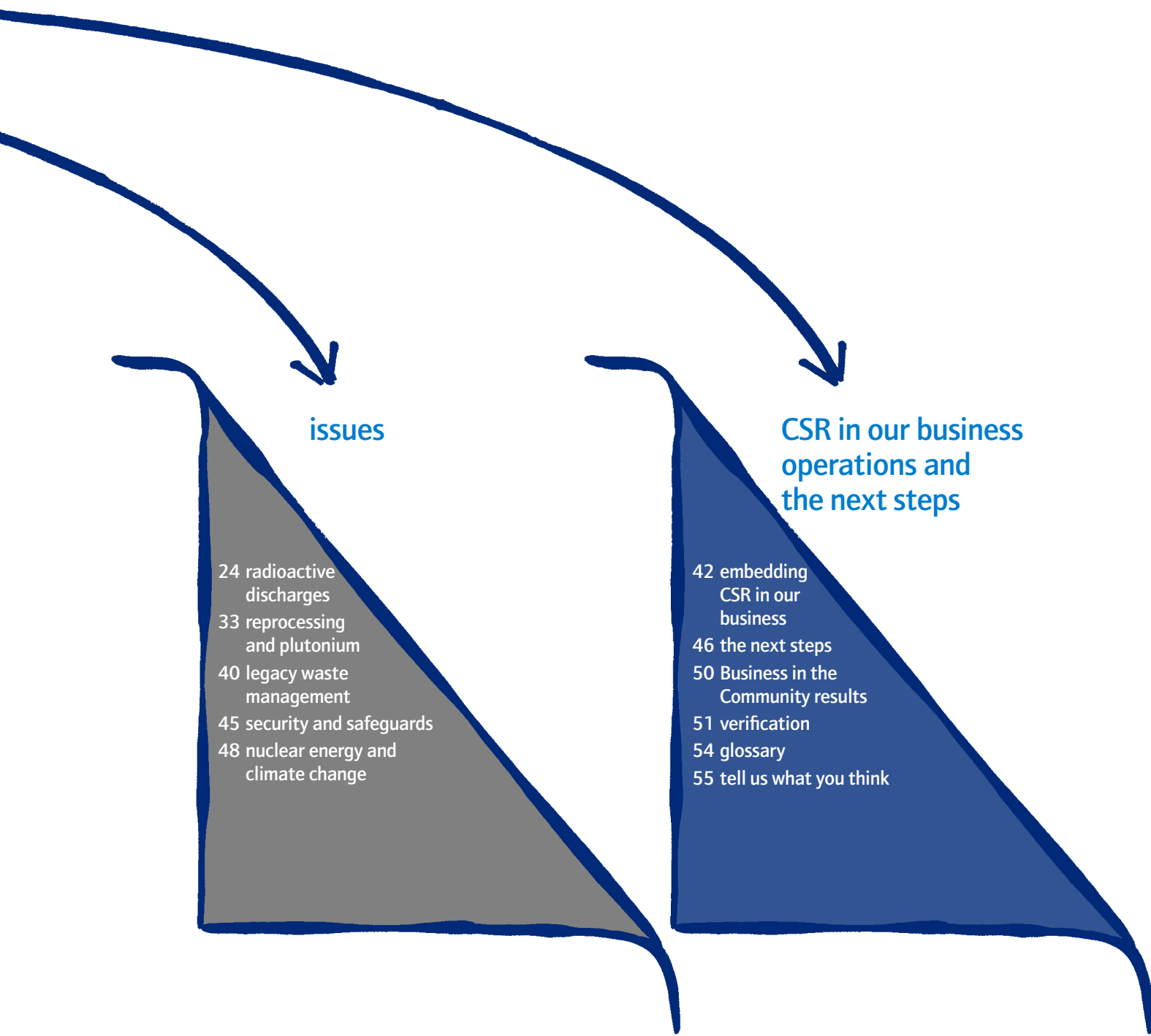


our commitment

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our first

This is our first Corporate Social Responsibility Report. We will use it to talk openly about what corporate social responsibility means to us and to describe how we are striving to be increasingly accountable in everything we do. We also want to take a fresh look at the issues that concern you, as stakeholders, and describe how we are responding to your concerns. By presenting what we believe is a balanced view, we hope to continue to build trust and encourage further dialogue.

Norman Askew Chief Executive

Joe Darby Non-Executive Director
and Chairman of CSR Sub-Committee

Hugh Collum Chairman

accountable

Our goal is to be an economically viable, environmentally responsible and socially beneficial company that is fully accountable for its performance and transparent in its reporting. With the publication of our first Corporate Social Responsibility (CSR) Report, we are moving towards that goal.

We accept there is a fundamental link between our economic, environmental and social performance, and our future success will depend on our ability to manage all three. However, CSR means a lot more to us than integrating management policies across the full spectrum of our business. It is about being accountable for everything we do. It is about demonstrating as well as reinforcing that accountability by ensuring that it is reflected in the right attitudes and behaviours, realised through open, honest and trusting relationships with our stakeholders.

This vision of accountability is what we aim to build on with our report. On the following pages, we describe how we are embracing CSR and how we will manage it in the future. We look at the regulatory framework that is helping to shape our CSR strategy; we report on how we have been listening to our stakeholders and how we will continue to do so. Throughout the report, we also summarise some of the key concerns that our stakeholders have raised with us. Your comments on these would be very welcome.

Finally, we consider the progress we have already made by using a triple bottom line approach to review our economic, environmental and social performance. In addition to relevant data and case studies, each section considers where we aim to make further progress. We recognise that our performance data is focused on our UK operations, however, we will seek to report on a more global basis as our CSR strategy moves forward. Again we would welcome your feedback.

We begin with an introduction to BNFL, our operations, our values and our principles.

Corporate overview

who we are

British Nuclear Fuels plc (BNFL) is an international nuclear energy business, wholly-owned by the UK Government. Our focus is to serve our nuclear utilities and government customers across the world by providing a broad range of technical and engineering products and services.

Our roots go back to 1971, when British Nuclear Fuels Limited was formed by the UK Government under the Atomic Energy Authority Act 1971, to take over the nuclear fuel cycle business of the United Kingdom Atomic Energy Authority (UKAEA). At that time, the principal activities of the company were nuclear fuel services and the operation of two nuclear power stations for electricity generation. In 1984 BNFL became a public limited company.

In recent years, the company has grown considerably. In 1998, we acquired Magnox Electric plc from the UK

Government and the following year acquired Westinghouse Electric Company LLC. In 2000, we acquired the worldwide nuclear businesses of ABB, a move which enabled us to offer a much broader range of services in the US, Europe and Asia.

Today, as a result, we are a truly international business employing 23,000 people in 16 countries. Our biggest single operation – at Sellafield in the UK – employs over 10,000 people (including contractors and agency staff) and supports around 2,500 indirect jobs in the local community.

where we operate



United Kingdom

Barrow-in-Furness
Berkeley
Bradwell
Calder Hall
Capenhurst
Chapelcross
Daresbury
Dungeness A
Hinkley Point A
Hunterston A
Littlebrook
London
Maentwrog
Oldbury
Risley
Sellafield
Sizewell A
Springfields
Trawsfynydd
Wylfa



Continental Europe

Belgium
Bulgaria
Czech Republic
France
Germany
Italy
Spain
Sweden

Former Soviet Union

Russia
Ukraine



United States

Arlington, VA
Blairsville, PA
Burr Ridge, IL
Charlevoix, MI
Chattanooga, TN
Columbia, SC
Denver, CO
Hanford, WA
Hematite, MO
Idaho Falls, ID
Lake Bluff, IL
Monroeville, PA
New Britain, CT
Newington, NH
Oak Ridge, TN
Ogden, UT



Richland, WA
Rockville, MD
San Jose, CA
Santa Fe, NM
Savannah River, SC
Scotts Valley, CA
Spartanburg, SC
Waltz Mill, PA
Washington, DC
Windsor, CT

Far East

Beijing, China
Kobe, Japan
Rokkasho-mura, Japan
Seoul, Korea
Taipei, Taiwan
Tokyo, Japan

what we do

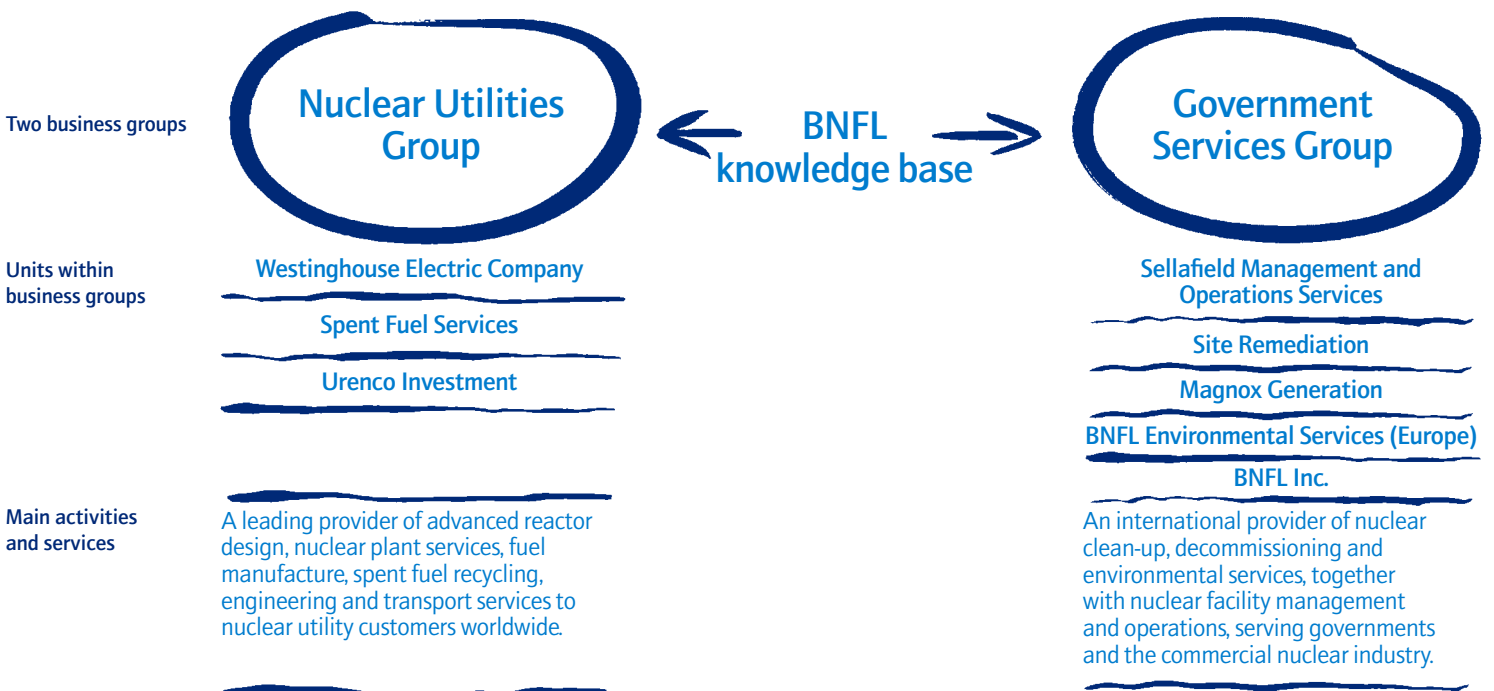
Our unique knowledge base is the key to ensuring our success. Our people and their unrivalled technical expertise represent the real assets of BNFL.

We provide a range of products and services to the nuclear energy industry worldwide. Over the past 40 years, nuclear energy has become an established part of the global energy mix – providing clean, affordable electricity without producing harmful greenhouse gases.

Today, some two-thirds of the world's population live in countries where nuclear energy is an integral part of electricity production. In the UK, nuclear energy provides just under a quarter of the electricity used by businesses and consumers. We believe that the vision of a low-carbon future can only be delivered with nuclear energy and renewables contributing together as part of a balanced energy mix.

Alongside electricity generation, we have a key role to play in cleaning up not only the majority of the UK's redundant nuclear sites, but also nuclear sites around the world. Dealing with this nuclear legacy is one of the major challenges facing our industry and we have the expertise to do so safely and efficiently.

Reflecting these strategic activities, our business is aligned to meet the needs of our two customer groups. Our Nuclear Utilities Business Group includes fuel manufacture, new reactor design, reactor services and spent fuel services, including transport. Our Government Services Business Group offers a range of management, operation and environmental services, including legacy management consultancy, electricity generation and spent fuel services, decommissioning and clean-up services.



Within the BNFL Group structure is BNFL ALFA which acts as an internal customer and whose role is to operate an internal market environment to ensure the Government Services Group is ready to compete in an open marketplace. Its aim is to drive change by raising the commercial focus. BNFL ALFA has responsibility for all the assets, liabilities and funding which we expect to pass to the Nuclear Decommissioning Authority.

what we believe

Our values help to underpin the right attitudes, behaviours and relationships with stakeholders that are fundamental to good business.

The challenge is to live these values during a time of significant change for BNFL.

Our values and principles are being widely communicated throughout the company. They provide the foundations on which we are building and implementing our global CSR strategy.

Our values

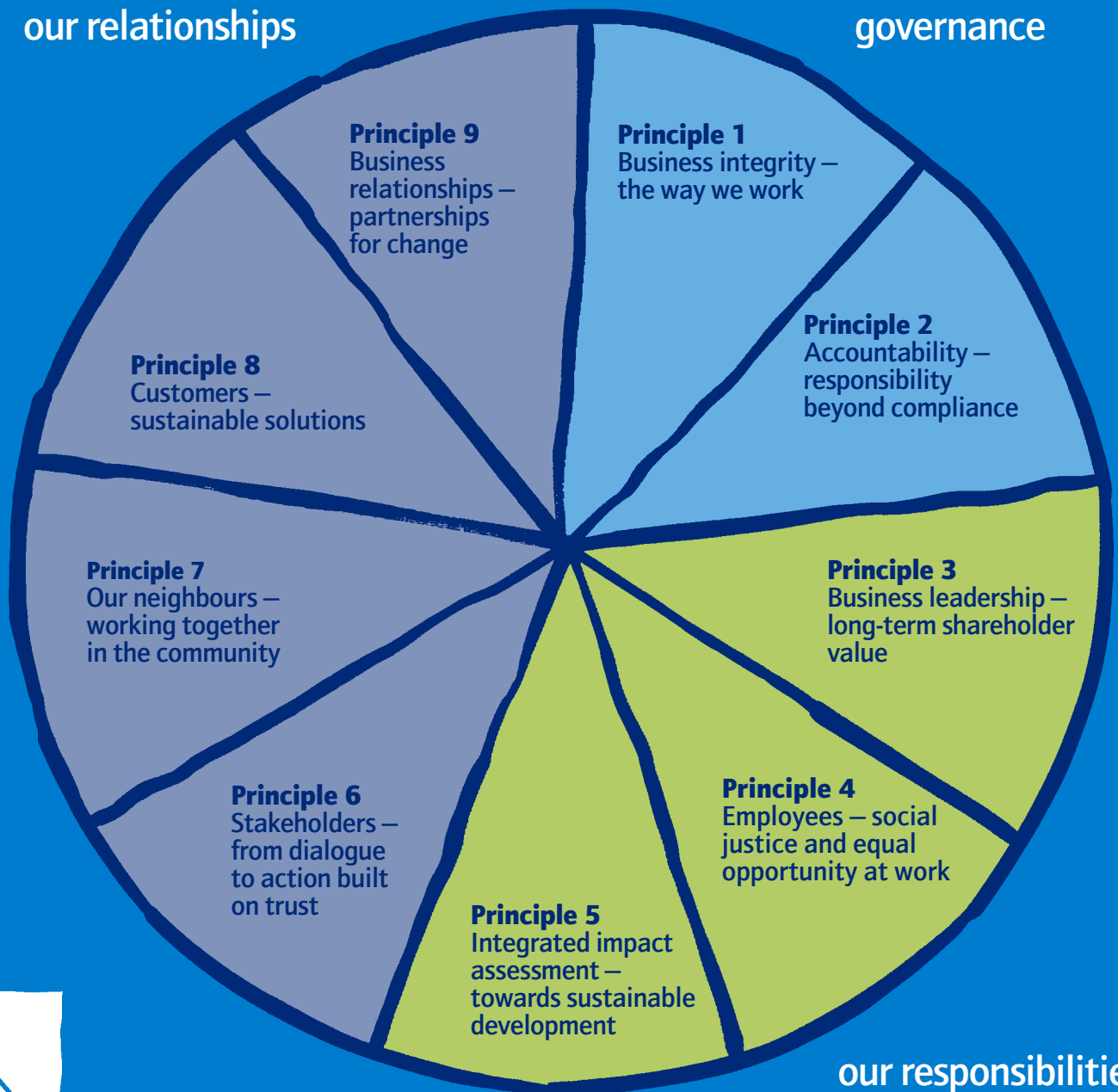
- A**ct with integrity and respect for others
- B**e safe and environmentally responsible
- C**ommit to achieve success for our customers
- D**eliver value and profit
- E**xcel in our operations

our principles

Our business principles, which are based upon our values, provide a framework for the actions and behaviours of everyone at BNFL.

our relationships

governance



our responsibilities

governance

**Principle 1
Business integrity –
the way we work**

Integrity, honesty and fairness define the way we work. These values are as important as our economic results. We expect everyone to behave in accordance with the law, to be guided by best practice and to manage risk ethically and transparently. We will support any employee endeavouring to uphold these values.

**Principle 2
Accountability –
responsibility beyond
compliance**

We ensure that all our activities meet relevant regulatory requirements. Where no regulation exists, we work to our own best practice standards, guided by international codes and principles. We report openly on all aspects of business performance. Our reporting procedures are guided by international best practice including independent verification and performance indicators that are relevant and meaningful to our stakeholders.

**our
responsibilities**

**Principle 3
Business leadership –
long-term shareholder value**

We strive to enhance shareholder value in the long-term and aim to be considered an investment of choice. We do this by promoting sustainable economic growth and the development of innovative products and services in accordance with our business principles and entrepreneurial spirit. We ensure access to relevant, timely and consistent information to support shareholder decision-making.

**Principle 4
Employees –
social justice and equal
opportunity at work**

We respect all our employees and their rights in accordance with national law and international labour standards. We do not subject our people to hazardous working conditions and we work to eliminate discrimination. We provide development and training opportunities designed to enable employees to advance their own careers. We expect all employees to act with integrity, honesty and fairness in accordance with these principles. All our employees are encouraged to balance their work and home life.

**Principle 5
Integrated impact assessment
– towards sustainable
development**

We are committed to the goal of sustainable development. We seek to understand, mitigate and manage any significant impacts – economic, environmental or social – associated with our plants, products and services. We consider it our responsibility to demonstrate that those plants, products and services are safe in their intended use, efficient in their consumption of energy and natural resources, and can be recycled or disposed of responsibly and in compliance with regulation.

**our
relationships**

**Principle 6
Stakeholders – from dialogue
to action built on trust**

We are committed to listening to the diversity of viewpoints held by our different stakeholders. We acknowledge their interest in our business and will ensure that the results of regular stakeholder engagement activities inform our decision-making, policies and reporting strategies. We recognise that trust can only be built through open dialogue, informative consultation and meaningful communication. We also recognise that our actions should reflect our words.

**Principle 7
Our neighbours – working
together in the community**

We recognise that wherever we operate, we are part of a community and it is our responsibility to treat our neighbours with respect and care. We aim to contribute proactively to the well being of our host communities by behaving in a socially responsible manner and by maximising the sustainable benefits and opportunities available. We are sensitive to local community concerns and those of the public interest groups that represent them.

**Principle 8
Customers –
sustainable solutions**

We aim to be a supplier of choice by understanding, meeting and exceeding customer expectations of quality, reliability and value. By designing and delivering innovative and safe products and services, we offer our customers best in class solutions that are fit for purpose and produced efficiently. We, in turn, expect our customers to use our products and services responsibly in accordance with the purpose for which they were supplied.

**Principle 9
Business relationships –
partnerships for change**

Partnerships which allow us to learn from and contribute to the development of our customers, employees, suppliers and contractors underpin all our business relationships. These principles guide our relationships and provide the criteria for corrective action or withdrawal if necessary. We support free enterprise and will compete fairly and expect the same of our business partners. We actively encourage our partners to develop approaches to business which reflect their own responsibilities in society and the expectations of their stakeholders.

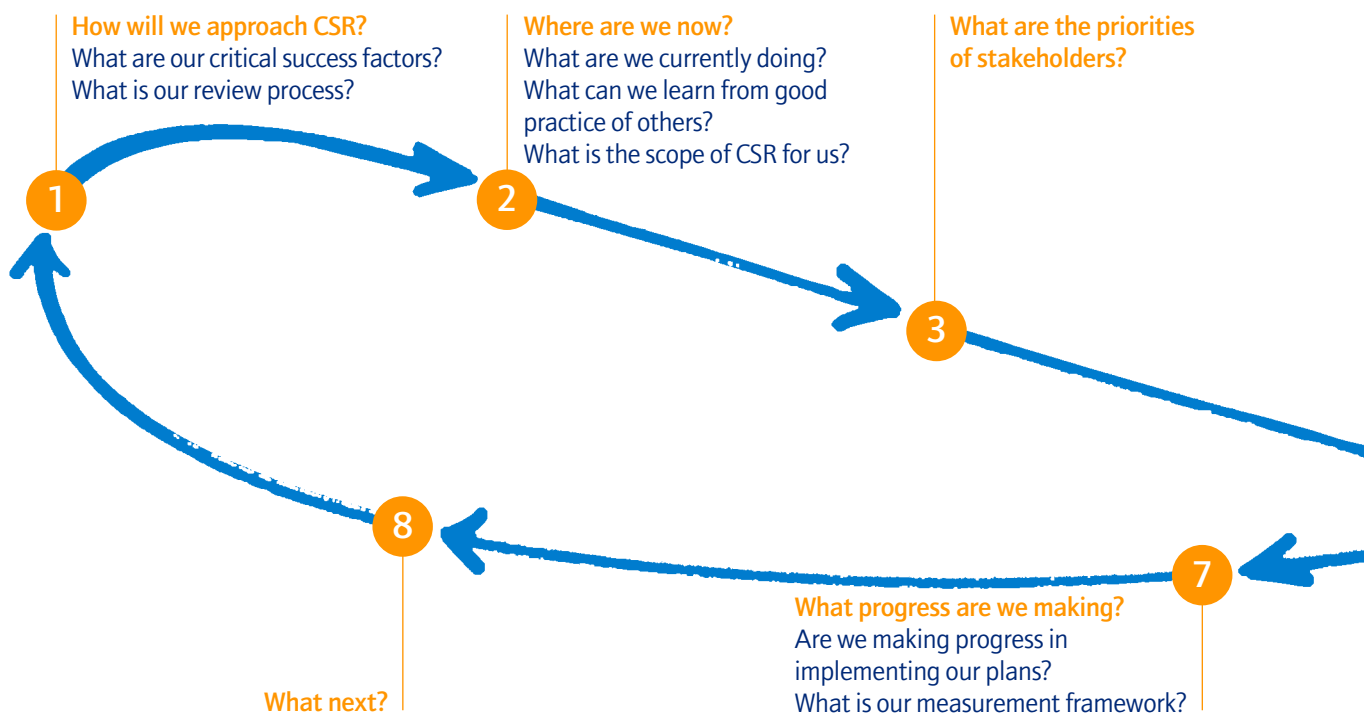
what CSR means to us

Corporate social responsibility is simply good business practice. It embraces how we run the company and our commitment to health, safety, employees, human rights, the environment and effective community relations. It is about our purpose, our stakeholders and our principles.

It's about our **purpose** because our two main activities make a social contribution and have risks that are our responsibility to manage. One activity involves taking on some of the world's biggest environmental challenges and helping to fix them. The other activity involves producing nuclear products and services to help supply the energy needs of homes and businesses. It's about our **stakeholders** because our commercial success depends on our ability to listen to and act upon the views of all of our stakeholders and balancing their interests. It's about our **principles** because they define how we turn our intentions into actions.

Essentially, our employees and the company as a whole would wish to be judged by the following touchstones. Are our actions trusted by the public? Are we listening to the views of others? Are we managing our impact on society? Are we as open and honest as we can be? Are we willing to engage in dialogue on difficult issues? Are we turning our policies and principles into practice? And, will our actions enhance or diminish the way we engage with all our stakeholders?

our approach



But let's look closer. The way we see it, there are six main reasons for emphasising corporate responsibility in our business:

It's the right thing to do

As a UK Government-owned company, with prime responsibility for managing the majority of nuclear waste in the UK and providing products and services to the international nuclear industry, we have a duty to conduct our affairs in a manner that is socially responsible.

Meeting regulatory requirements

Our first task is to ensure we at least meet and preferably exceed regulatory and legislative requirements locally, nationally and internationally. In addition, we have an absolute commitment to the health and safety of our employees, contractors, the general public and the protection of the environment.

Identifying and managing risks

We work in a business which carries significant risk; a great deal of which is linked to social and environmental issues. We operate a risk management process which is based on each business group and function identifying their key risks and the probability of those risks occurring, their impact and the actions being taken to manage those risks. This is reported quarterly to the Executive Directors' meeting and reviewed every six months by the Board's Audit Committee.

Improving results

CSR issues are also central to the activities of our two business groups, Government Services and Nuclear Utilities.

Government Services aims to be the supplier of choice to governments around the world in managing and cleaning up nuclear sites. The expectation on us is to manage risk – including our environmental and social impact – while providing value for money.

In the utilities sector, nuclear energy is a reliable and cost-effective way of generating virtually carbon-free electricity. Price is a major factor in electricity markets, but it is also essential that suppliers to the utilities maintain the high environmental and safety standards that the public expects of nuclear operations. So the challenge is to deliver that level of performance in innovative and cost-effective ways.

Improving relationships

By conducting our business to high standards, we will improve our relationships with customers, employees, potential employees, suppliers, regulators, communities where we operate and our shareholder. Raising awareness of how our industry contributes to society can help to improve relationships between employees and people affected by our business. In other words, being as open and transparent as we can is not only helpful to others, it is in our own interests too.

Improving our reputation and earning public trust

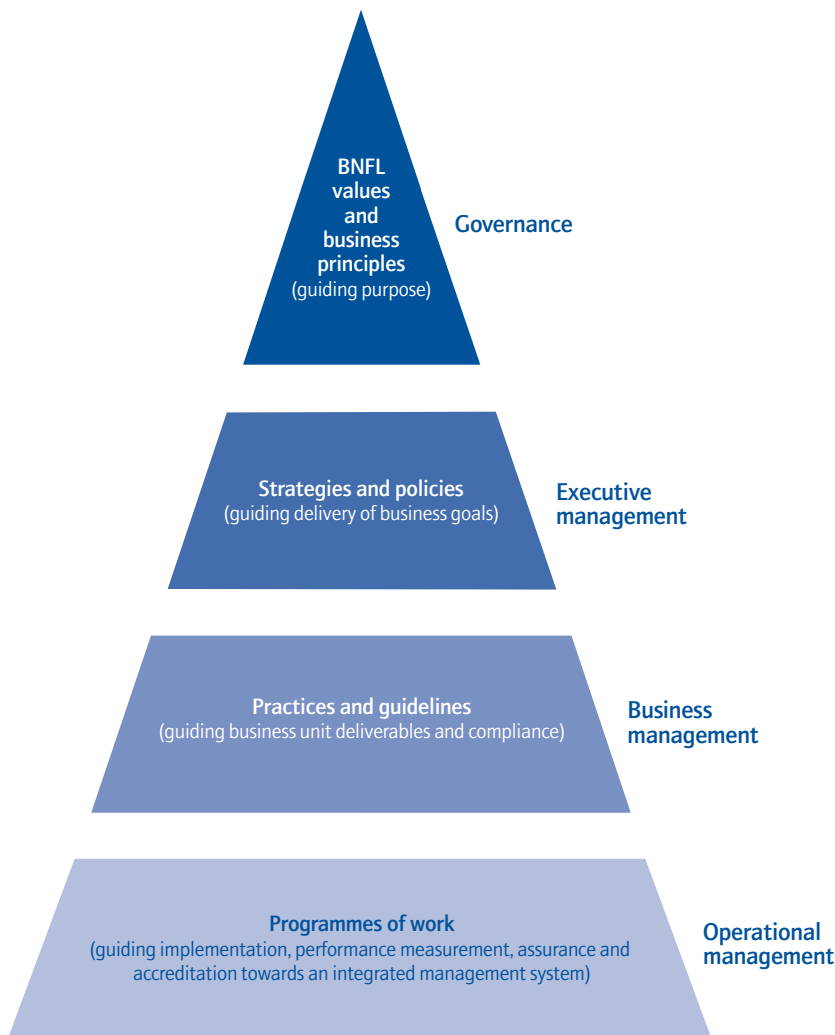
At the centre of the debate about nuclear energy and its future role in electricity generation, is public trust. The public doesn't yet trust the nuclear industry. In part this arises from the legacy of secrecy surrounding the Cold War atomic weapons programmes and in part, from the complexity of the technology and its seeming potential for accidents and terrorist attacks. Arguably it is also the result of the overly optimistic promises made by early pioneers of 'electricity too cheap to meter'.

Rebuilding that trust is essential to a nuclear future. It will require exemplary operations and continual compliance with regulatory and operational requirements. It will require that we deliver on the promises we make. Most importantly, it will require us to demonstrate a willingness to listen and engage, to explain and respond to concerns (see listening to stakeholders, page 14).



how we manage CSR

Our Board recognises that there is a fundamental link between economic, environmental and social performance, and that our long-term success depends on our ability to manage all three.



If CSR is important to the future of our business, and we believe it is, then we have to ensure it is embraced throughout the organisation. Our management systems need to be focused on ensuring that everyone at every level within BNFL fully understands both the benefits and challenges that CSR brings – in return they respond to these to the best of their abilities.

Governance

The BNFL Board is committed to achieving the highest standards of corporate governance, in particular to comply where possible with the Combined Code issued by the United Kingdom Listing Authority. To make this commitment more transparent in the everyday activities and behaviours that form people's experience of BNFL, we have published a set of values and business principles (see pages 6–7) to guide the way we do business, including our approach to CSR.

Executive management

We have a set of policies that define how our two business groups operate and strategies that define the areas within which they operate. The policies take the concepts established in our principles and turn them into instructions for running a compliant business. Meanwhile, we are developing our CSR strategy (see CSR management structure), which will define the way we seek to build a sustainable future.

Governance framework

Business management

Here, the focus is on converting policies and strategies into ways of working, with behaviours that deliver results. For our CSR programme, this is the area of activity that will determine whether the commitment is superficial or meaningful. For BNFL, the next 12 months will be about defining our CSR strategy and converting it into fresh business thinking and action at all levels.

Operational management

As we develop our integrated approach, CSR requirements will impact at the operational level. We believe this will deliver business benefit by changing the way we think about the detailed running of the plants, projects and services that comprise our business. For example, an increasingly integrated triple bottom line approach could see environmental goals being achieved at lower cost through innovative behaviour. Similarly, savings from energy reductions and waste minimisation will impact directly on the bottom line. And increasing the engagement with our stakeholders should improve the quality of business decisions. It will be results in areas such as these that will help us to embed CSR into our day-to-day operations.

CSR management structure

In 2003, a CSR working group was set up to consider the status of corporate social responsibility in BNFL and make proposals for how it might be developed further and how it

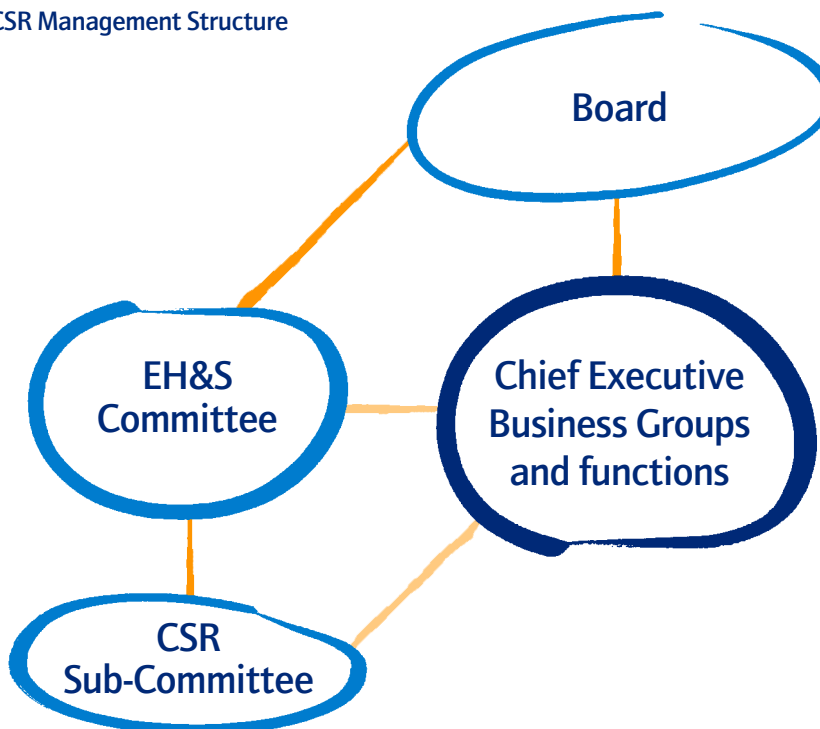
should be managed. Overall responsibility remains with the Board, whilst implementation of CSR policies and integration throughout the business lies with the Chief Executive and Executive Management. In order to provide guidance and advice, the Board has established a CSR Sub-Committee of the Environment, Health and Safety Committee. The Sub-Committee is chaired by Non-Executive Director, Joe Darby.

The Sub-Committee will meet at least three times a year. All Board members including the Chairman and Chief Executive will have standing invitations to attend meetings.

The Sub-Committee will work closely with Group functions, including the Sustainable Policy Team, headed by Executive Director David Bonser. The CSR Sub-Committee will monitor performance and report back to the Board. Specifically its remit will include:

- keeping abreast of stakeholder concerns;
- monitoring peer group and industry CSR initiatives;
- developing CSR policies, strategies and Key Performance Indicators (KPIs) appropriate for BNFL and in line with Group values and business principles;
- supporting implementation across the Group;
- monitoring performance, and
- assisting with communication, including the publication of the annual CSR Report.

CSR Management Structure



The Board is accountable for CSR strategy. It gains assurance of implementation through the EH&S Committee and CSR Sub-Committee.

The Chief Executive and Business Groups are responsible for implementing CSR strategy with support from the Group functions.

- strategy and assurance
- implementation
- reporting lines
- information lines

our external relationships

Development of good relationships with all of our stakeholders is essential for our business and it is particularly important that we work closely with our regulatory bodies.

The regulatory framework

Within the UK there are several bodies responsible for the regulatory regime within which BNFL has to operate.

The Health and Safety Executive (HSE) is the statutory body responsible for work-related health and safety law. HSE is the licensing authority for nuclear installations and, through its Nuclear Installations Inspectorate (NII), regulates the nuclear, radiological and industrial safety of nuclear installations in the UK.

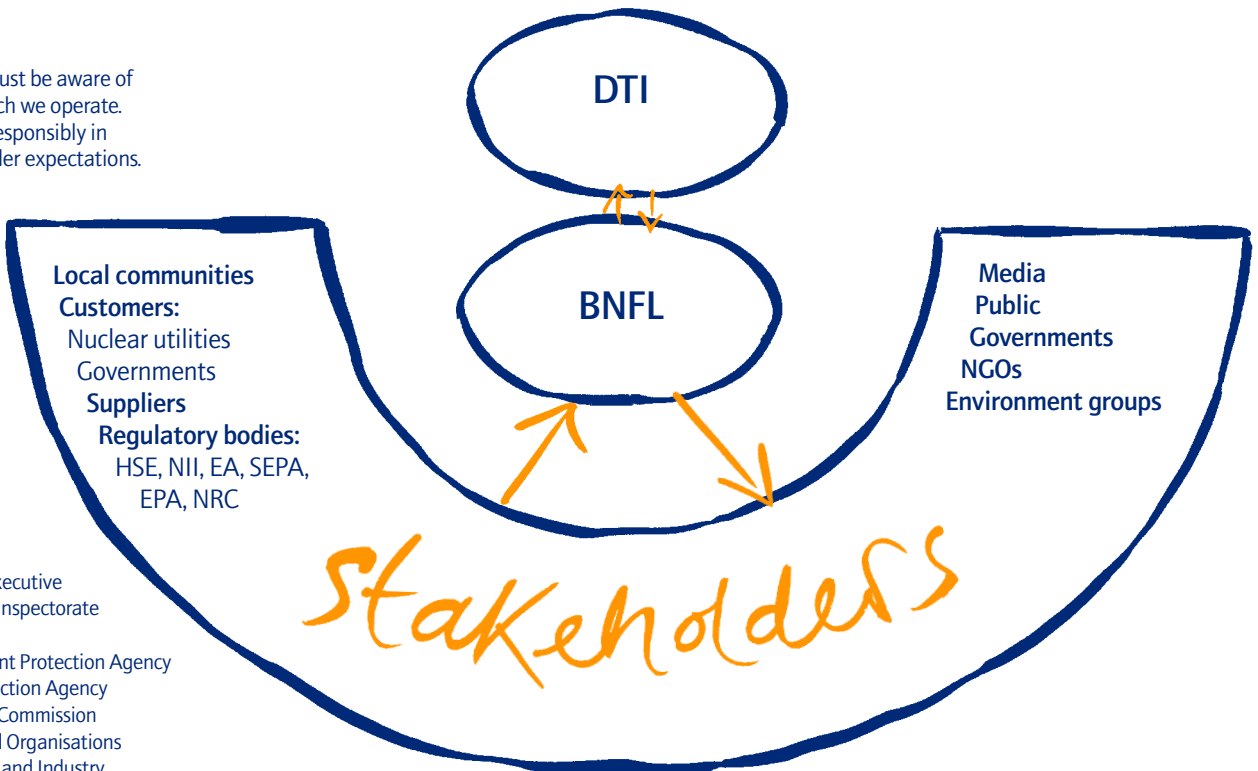
In England and Wales, the Environment Agency (EA) is responsible for the enforcement of laws and regulations aimed at protecting the environment. This includes authorising and controlling radioactive discharges and radioactive waste disposals to air, water and land.

In Scotland, the equivalent body is the Scottish Environment Protection Agency (SEPA).

In the US, the Environmental Protection Agency (EPA) is responsible for establishing the basic radiation protection criteria applicable to all federal agencies, while commercial nuclear applications are regulated by the Nuclear Regulatory Commission (NRC).

There are many other bodies which also impact upon our operations. These include various local authorities – in terms of statutory planning and environmental health responsibilities – and other central Government departments such as the Department of Transport in the UK, and the Department of Energy in the US.

In managing CSR, we must be aware of the environment in which we operate. This requires us to act responsibly in balancing our stakeholder expectations.



- HSE Health and Safety Executive
- NII Nuclear Installations Inspectorate
- EA Environment Agency
- SEPA Scottish Environment Protection Agency
- EPA Environmental Protection Agency
- NRC Nuclear Regulatory Commission
- NGOs Non-Governmental Organisations
- DTI Department of Trade and Industry

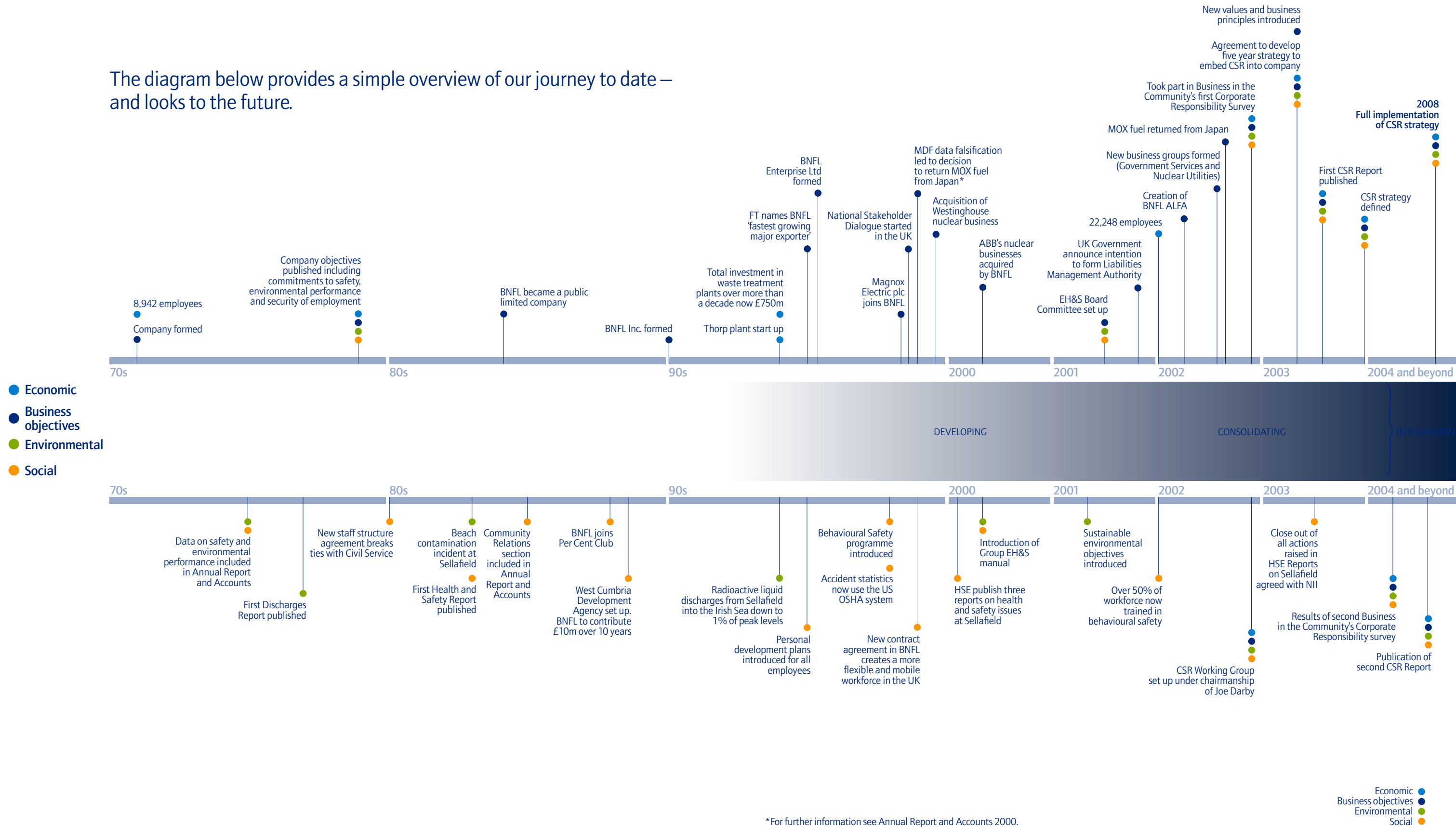
mapping the journey

We are happy to use the analogy of 'the journey' to describe the progress we are making towards embedding CSR within BNFL.

The production of this CSR report is the latest stage on that journey – and the backdrop is the company's track record of reporting its financial, environmental and social performance over many years.

In the current year, we will be undertaking the key actions that we need to complete to continue to make good progress. We will be refining how we manage CSR across our organisation and ensuring that CSR is integral to everything we do. Indeed, we will be striving to ensure that the commitment made by our Chairman, Directors and Senior Management team is understood and embraced by our employees.

The diagram below provides a simple overview of our journey to date – and looks to the future.



listening to stakeholders

Our goal is to make BNFL an increasingly transparent company – one that is accountable to a wide range of stakeholders including employees, unions, customers, suppliers, local communities, governments, regulators, media, NGOs and the general public.

We have long recognised the need to listen to the views of these groups as well as others – this will help us to develop the measures and performance indicators we will use to manage our future CSR performance.

Listening in the UK

Underpinning our commitment to listening in the UK is the National Stakeholder Dialogue, which we first entered into in 1998 as a way of helping to inform our stakeholders of our environmental performance. Facilitated by The Environment Council, an independent charity, the dialogue has involved over 70 organisations to date and currently includes some 200 individuals.

This stakeholder dialogue programme has set its own agenda, agreed its own approach and publicly reported its recommendations. The increasingly complex and controversial issues reviewed by our stakeholders have included radioactive discharges, waste management, spent fuel management and the UK's plutonium stocks. The reports which have been produced on these challenging issues have helped to inform both our environmental and business direction.

All the latest reports produced by the working groups involved in the UK National Stakeholder Dialogue are made available on The Environment Council's website –

Working with MORI

We carry out regular opinion surveys in the UK to track how much our stakeholders know about the nuclear industry and BNFL – to establish their views on what we do. We use the results of the surveys to determine how we can improve our communications and stakeholder relationships in the future.

In December 2002, we participated in a MORI omnibus survey which involved face-to-face research with a representative sample of 1,892 adults across Great Britain. In the same quarter, we also participated in two other MORI multi-client surveys. The first involved face-to-face interviews with 44 business and environmental journalists,

the second sought the views of more than 100 Members of Parliament. For the first time, we also commissioned MORI to conduct a survey amongst Members of the European Parliament. In this instance, 51 interviews were carried out in early 2003.

Encouraging public debate

In 2002, we opened a new exhibition at the Sellafield Visitors Centre, with the aim of encouraging a balanced and informed national debate about electricity generation and the role of nuclear energy.

'sparkingreaction' was produced for BNFL by the Science Museum, London, independently providing an impartial and objective look at

the wider energy debate and the difficult choices we face in the future.

The constantly updated exhibition follows the debate as it changes, and highlights all opinions including those opposed to nuclear energy. In particular, it encourages visitors to have their say and their comments then, in turn, become part of the living exhibition and website, stimulating further debate.


Working with the media

We recognise the media as a very important stakeholder in our business. In all our communications with the media, we aim to provide clear, concise and honest information to any reasonable deadline.

www.the-environment-council.org.uk and we would encourage you to read them and also welcome your comments.

Listening to our communities

Alongside the National Stakeholder Dialogue, we listen and engage with our stakeholders at various levels. For example, in the UK we have established Local Liaison Committees at all our operating sites to help us listen and respond to local views and opinions. These committees are independent and provide a forum for discussion around our activities.



In 2003–2004 we will complete a systematic review of our stakeholder engagement in order to ensure that, on a global basis, we are addressing the issues that really matter to you.

We also strive to create professional relationships with all sections of the media, founded on the basic principles of mutual trust, honesty and integrity. We don't always get it right and, when we don't, we take responsibility and do our very best to ensure that it is put right.

Listening in the USA

Westinghouse and BNFL Inc. endeavour to maintain open and honest relationships with our stakeholders in the USA.

Westinghouse regularly engages employees in two-way feedback fora at every site. BNFL Inc. routinely meets with key community stakeholders – at formal and informal events – to provide updates and discuss any issues.

At all times, we strive to educate and inform stakeholders about our work. Our employees volunteer as speakers to local schools and other community groups. Our people are also involved in school career and mentoring programmes; support a range of arts and culture; community health; youth and education initiatives through our volunteering programme.

www.mori.com
www.sparkingreaction.info
www.westinghouse.com
www.bnflinc.com

addressing your concerns

It is our aim to talk openly about issues that concern you, [our stakeholders](#). However, there are no simple answers to some issues and indeed you may consider other issues more important. So throughout this report, you will find signposts to further information and opportunities to talk directly to us.

In this report we address some of the main issues of concern to our stakeholders. The selection of these issues has involved both looking back at past stakeholder research and undertaking further desk-based research.

We started with the issues identified at the first meeting of the National Stakeholder Dialogue in September 1998, when 'plutonium', 'reprocessing' and 'trust' were highlighted as the main areas of concern. It was subsequently decided that 'trust' could only be addressed by continuing to work together. This report looks at the concerns relating to reprocessing and plutonium.

We then used a range of other mechanisms to identify further priority concerns. For example, we examined media coverage over the past year, reviewed opinion polls and

commissioned a survey into stakeholder views relating to our 2001–2002 Environment, Health and Safety Report.

As a result, we have included features on the management of legacy radioactive wastes and the environmental and health impact from radioactive discharges. (Please note: two separate and more detailed reports – Environment, Health and Safety Report; and Discharges and Monitoring of the Environment in the UK Annual Report – will be published in October 2003, covering our performance in these key areas during 2002–2003). We have also focused on the role of nuclear energy in global sustainable development and have provided information on the issue of the security of nuclear materials whilst being stored and processed on BNFL sites and during transportation.

priority issues

radioactive discharges
see pages 24–25

legacy waste management
see pages 40–41

security and safeguards
see page 45

reprocessing and plutonium
see page 33

nuclear energy and climate change
see pages 48–49

These are the five priority issues that we address in this report.

Contact us

These may not be the only issues which you, our stakeholders, would like us to address. So please do contact us using the inserts in this report or by e-mail at csr@bnfl.com

You can also use one of the following e-mail addresses:

For transport enquiries: transport@bnfl.com

For environment, health, safety and quality enquiries: ehs@bnfl.com

reviewing our impacts

Through integrating CSR into our day-to-day operations we are confident we will continue to improve the economic, environmental and social performance of our company.

On the following pages we review our current performance under the triple bottom line headings of economic, environmental and social. Where appropriate we have also

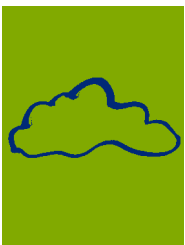
set out the objectives and targets against which we will report next year. We also look at the commitment to corporate social responsibility demonstrated by our business groups.



economic

We have an international customer and supplier base and employ around 23,000 people worldwide, mainly in the UK and US. Achieving success for our customers, delivering value and excelling in our operations are key to driving our economic performance. We aim to create wealth not just for the benefit of our shareholder, but also to enable us to invest in the communities that host our operations. In short, our economic bottom line is about much more

than profit. It is inextricably linked to our relationships with suppliers, communities and customers and, indeed, to the skill and professionalism of our workforce. As a result, we invest in our people, in research, and in developing our relationships with customers and suppliers. In this section, we report on our economic performance and look at the investments we are making in order to succeed in the future.



environmental

Environmental issues are woven through our business. We have a clear and positive contribution to make in terms of managing the legacy of nuclear waste – and in reducing global CO₂ emissions through the development and use of efficient virtually emission-free nuclear energy. The environmental bottom line, however, is that we have to balance that positive contribution by conducting our business in a safe and environmentally responsible way.

This is fundamental to our success in the long-term. As a result, we have recently developed sustainable environmental objectives and targets to monitor and report our performance in this area. These objectives and targets have been trialled in the UK with a view to international implementation. In this section, we report on the progress we have made so far.



social

The very nature of our business means that we must have a clear understanding of our social impact in order to maintain our licence to operate. Safety is at the heart of our business, not just for the sake of our own people but for our customers and for society as a whole. Because of this we have well defined measures for tracking our

safety performance. These are reported in this section. We also recognise that the effective management of our sites depends on fostering good relationships not only with our employees but also with surrounding communities. Reflecting this, we report on our progress in both these areas.



economic

This dimension of CSR within BNFL concerns the economic impact that we have on our stakeholders, from our employees and the communities that host our operations through to suppliers and shareholders. This can be direct or indirect and we are only just beginning to review our total impact in the widest sense.

economic

Looking beyond financial performance

Our economic footprint consists not only of the value we create through our turnover and the revenues we generate, but also through the number of people we employ and their conditions of employment, the size of the supply chain and the investments we make. This can be in areas as varied as research and development, nuclear liabilities management and community development. In fact, our economic footprint consists of a huge range of economic interactions, both direct and indirect, and in the future we will be aiming to report on a broader spectrum of impacts. In this, our first CSR Report, we present an initial overview of some of the areas where we feel we make a significant impact.

Employment

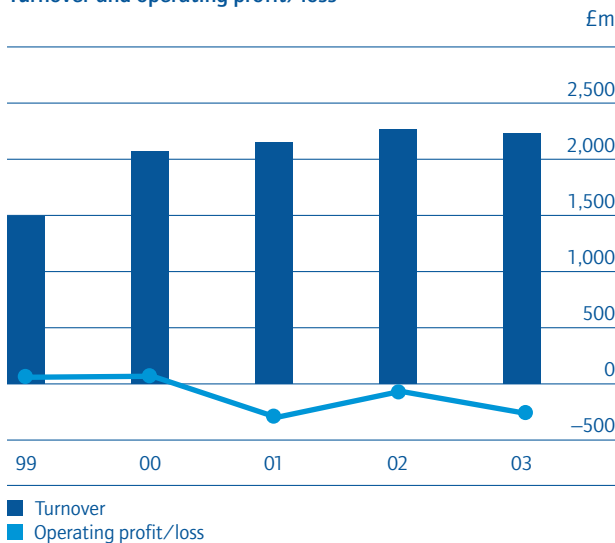
We employ around 23,000 people internationally and our biggest site is Sellafield in West Cumbria in the UK, which employs over 10,000 people, making us the biggest

employer in the area. To enable all stakeholders to better understand the impact we have in West Cumbria, we co-sponsored a review of our socio-economic impact in 2001, which is being updated in 2003 (see case study, page 23).

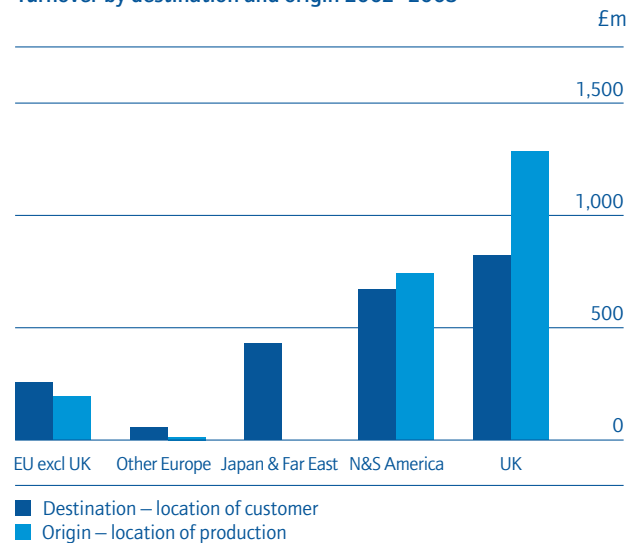
Investment in research and development (R&D)

BNFL makes a significant investment in R&D and is amongst the top UK organisations for R&D funding in the electricity sector. Our R&D programme utilises research establishments outside of BNFL as much as possible. This means that our research also helps to support several universities in the UK (see case study, page 21). Our research is aimed at developing new ways of treating and managing radioactive waste as well as developing new types of reactors. For example, we have developed our own AP1000 reactor design and are involved in the Pebble Bed Modular Reactor (PBMR) design.

Turnover and operating profit/loss



Turnover by destination and origin 2002–2003



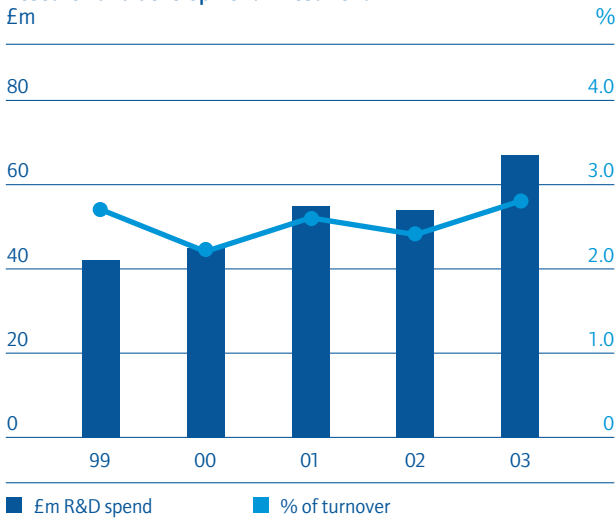


Case study: The BNFL UK University Research Alliances

The BNFL University Research Alliances are strategic alliances with UK universities in subjects of core importance to our business. Since 1999, we have committed over £8 million to support the development of four centres of research excellence at the Universities of Leeds, Manchester, Sheffield and UMIST*. With the four alliances expected to support over 120 researchers by 2006–2007, our objective is not only to create world-class centres for scientific research but also to generate a stable knowledge and skill base, thus creating added value for both parties through collaboration. For further information see www.bnfl.com

*University of Manchester Institute of Science and Technology.

Research and development investment



In 2001–2002 the UK Government’s Innovation Research and Development scoreboard listed BNFL as first in the UK and 10th in the world league table of leading investors in technology in the electricity sector.

Please note: the above graph only includes BNFL’s investment in research. We also undertake research for our customers. In the last financial year, total spend on research and development amounted to £109 million, of which £42 million was on behalf of our customers.

economic

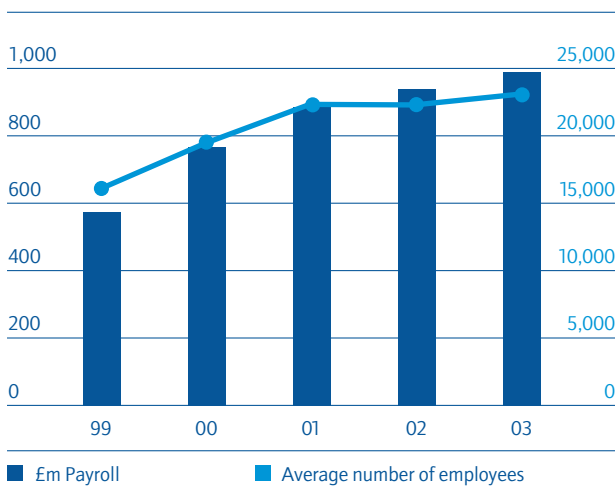
Nuclear liabilities

In recent years, we have invested heavily in the clean-up of historic wastes on our sites in the UK and US. Much of this waste was created in the early days of nuclear technology and was often dictated by reasons of national security. While the responsibility for funding this clean-up in the UK is soon to transfer to the Nuclear Decommissioning Authority (NDA), the clean-up technologies developed and perfected by BNFL will both help in dealing with the UK's nuclear legacy and position the company as a key player in the global nuclear clean-up market.

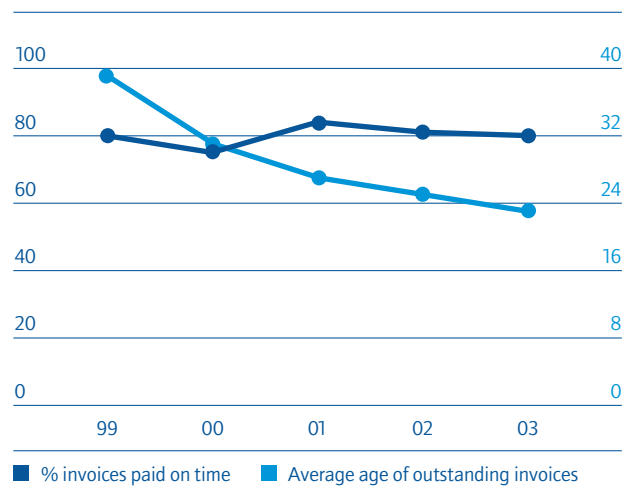
Community investment

We recognise that strong links to the local communities around our operational sites is key to the successful management of those sites. Furthermore, as the main employer in many of the areas in which we operate, we have a clear responsibility to these communities. Over the last year our community investment programme was worth around £3.2 million at a Group level and works to improve social welfare and develop economic initiatives in our host communities (see social section, page 37, for details). In the future we will look to investigate the effectiveness of our investments by using the London Benchmarking Group model.

Employee payroll and numbers
£m



Payment of suppliers
%

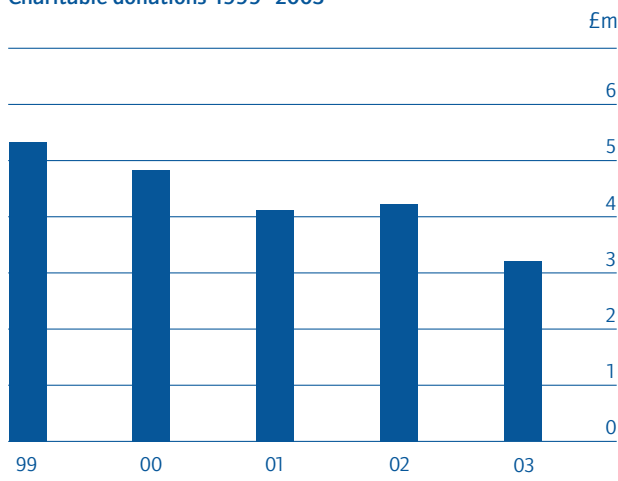


Case study: The economic footprint of Sellafield

In 2001, ERM Economics was commissioned to provide baseline information on the economic impact of Sellafield and the consequences to the local community of various future scenarios. Three surveys were undertaken to gather data from site employees, BNFL suppliers and other local businesses. The key findings provided a clearer picture of our contribution to local employment and economic activity. It was the first time such a far-reaching study had been completed in our industry, and it provided a wealth of data that will help us to consider our total economic impact in West Cumbria now and in the future. The survey is being updated in 2003 and will be available at www.the-environment-council.org.uk



Charitable donations 1999–2003



Please note: The higher spend on charitable donations in 1999 and 2000 was largely due to the increased level of funding provided for West Cumbrian economic regeneration initiatives within those years (calculated at £4.4 million in 1999 and £3.9 million in 2000).

issue

radioactive discharges

Many industries discharge radioactive materials into the environment. In terms of volume, our largest radioactive discharge is water from the cooling ponds in which used fuel is stored before reprocessing. In recent years, we have invested several billion pounds in waste treatment plants at Sellafield so that our discharge levels of the principal radionuclides are now less than 1% of the levels recorded during the 1970s.

What's the issue?

Radioactive materials are discharged to the environment by the nuclear industry, defence establishments, research organisations, hospitals and many other non-nuclear industries. All these discharges are controlled by the relevant national authorities, such as the Environment Agency and Scottish Environment Protection Agency in the UK and the Environmental Protection Agency in the US.

People may be exposed to radiation from discharges either directly or indirectly, by eating contaminated food or drinking contaminated water (note: this is also the case for non-radioactive substances such as lead or mercury). So, for permitted discharges, it is usual for both the effluent and the surrounding environment to be monitored. A comprehensive introduction to the issues surrounding radioactive discharges can be found on the website of the National Radiological Protection Board at www.nrpb.org.uk



is there a risk
to you?

Your concerns, our response

A specific area of concern for many of our stakeholders is radioactive discharges to sea from Sellafield. In terms of volume, our largest discharges are water from the cooling ponds in which spent fuel is stored before reprocessing. Discharges from our reprocessing operations, while of lower volume, contain more radioactivity and account for the majority of our 'alpha' and 'beta' emissions. However, it is the remnants of discharges from the 1960s and 1970s that account for perhaps our most significant impacts. Discharges in those decades were much higher, but since then we have invested several billion pounds in waste treatment plants to reduce our principal radionuclide discharge levels to less than 1% of those historical levels.

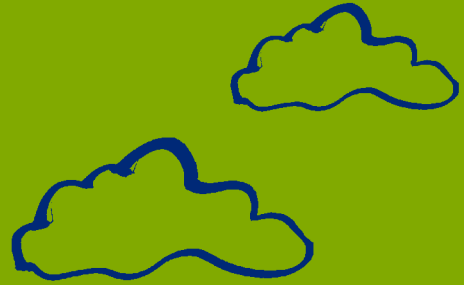
The UK Government and other members of the Oslo Paris Convention (OSPAR) met in Sintra, Portugal in 1998. The Sintra Agreement aims to reduce the concentration of radioactive substances in the North-East Atlantic, Irish Sea and North Sea, and the UK Government has published a strategy setting out how it will meet its obligations. This requires us to reduce discharges to levels where additional concentrations above historic levels are close to zero for artificial radioactive substances by 2020. We are confident that we will meet this challenge. For further information see www.ospar.org

Case study: Discharges of Technetium (Tc-99)

One isotope of the element Technetium (Tc-99) continues to raise concern, particularly from Ireland and Norway. Tc-99 discharges result from the processing of historic waste from Magnox reactors. In April 2003, we joined the Norwegian Bellona Foundation and Lofoten mot Sellafield in co-organising a conference to discuss this issue.

The first initiative for the conference was made by Norwegian NGO Lofoten mot Sellafield. A wide variety of speakers from the UK and the Nordic countries considered the health, environmental, economic and political implications of Tc-99 discharges. Delegates recognised that while perceptions of Tc-99 could present an economic risk to the Norwegian marine harvest industry, the discharges do not currently pose any health risk to the Norwegian population. Furthermore, while Bellona and Lofoten mot Sellafield would like to see all Tc-99 discharges stopped immediately to allow further investigation of potential abatement technologies, we at BNFL believe that this is not practical at this point in time. We remain committed, however, to making progress within the context of national and international policy relating to radioactive discharges. For more information see also www.bellona.org





environmental

Our vision is, by continual improvement, to achieve and maintain world-class performance in environment, health and safety. As part of this vision, excellence in environmental performance is seen as integral to our business and essential to our commercial success. In this section, we describe how BNFL manages its activities to achieve this aspiration.

Reporting our environmental performance

We publish two separate reports on our environmental performance.

Firstly, the Environment, Health and Safety Report provides an overview of our activities, including how we performed against different measures. The report for 2002–2003 will be published in October 2003. The most recent report can be viewed at www.bnfl.com/ehsreport2002

The second report is our Discharges and Environmental Monitoring in the UK Annual Report. It provides a much more detailed look at specific UK radioactive and non-radioactive discharges and disposals, monitoring of the environment, critical group and collective doses, and environmental burdens. You can view this more technical report on-line at www.bnfl.com

a commitment to sustainable development

In our 2001–2002 Environment, Health and Safety Report, we published a set of eight sustainability principles or commitments for our global business. In 2002–2003, we have been piloting a range of sustainability indicators and targets based on these commitments within the UK. We will report our progress in our Environment, Health and Safety Report due to be published in October 2003.

In parallel with piloting these indicators within the UK, we have begun to develop similar indicators and targets for the rest of our global business. However, we recognise that we still have some way to go in improving the way we report our environment, health and safety performance internationally.

Commitment 1

Delivering regulatory compliance: BNFL will minimise pollution caused by our business groups by complying with the environmental standards set within our discharge licences.

UK Target: Monitor and report Group performance each year towards achieving a goal of zero licence breaches.

Commitment 5

Minimising landfill waste: BNFL will minimise the production of landfill waste generated by our business groups and promote the recycling and use of waste materials.

UK Target: 10% reduction in waste disposed to landfill by 2005–2006* from a 2000–2001* baseline. 20% of all landfill waste to be recycled by 2005–2006*.

Commitment 2

Restoring our environment: BNFL will manage risks to the environment from historic liabilities by reducing the hazard from accumulated radioactive waste stocks and identifying and managing areas of contaminated land.

UK Target: Report volume of intermediate-level waste (ILW) immobilised each year. Survey all nuclear sites for land contamination by 2005–2006*.

Commitment 6

Conserving resources: BNFL will maximise the efficient use of water resources and minimise the amount of water used by our business groups.

UK Target: 10% reduction in Group water consumption by 2005–2006* from a 2000–2001* baseline.

Commitment 3

Limiting climate change: BNFL will maximise its contribution towards nuclear electricity generation and minimise emissions of carbon dioxide (CO₂) from electricity consumed by our business groups.

UK Target: Maximise the availability of our nuclear energy stations against a 2000–2001* baseline. 5% reduction in Group electricity consumption by 2005–2006* from a 2000–2001* baseline.

Commitment 7

Improving local air quality: BNFL will minimise chemical emissions of SO_x, NO_x and ozone-depleting air pollutants from plants operated by our business groups.

UK Target: Assess year 2000–2001* baseline level of emissions and report Group performance each year.

Commitment 4

Protecting the sea: BNFL will apply Best Practicable Means to progressively reduce discharges of radioactive and chemical substances into the marine environment of the North-East Atlantic Ocean.

UK Target: Report progress against agreed OSPAR and stakeholder dialogue milestones.

Commitment 8

Conserving biodiversity: BNFL will protect ecologically sensitive wildlife species on nuclear sites operated by our business groups and conserve their habitats.

UK Target: Introduce a Biodiversity Action Plan for all UK nuclear sites by 2005–2006*.

*Please note: these targets are now for end of financial year, a change from the dates provided in our EH&S Report 2001–2002.

environmental

Accountability for environmental, as well as health and safety performance, lies with the management of the company from Board level down. At every level within the company our managers are accountable for environment, health, safety and quality management within their area of responsibility.

Managing our environmental performance

The Board of BNFL has established a Board EH&S Committee chaired by Brian George, one of our Non-Executive Directors. Paul Thomas Director of EHS&Q attends the Committee and is accountable for scrutinising EHS&Q performance and promoting good practice across the Group.

We maintain robust systems to manage our environmental performance and all of our UK nuclear sites have retained certification to the ISO 14001 international environmental management standard. We also have in place, plans to continue to improve our environmental performance.

A key part of our management arrangements is the inclusion of environmental considerations in the management of our supply chain. This is particularly crucial in the management of environmental issues in construction and decommissioning projects. BNFL Engineering was involved in, and contributed to, funding a project by the Construction Industry Research and Information Association (CIRIA) to develop guidance on sustainable construction procurement during 2001.

Delivering compliance

We are subject to a wide range of regulatory requirements relating to the environmental performance of our plant, management system and monitoring regime. This gives rise to the potential for non-compliance with these requirements if excellence in all these areas is not continuously maintained.

In 2002–2003, we succeeded in reducing the number of environmental non-compliance incidences in the UK from 14* in the previous year to two this year, neither of which had a significant impact on the environment.

One of the non-compliance issues related to incorrect paperwork shipped with a waste oil consignment, while the other related to discharges from a silt lagoon at Oldbury, where a non-radioactive discharge limit was temporarily exceeded. Meanwhile, outside the UK, we received a single environmental notice of violation, also without significant impact on the environment, which related to temporarily exceeding the permitted level of biochemical oxygen demand associated with the Columbia fuel manufacturing plant's discharge waters. Across the Group, this represents a major improvement in our environmental performance, but we will continue to strive towards our goal of zero.

Learning and raising awareness

We are committed to learning the lessons from all such events to improve our environmental, safety and operational performance. We also believe that it is vital that we learn from the experiences and good ideas of other companies, nationally and internationally. We have undertaken extensive work during this year to improve our operational feedback arrangements and thus allow us to learn more effectively.

We have also made major contributions to international discussions on the key factors involved in developing and maintaining an excellent safety culture. We are now broadening our well established processes for safety into the environmental area. For example, in the UK, we recently extended our behavioural safety programme to include a new module on environmental awareness. We believe that raising awareness, involvement and commitment via this route will help to further strengthen our environmental performance.

*To improve consistency of reporting we have clarified our definition of non-compliances which has amended our figure of 17 (stated in EH&S Report 2001–2002). Further information will be provided in our EH&S Report 2002–2003.

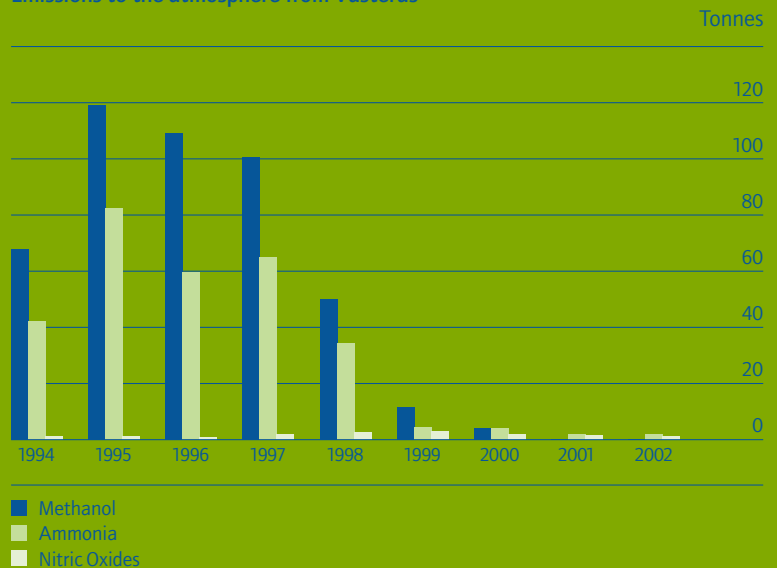


Case study: Reducing discharges and improving production in Sweden

Since 1997, our Västerås Fuel Fabrication plant in Sweden has reduced discharges of key chemicals to air and water by between 70 and 99% – while over the same period it increased production by 50%.

Emissions to the atmosphere from Västerås are mainly solvents (methanol, acetone, ethanol and isopropanol), ammonia and nitric oxides. This reduction has been achieved through investment in a REDOX plant (commissioned in 1998) for the combustion of ammonia, methanol and nitric oxides. Significant reductions have also been made in liquid discharges. Liquid effluents containing nitrates and ammonia are separated from other waste streams and pumped to a waste-water treatment plant operated by the local community where it is treated using a bacteria bed.

Emissions to the atmosphere from Västerås



environmental

We want our stakeholders to trust us to deliver against our environmental responsibilities. Working with employees, customers, suppliers and all our other stakeholders, we continually aim to improve our performance.

We report on these improvements elsewhere (see reporting our environmental performance, page 26) – but here we provide a brief overview from 2002–2003.

Restoring our environment

We have a primary responsibility for cleaning up the nuclear legacy that has accumulated in the UK since the 1940s onwards. We are committed to restoring our environment by reducing the hazard from these radioactive waste stocks and managing areas of contaminated land.

For example, in the US, following the decision to close our Hematite facility, we have completed extensive investigations of the plant and its surroundings for potential radioactive and non-radioactive contamination resulting from historic operations prior to the plant being acquired by BNFL. In the UK, through our involvement with, and funding of, the SAFEGROUNDS project, we have played a key role in developing UK guidance on the management of radioactive contaminated land. Further details can be found at www.safegrounds.com

Protecting the sea

Over the past two decades, we have worked hard at reducing radioactive discharges from our sites and have invested several billion pounds in new waste processing plants and equipment in the UK alone. The strategy has been successful. At Sellafield, the principal radionuclides in liquid radioactive discharges have been reduced a hundred-fold since the 1970s (see radioactive discharges, pages 24–25). Another notable success is our Vasterås fuel fabrication plant in Sweden which has achieved significant reductions in non-radioactive discharges to both air and water over the past five years (see case study, page 29).

We are also actively working to help meet the demanding objectives of the UK National Discharges Strategy published by the UK Government in July 2002, which shows how the UK

will meet its international commitments to reduce radioactive discharges even further over the next two decades.

Minimising waste

We continue to strive to minimise the quantities of both radioactive and non-radioactive waste generated by our activities and to ensure that waste resulting from our operations is properly managed and disposed of safely. While we await the outcome of the UK Government's consultation exercise on radioactive waste management, we continue our practice of safe storage of high and intermediate-level waste. We also remain committed to using best practicable means to minimise the generation of low-level radioactive waste and to ensuring that such waste is safely disposed of at our Drigg site.

Limiting climate change

Since nuclear energy generation produces virtually zero CO₂ emissions, we believe that BNFL has an important role to play in addressing climate change. Our strategy for doing so is to maximise electricity generation from our Magnox power stations while striving to minimise our own electricity use. In 2002–2003, we supplied 17.4 TWh of electricity from our power stations to the UK national grid. Generating this amount of electricity using gas (the fossil fuel with lowest CO₂ emissions) would have resulted in estimated emissions of almost 7.5 million tonnes of CO₂ (for more information see nuclear energy and climate change, pages 48–49).

Biodiversity

Many of our sites are significant for their natural beauty, protected wildlife or scientific interest. We work to conserve these habitats, while preventing wildlife access into areas which could lead to contamination. To enhance the way we deal with this important but complex issue, we aim to complete Biodiversity Action Plans for all our UK nuclear sites by 2005.

Case study: Removal of Berkeley Power Station cooling water structures

During 2002–2003, we removed the Berkeley Power Station's cooling water structures from the Severn Estuary. This project was particularly challenging as the Severn Estuary has the second largest tidal range in the world. This gave a working window of between 15 minutes and 3.5 hours each day. The Estuary is also designated as a Special Protection Area, a RAMSAR site and a Site of Special Scientific Interest (SSSI).

We conducted extensive consultation on methods and timing of demolition with all external agencies to minimise the impact on the environment and local communities. The offshore structure produced 1,400 tonnes of scrap metal which has been recycled, while the concrete waste produced was reused on site to minimise the use of in-fill material, and approximately 20,000 tonnes of pulverised fuel ash was required as in-fill. Through a close working relationship with our contractor and some excellent value engineering, the contract was completed two weeks ahead of schedule and with costs well within target.



Cooling water structure during decommissioning.

A large pile of newspaper and paper waste in a recycling facility. The pile is composed of various types of paper, including newspapers, magazines, and other printed materials. The colors are mostly white and brown, with some colorful sections visible. The pile is situated in a large, industrial-looking space with high ceilings and large windows in the background. The text "do we store or recycle?" is overlaid on the image in a white, sans-serif font.

do we store
or recycle?



reprocessing and plutonium

Reprocessing extracts reusable uranium and plutonium from used nuclear fuel which contains approximately 96% uranium, 3% nuclear waste products and 1% plutonium. The plutonium we recover from reprocessing can be used to generate more electricity. If the fuel is not reprocessed, it will have to be stored above ground until a decision is taken to reprocess it or bury it deep underground.

What's the issue?

The separation of uranium, plutonium and wastes from used nuclear fuel is a commercial activity which some stakeholders consider to be contentious. BNFL operates two reprocessing plants at the Sellafield site in the UK. The Magnox Reprocessing Plant reprocesses fuel from the UK's Magnox power stations, while the Thermal Oxide Reprocessing Plant (Thorp) reprocesses fuel from British Energy's Advanced Gas-cooled Reactors (AGRs) and fuel from other customers based in Europe and Japan.

The most recent UK Government figures show that the stocks of plutonium extracted from commercially used fuel in the UK have increased to 63.2 tonnes (79.9 tonnes including returnable stocks from overseas customers). Completion of current reprocessing commitments will provide some 77 tonnes of Magnox plutonium and 27 tonnes of material from British Energy's AGRs. This material is stored as a plutonium dioxide powder in stainless steel cans in dedicated storage facilities on the Sellafield site.

Your concerns, our response

There are several good reasons for reprocessing nuclear fuel – see www.bnfl.com. The process does not generate radioactivity and, we believe, that any wastes and associated discharges can be managed effectively. Conversely, many of our stakeholders express concerns about the environmental impacts of reprocessing, the physical security of dealing with nuclear materials, the potential for accidents during transport, and the economic viability of continuing to produce materials for which they would argue there is no further use.

However, we believe that the issue is not as simple as 'whether reprocessing should take place or not' and, as

part of our National Stakeholder Dialogue, working groups have spent many months considering the options available to deal with used fuel and the UK's stockpile of plutonium. In particular, the Plutonium Working Group has explored four options for reducing the UK stockpile ranging from immobilising the separated plutonium in the existing Sellafield Mixed Oxide plant through to using it as a Mixed Oxide fuel (MOX) in existing or new reactors.

The full reports of the Spent Fuel Management and Plutonium Working Groups are available on the Environment Council's website at www.the-environment-council.org.uk. Our response to the recommendations contained in the plutonium report is available at www.bnfl.com. We will also instigate a programme to follow through on these recommendations.

Case study: Magnox reprocessing at Sellafield

One of the key recommendations of the Spent Fuel Management Options Working Group concerned the planned closure of the Magnox Reprocessing plant in 2012. Specifically, we were asked to match the projected lifetime arisings of used Magnox fuel as closely as possible to the performance of the Magnox Reprocessing plant, without compromising reactor operations. In the event of sudden or terminal failure of the Reprocessing plant, the objective is to ensure that there is a minimum amount of Magnox fuel remaining in the ponds. No plans should include long-term storage of wet Magnox clad fuel. This is because once the fuel is wet, it becomes very reactive and capable of igniting. We report our progress against meeting this recommendation – and the latest figure for Magnox reprocessing production in the year up to 31 March 2003 was 765 tonnes.



social

We are aware that our commercial activities have a very broad social impact. This ranges from health and safety issues, through employee development to the impact we have on our communities and the quality of opportunities within these communities. The relationship between BNFL, its employees and the community is one which we want to nurture and grow.

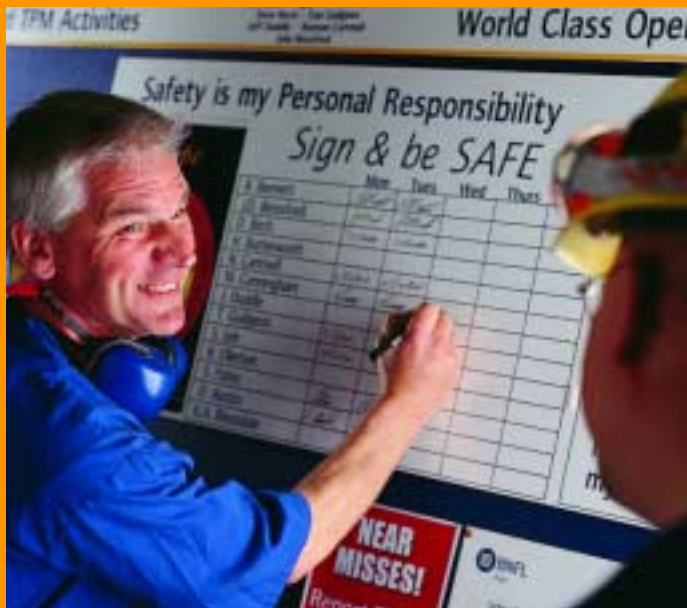
Case study: Safety in Partnership at Springfields

Westinghouse UK Fuel Group has made impressive improvements to its safety culture since the early 1990s. Partnership working between senior managers and trade union representatives has helped to create a common focus on safety which has delivered real benefits.

By adopting behavioural safety and safety in partnership programmes, accidents and injuries on site have been reduced dramatically. In 1992, the site had 46 lost-time injuries, greater than three days, while in 2002 there was just one. Between December 1999 and March 2002, the site recorded 7.3 million hours worked without a single lost-time accident.

Individual employees are encouraged to complete a risk assessment before starting each job, make safety observations among fellow workers and give honest feedback about safe and unsafe behaviour. Each work area also organises its own safety workshop to develop health and safety action plans. Finally, a safety in partnership group meets quarterly to share best practice from within the business.

For more information see the Department of Trade and Industry's Partnership at Work website at www.dti.gov.uk



Joiner, Michael Cunningham signs up to accept safety as his personal responsibility.

working with care

Establishing an effective health and safety culture has always been a priority for the company. We continue to work with employees and others to seek further improvements. Success in this respect will be built on the right systems, attitudes and behaviours at all levels of our organisation.

Accident and injury rates

In January 2003, a tragic accident led to the death of an employee of one of our contractors at our Sellafield site. The incident continues to be investigated by the Health and Safety Executive and a full report will be published. However, without delay, we conducted an internal investigation which resulted in a number of recommendations for improving specific and generic Sellafield site safety management arrangements. The recommendations have been implemented and immediate issues arising from this event were communicated throughout BNFL at all levels.

Despite this incident, the likelihood of being injured while working for the company has fallen over the year. This is demonstrated by our Total Recordable Incidence Rate for employees and agency workers, which fell to 0.87 per 200,000 hours worked, compared with 0.92 the previous year. Our Days Away Case Rate of 0.38 significantly surpassed our performance objective of 0.44. However, this was a minor increase from last year's Days Away Case Rate of 0.37.

Compliance

Regrettably, in the UK, our Direct Rail Services subsidiary was prosecuted for an event that resulted in the injury of one of their agency workers in 2001. In the US, we received four notices of violation related to health and safety, all of which were severity level 4 (the lowest level) and all of which were corrected to the satisfaction of the US regulators. Although this is an improvement on the previous year's performance, we are committed to work towards our goal of zero enforcement actions.

In the US, BNFL Inc. received a fine of \$123,750 following three exothermic reactions at our East Tennessee Technology

Park (ETTP) project. However, the US Department of Energy (DoE) gave BNFL Inc. significant mitigation for their response to these events including immediate reporting to the DoE, appointing a recognised external expert to lead the investigation and initiating timely corrective action.

Nuclear safety

Nuclear safety is vital in protecting the public as well as our workers. Our physical and management controls on nuclear safety are well developed, but we continue to strive to improve them. In 2002–2003, the number of events categorised as 'anomalies' on the International Nuclear Event Scale (the lowest level of incident) fell to 11. This is an improvement on the 26 anomalies recorded in the previous year and significantly surpassed our target. To secure further improvements, we will be increasing the focus on behavioural safety issues.

Radiological safety

We maintain stringent controls over the amount of radiation to which our employees are exposed. As in previous years, all of our employees received less than the national regulatory limits. In 2002–2003, our average employee dose was 1.01 mSv, just under half the annual average dose to the UK population or a third of the annual average dose to the US population from all sources of radioactivity.

Our workers are among the most closely studied for determining a linkage between radiation exposure and adverse health outcomes. It was therefore reassuring to note that, in 2002, the UK Government's independent advisory body, the Committee on Medical Aspects of Radiation in the Environment (COMARE), found no evidence of a causal link between workers' exposure to radiation and cancer in their children.

Health issues

Average sickness absence among UK employees increased slightly, but at 7.06 days per employee, is lower than CBI average* for 2000 of 7.8 days.

*For companies with more than 5,000 employees.

working with employees

A flexible, highly-skilled and well-motivated workforce is essential to meeting our business objectives. We regularly consult with our employees and are always willing to listen to their concerns. We are committed to creating a working environment where everyone is encouraged to stretch and develop their contribution to the business.

We seek to attract, motivate, reward and retain employees who are fully committed to helping us achieve our business objectives. As an employer we are committed to providing salary, incentive and benefit packages that are aligned to appropriate industry standards. In this section, we look at how we seek to consult with employees at all levels and how we endeavour to encourage and support their professional development within BNFL.

Employer of choice

Our priority is to make BNFL the employer of choice for scientific and engineering graduates in Europe and the US. We are proud of our status as a 'Times Top 100 graduate employer'. This recognises our long-term commitment to graduate recruitment and our high retention rate of graduate recruits.

In 2002, we recruited over 160, largely scientific and engineering graduates in the UK and US, offering high-quality professional and managerial development and fulfilling international careers. These graduates provide the backbone of our future technical and leadership roles.

Employee involvement

Effective communications and working relationships with all employees are important to our business success. We are committed to working with employees and their representatives where appropriate, to promote business performance, quality and safety. Within the UK we have a well established structure for consulting employees on environment, health and safety issues. The UK's joint committee on Environment, Health and Safety consists of staff representatives and is chaired by Roger Coates, the head of UK EH&S, and a staff representative. In addition, each of our main UK sites has its own environment, health and safety committee.

Employee involvement is a key factor in improving our safety performance. We are continuing to develop our behavioural safety programme with input from workers and union representatives. Elsewhere, our partnership approach with our unions has been demonstrated through a range of activities including the production of a Safety Representatives Charter at Sellafield and the establishment of an electronic discussion forum for representatives in the UK.

Employee concerns

We always seek to deal responsibly, openly and professionally with any genuine concern that employees may have about malpractice, whether it be danger to themselves or our customers, financial irregularities, breach of legal obligations or damage to the environment.

We have introduced a Code for the Confidential Reporting of Serious Concerns. This commits the Group to ensuring that employees will suffer no recrimination or victimisation as a result of raising a genuine concern. This applies even if the concern later proves to be unfounded.

Employee development

The knowledge, contribution and commitment of all employees is vital to our success. We are committed to attracting, retaining and developing high potential talent, and we recognise the importance of developing leadership skills at all levels.

It is our aim to ensure that all employees are provided with the training, development and work experience needed to perform their roles safely and effectively, and to fulfil their potential within the business. Employees are encouraged to seek membership of professional bodies where these support business objectives.

working with communities

Giving our support to those communities in which we operate is a core value throughout the Group. It is something we take great pride in because we are able to make a positive impact on people's lives. Most of our sites have their own programme of community activity, but we all work together to help tackle some of the difficult issues facing society today.

Our community investment policy is focused in those areas where we believe we can add the most value. These include a variety of youth issues, help for the disadvantaged and disabled, education programmes, arts initiatives for the underprivileged and environmental programmes. In this section, we look at some of the many activities that we support.

Community investment

We assist a wide range of projects, for example, we have provided support to the national charity Weston Spirit by sponsoring short personal development courses for

excluded young people. These courses take a holistic approach to learning which fosters self-esteem, empowerment and confidence. Likewise, in partnership with the local authority in Warrington, we have supported the development of an arts course which encourages socially excluded young people to engage them in learning by alternative methods.

Elsewhere, we have donated IT equipment to 'Community Action Furness' in Cumbria, to offer learning and skills opportunities to disadvantaged young people and other marginalised sectors of the community; we have assisted

Case Study: Community work in Columbia, South Carolina

Employees at our Westinghouse Columbia site in the US take great pride in supporting their community, both by donating time and dollars.

Highlights from the year included being named Business Partner of the Year by Richland County School District 1 for the work with Mill Creek Elementary School and winning the Association of Fundraising Professionals' 'Outstanding Philanthropic Corporation' award. Westinghouse was awarded this prestigious title in recognition of its support for the community – via monetary gifts from the company and employees, and through voluntary work. In the past six years, Westinghouse has donated more than \$1.2 million to the United Way of the Midlands through its United Way Campaigns. In 2002–2003, a new record total was reached of \$237,179. All of these funds will go to non-profit

agencies in the Midlands of South Carolina. For information on other community projects in the US see www.westinghouse.com and www.bfnflinc.com

Columbia Site Plant Manager Mark Fecteau has lunch with children at the Columbia site's adopt-a-school partner, Mill Creek Elementary School. Westinghouse has been partnered with Mill Creek for 25 years.





Case study: Business in the Community awards for excellence 2003

In May 2003, BNFL received a 'BIG TICK' award from Business in the Community for its partnership work in the regeneration of West Cumbria. For over 15 years, we have worked in a private, public and social sector partnership which has helped to create or retain 4,297 jobs in West Cumbria. Key developments include the Westlakes Science and Technology Park, which has helped to establish 29 companies employing over 700 people, and a new postgraduate college. In addition, we have worked with the Whitehaven Community Trust to help over 110 homeless people, train more than 300 young people and establish a Healthy Living Centre. Our aim has always been to be inclusive and to take a holistic approach to the economic and social problems of West Cumbria.

Town Hall Cafe run by the Whitehaven Community Trust, where young people are trained to NVQ standard in catering.



Companies achieving the BIG TICK in our awards for excellence, should be very proud of their achievement. I congratulate them all as examples of best practice. They have come through a rigorous and independently assured assessment process and have emerged as truly inspiring case studies, delivering great benefit to wider society through their programmes and partnerships. We will enthusiastically use them to encourage other companies to improve their positive impact on society.

Julia Cleverdon Chief Executive, Business in the Community

the Deafway residence in Preston to install smoke detection and fire alarm systems; and we have supported the Prince's Trust Office in Cumbria, which offers young people the opportunity to start their own businesses.

Employee action

The driving force behind our community programmes are those employees who offer their time, concern and commitment to helping others. For example, a group of BNFL Westinghouse employees in the US performed heavy housekeeping, indoor and outdoor painting and garden work at the homes of people with multiple sclerosis. We have community service awards in both the UK and US, which recognise those employees who contribute outstanding personal service to their local community.

In the UK, employees at some of our sites choose a charity of the year for which to raise money. Charities supported in the past year included the Melanie Grant Magic Wand Appeal, Warrington Special Care Baby Unit, NSPCC and Leukaemia Research Fund. To support the valuable work

of our employees in the community, the company provides a level of match funding for money raised by individuals for charitable organisations.

Economic regeneration

We also actively support projects which aim to increase the prosperity of the communities where we operate. For example, working in partnership with the area's local authorities we helped to establish the West Cumbria Development Fund which aims to sustain and create jobs in the West Cumbria area. The flagship project has been the Westlakes Science and Technology Park which to date has established some 29 companies employing over 700 people.

BNFL Enterprise is another economic development tool. This wholly-owned subsidiary of BNFL operates a £2.25 million investment fund to help start-up technology companies. To date, BNFL Enterprise has provided seed-corn funding for some seven companies. For details see www.bnfl.com

working with schools

Educational support remains high on our agenda. We continue to develop our programme of national educational support by developing resources which aid the teaching of science, technology and engineering at all levels.

We support a range of initiatives in the classroom and some of our UK sites also offer visitor facilities for school groups. In addition, employees regularly volunteer to visit schools to give talks on nuclear energy and electricity. The following offers a summary of some of our current educational initiatives.

Classroom support

In the UK, we have become one of the leading companies providing sponsored teaching materials produced for teachers by teachers. This includes a suite of CD-ROMs which have been developed for the teaching of Maths for 5–11 year olds and A-level/GCSE Chemistry and Physics.

Through our 'BNFL in the Classroom' initiative we offer free talks and workshops to primary schools located near some of our sites and to date over 80,000 children have been through the programme.

BNFL has partnered with 'Teachers from Industry' since 1996. Under this programme the teachers present classroom talks on energy, electricity and safety. There are four different workshops on simple circuits, switches and conductors, circuits and diagrams and SATS Essentials – electrical circuits revision for Year 6.

'businessdynamics'

We have supported 'businessdynamics' courses for many years in the North West of England. Trained company staff act as session facilitators at schools, special needs

schools and young offender institutions. Young people are set challenges on specific business topics such as design, finance and marketing.

Science Challenge

We sponsor the UK national competition 'Science Challenge' organised by the Association for Science Education and the British Association for the Advancement of Science. This competition aims to help pupils enjoy science and develop their understanding of its principles and applications. It emphasises whole class activity and promotes and supports good science practice in the classroom. The competition encourages entries from special schools and in 2002, over 16,000 students took part in the Science Challenge.

Engineering Education Scheme

We are currently partnered with nine teams of students at eight schools and colleges. Our objective is to offer a real engineering challenge to high calibre, lower sixth form students who have the potential to study engineering at university.

Young Engineers for Britain

We have supported the North West Regional Final for the Young Engineers for Britain for many years. The competition showcases the wealth of innovation and creativity amongst 11–19 year olds in UK schools and colleges. It is the biggest event of its kind in Europe. For details see www.youngeng.org

issue

legacy waste management

In the nuclear industry, 'legacy waste' refers primarily to the wastes that arose during the atomic weapons programmes associated with the Cold War. Legacy materials have been the subject of much public debate. In the UK, the Government is to establish the Nuclear Decommissioning Authority (NDA) to take ownership of the UK's legacy waste assets and liabilities.

What's the issue?

Every industry produces waste and the nuclear industry is no exception. The nuclear legacy wastes include materials from atomic weapons development, medical uses and civil nuclear energy – some dating from the early days of development when there was no clear separation of these activities.

Legacy materials exist in all countries that have developed nuclear energy and are often held in ageing facilities in their raw state awaiting treatment. The challenge, that started in earnest around the world in the 1990s, is to move from what we have now at major nuclear sites such as Sellafield in the UK, Savannah River in USA, and Mayak in Russia, to a future where the nuclear waste has been safely packaged and is securely stored ready for disposal or that country's chosen waste management option.



how can we
restore the past?

What's being done?

Legacy wastes were created at a time when the designers and operators of nuclear plants were focused on safe production and not future decommissioning. Today, the challenge is to ensure that these plants are safely dismantled and stored prior to disposal.

Many governments have recognised public and corporate concerns regarding the scale of that challenge and have accepted responsibility for what were mostly defence and public sector activities when they were created. In the UK, for example, the Government is set to create the NDA to take ownership of the country's public sector civil nuclear liabilities.

In what will become a competitive market, we will offer to manage and discharge these liabilities. We have created our Government Services Group to focus on clean-up and decommissioning tasks for Governments. Indeed, via our Sellafield and Magnox operations, we aim to be the management and operations contractors of choice for the NDA and we are working with the Government's Liabilities Management Unit (prior to the creation of the NDA) to develop the key performance indicators which will be used to monitor performance.

We also aim to provide clean-up services on other international sites. In the USA, BNFL Inc's projects to date include the East Tennessee Technology Park and the Idaho Falls Mixed Waste Treatment project, both for the US Department of the Environment. Elsewhere, Environmental Services is working to clean-up nuclear sites at Chernobyl in the Ukraine and Kozloduy in Bulgaria as well as running four major UK decommissioning sites.

Case study: Sellafield, the UK's largest legacy site

We are currently the owner and operator of Sellafield, the largest legacy site in the UK. Although this will change when the Government creates the Nuclear Decommissioning Authority, we are already progressing a major legacy clean-up and remediation initiative. For example, in 2002–2003, we achieved the best ever output from our Vitrification plant which takes radioactive liquid wastes and turns them into glass blocks suitable for both long-term storage and geological disposal. We also demolished the tall chimney at Windscale, once a prominent feature of the West Cumbria coastal landscape. Further details can be found at www.bnfl.com/sellafield



embedding CSR in our business

Our two business groups, Nuclear Utilities and Government Services, are committed to applying our CSR strategy within their operations. Chief Executives, Charlie Pryor and Lawrie Haynes respectively, have given their personal support to the strategy and have reiterated the BNFL Board's belief in the importance of CSR to our long-term success.

Nuclear Utilities Business Group



By encouraging a continued focus on our customers, our employees and the communities in which we operate, I am committed to ensuring that the fundamental principles of CSR lie at the heart of our nuclear utilities business.

Charlie W Pryor Charlie Pryor

Our Nuclear Utilities Business Group combines advanced reactor design and services, fuel manufacture, spent fuel recycling, engineering and transport. It is comprised of Westinghouse Electric Company, Spent Fuel Services and our investment in Urenco. With a broad range of products and services founded on proven technology, we work to help nuclear utilities around the world produce safe, low-cost, reliable and environmentally friendly electricity.

Our vision is to help meet the world's growing need for energy and, in endeavouring to deliver that vision, we have identified four key stakeholder groups. The first is our customer base and we recognise that in striving to be the 'supplier of choice' we continually need to deliver value to our customers.

Furthermore, to achieve our long-term vision, we need to ensure that both our workforce and the communities in which we operate remain strong and vital. We invest heavily in the development of our employees and we have recruited 195 new graduates since 2000. We are

also committed to our local communities and invest in these through programmes such as the Westinghouse Charitable Giving Programme. Indeed, Westinghouse has a long history of supporting the communities in which it operates through direct financial contributions and voluntary services provided by employees (see case study, page 37).

By offering a quality service to our customers, and investing in our employees and communities, we ensure that the Nuclear Utilities Business Group delivers value to our fourth key stakeholder – our shareholder.

Government Services Business Group



We must maintain effective relationships with all our stakeholders to ensure we understand their concerns. Goodwill is an asset – only by listening and responding to customers, suppliers, employees, local community groups and many others can we maintain our licence to operate.

Lawrie Haynes

Lawrie Haynes

Our Government Services Business Group delivers world-class technical expertise in nuclear facility management and operations, site remediation, decommissioning and environmental services to our customers worldwide. It comprises Sellafield Management and Operations Services, BNFL Environmental Services (Europe), our US clean-up subsidiary BNFL Inc., the operations of the UK's fleet of Magnox power stations, and a team dedicated to site remediation activities.

We have proven expertise built up over 30 years of successfully decommissioning and cleaning up more than 50 nuclear facilities worldwide. Our goal is to apply this experience to deliver safe, reliable and accelerated clean-up programmes for the nuclear legacy in the UK and around the world.

A commitment to safety and environmental care underpins that goal. In fact, one in ten of our workforce is dedicated to safety and environmental support. We also value our people and this year, we will invest £15 million in employee training and development. We recognise the need to understand our customers, for example in the UK, a new government body, the Nuclear Decommissioning Authority, will soon become BNFL's major UK customer. Through close cooperation with the Government, we are developing an ever deeper understanding of its requirements.

In Government Services, we believe that a strategy of combining good business solutions with sustainable

procurement, pursued through dialogue with our key suppliers, makes sound business sense. We will progressively develop this strategy in support of our objective of becoming a supplier of choice to the Nuclear Decommissioning Authority and acquiring clean-up business worldwide.

Finally, we appreciate the benefit of working with local communities and organisations. In 2002–2003, we invested £3 million in direct support of local activities and over £100 million in purchases from local suppliers. At Sellafield, for example, approximately 40% of the total workforce is provided via local suppliers.

Today, we face the future with confidence but we are not complacent. We value the relationships we have built up over many years of safe operations and now seek to build on these further.



are we doing
enough?



security and safeguards

The nature of our business means that we must protect sensitive materials and assets from the malicious activities of others. As a result, we have a proactive security policy. Keeping the public informed about our security arrangements is a complex issue, although we are working to improve public reassurance.

What's the issue?

We hold sensitive materials, technology and information that must be protected from the threat of sabotage, theft or misuse. For that reason, we have always been very security conscious. However, since the terrorist attacks in the US on 11 September 2001, we have implemented a wide range of additional security measures. Some of these, such as chicanes at our site entrances, are evident to the public. Others, including additional measures to protect certain sensitive areas from attack by explosives, are not.

Your concerns, our response

While we do want to provide public reassurance about our security arrangements, we obviously must ensure that we do not release information that could be of use to terrorists or others with malicious intent.

We comply with international and national regulations at all times. The International Atomic Energy Agency (IAEA) provides guidelines for the security of nuclear and radioactive materials and these are implemented by government legislation. Governments are also responsible for overseeing the effective implementation of security arrangements. However, we are legally responsible for a substantial proportion of the arrangements and need to satisfy ourselves, through performance and assurance programmes, that our measures are effective. Within BNFL, an Executive Sub-Committee on Security oversees the programmes and annual reports are made to the Board of Directors.

Publishing additional information about our nuclear security arrangements is a complex and delicate issue. We provide regular information to our employees and contractors, and we also provide what details we can through local community liaison groups. In the UK, security matters and public reassurances are now

discussed as part of our National Stakeholder Dialogue. Participants are conscious of the balance that must be struck between seeking potentially sensitive information and challenging unnecessary secrecy. We are pleased that the UK regulator, the Office for Civil Nuclear Security (OCNS), has agreed to participate in the dialogue.

At a national level, individual governments vary in their approach to publishing details of nuclear security arrangements. In the UK, since 2002, the OCNS has published this information in an annual report for the Secretary of State, Department of Trade and Industry. We very much welcome this development. For more information see www.dti.gov.uk/energy/nuclear/safety/dcms_report2.pdf

Case study: The United Kingdom Atomic Energy Authority Constabulary (UKAEAAC)

We work closely with a range of agencies to maintain the highest standards of security. One of the most important is the United Kingdom Atomic Energy Authority Constabulary. Officers of this force, including officers authorised to use firearms, are deployed at a number of BNFL sites and also provide the armed escort for high security movements of nuclear material, including MOX fuel shipped between the UK and Japan.

The UKAEAAC is funded by the nuclear operating companies – with BNFL providing 65% of its annual budget of £30 million for 2003–2004. All UKAEAAC operations, as stipulated by national legislation, are subject to independent scrutiny by Her Majesty's Inspector of Constabulary and by the Police Authority. Annual reports reviewing performance are published by both the Police Authority and the Chief Constable. See www.ukaea.org.uk/ukaeac/reports

the next steps

At BNFL, we want to be recognised as one of the top CSR performing companies in our sector. We see this initially as being a five-year journey and we do not underestimate the challenge involved. By integrating CSR into our day-to-day operations, we are confident we can continue to improve the economic, environmental and social performance of our company.

Our business principles already provide a framework for the actions and behaviours of BNFL and its people. As a basis on which to build public trust, they represent the first step in our journey to transform our commitment to CSR into business practice. However, more substantial and significant changes will require more specific strategies and plans.

CSR strategic development

The first step will be for the CSR Sub-Committee, led by Joe Darby, to complete the work they have started on defining CSR leadership structures (see CSR management structure, page 11) and to have that framework endorsed by the Board.

With appropriate CSR management structures in place, our CSR priorities for the next 12 months will be to move the focus away from the development of business principles and policies and towards promoting the spread of CSR good practice throughout the Group. Reflecting this, the major strands of work to be started before our next report will include:

- creating a CSR strategy and action plan with businesses leading the key packages of work;
- expanding our approach to stakeholder engagement – building on the successes of the Sellafield, and Magnox decommissioning centred, Stakeholder Dialogues and gaining a global perspective on stakeholder expectations of BNFL, and

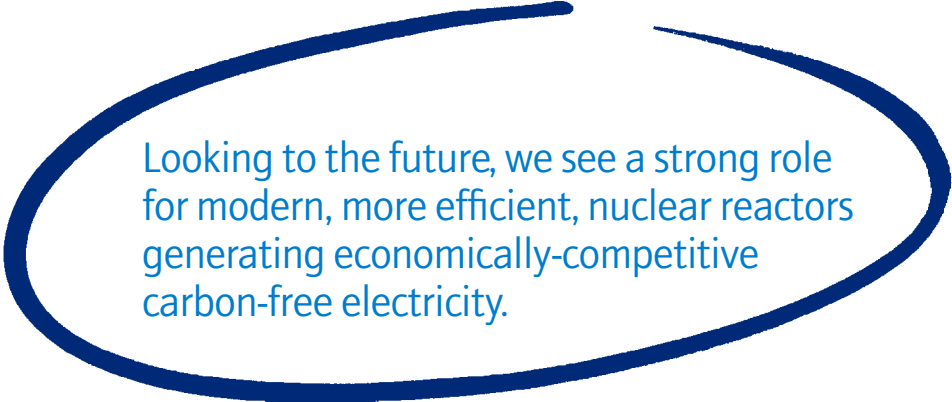
- defining an impact footprint for our key sites (>250 employees) – one that can be managed in a pragmatic way with clear business and social benefit.

Continuing to listen

Parallel with this, we will continue to learn from a range of activities and sources. These include the feedback received from our participation in the 'Business in the Community Corporate Responsibility Index' in 2003 and the feedback we collected from our 2001–2002 EH&S Report.

In addition, we will continue to listen to all our stakeholders (shareholder, employees, customers, suppliers, regulators and communities) to ensure that we understand their key drivers for CSR. This, together with an internal analysis of the strengths and weaknesses of our current ways of working, will enable us to create a CSR strategy that is responsive to the needs of those with an interest in our business.

Importantly, the response card incorporated in this report (see pages 55–56) gives you an opportunity to contribute to that process. Please take a moment to let us know your views and opinions, so that we can build these into the ways in which we embed and report on CSR in our business.



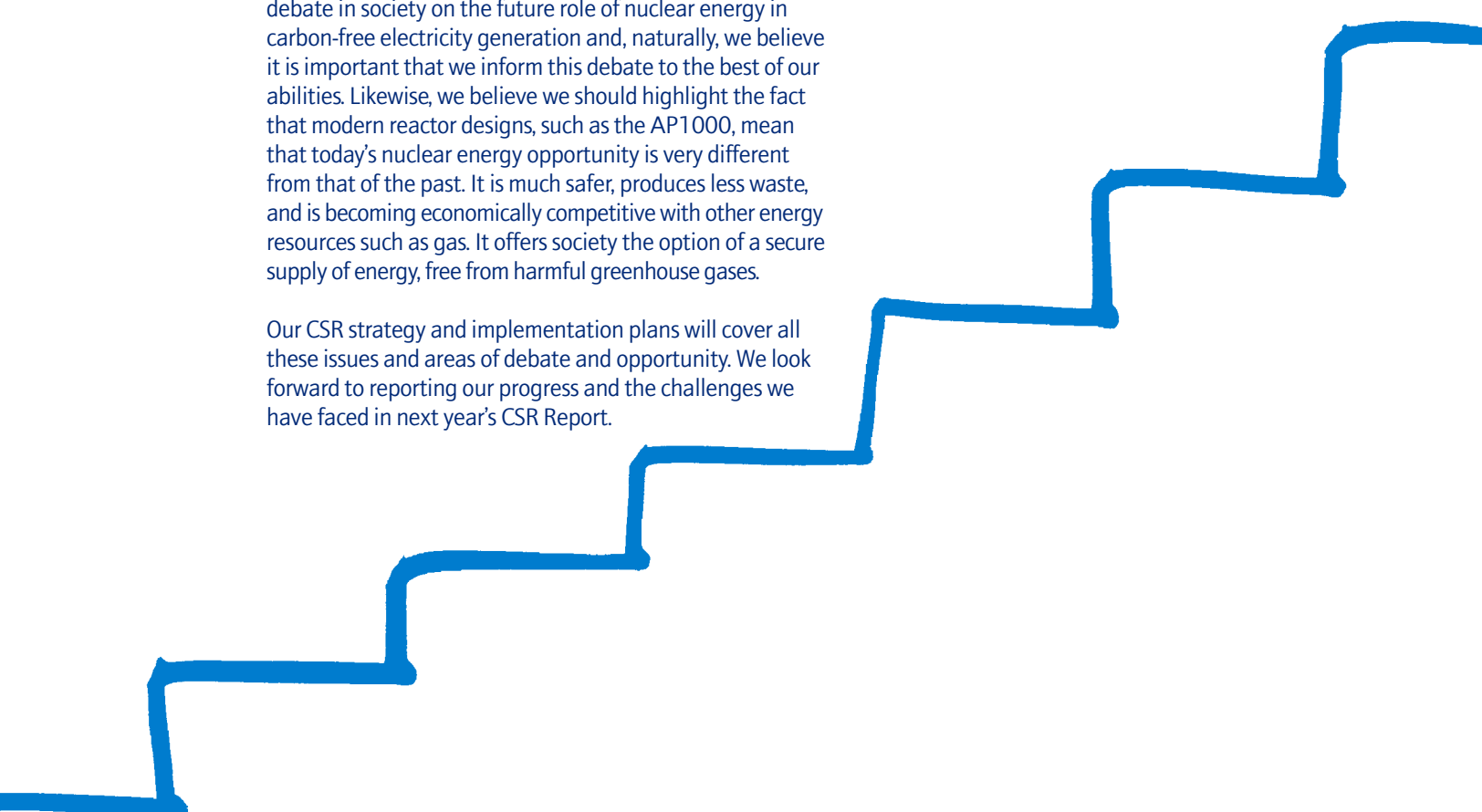
Looking to the future, we see a strong role for modern, more efficient, nuclear reactors generating economically-competitive carbon-free electricity.

A sound offering

Against the backdrop of these future plans, we believe that we already do many things well – as evidenced by the many examples given throughout this report. Equally we acknowledge that there are areas for improvement.

Looking further ahead, we recognise that there is a continuing debate in society on the future role of nuclear energy in carbon-free electricity generation and, naturally, we believe it is important that we inform this debate to the best of our abilities. Likewise, we believe we should highlight the fact that modern reactor designs, such as the AP1000, mean that today's nuclear energy opportunity is very different from that of the past. It is much safer, produces less waste, and is becoming economically competitive with other energy resources such as gas. It offers society the option of a secure supply of energy, free from harmful greenhouse gases.

Our CSR strategy and implementation plans will cover all these issues and areas of debate and opportunity. We look forward to reporting our progress and the challenges we have faced in next year's CSR Report.



how do we keep it clean?

Issue

nuclear energy and climate change

Governments around the world are committed to reducing carbon dioxide (CO₂) emissions. Nuclear energy emits virtually no CO₂. Some governments include the supply of electricity from nuclear energy as part of their sustainable development strategy. In the UK, nuclear energy currently provides approximately 22% of the electricity used in homes and businesses.

What's the issue?

In the past century, the burning of fossil fuels has seen increasing quantities of 'greenhouse' gases such as carbon dioxide (CO₂) released into the atmosphere. This, experts believe, has led to global warming and unless emissions are reduced, the warming effect will lead to changes in climate around the world. In turn, this could damage our ecosystems and lead to major disasters such as flooding caused by rising sea levels.

What's being done?

Nuclear energy stations produce virtually no CO₂. So, by using nuclear energy instead of fossil fuels to generate electricity, the amount of greenhouse gases released into the atmosphere can be reduced considerably. As a result, we believe that nuclear energy is the only large scale, reliable way of generating electricity while addressing the issue of global warming – see www.bnfl.com

But opinions on the future contribution that nuclear generation can make to energy policy vary from country to country. Some countries see nuclear as part of a strategy



for sustainable development, along with renewable energy sources such as wind and hydro-electric. Other countries have decided to phase out existing nuclear plants and some have either never used nuclear generation or have actively opposed nuclear energy.

Nuclear energy projects continue to be developed in a number of countries across Asia. New build programmes are under way in Russia, India and China. Nuclear energy also remains a key element of Japan's energy strategy, in other countries, such as Finland and South Korea, nuclear energy is also being looked at again and new reactors are planned.

Some European countries, such as Germany and Belgium, have chosen to phase out nuclear energy generation. In Sweden, following a referendum that decided to phase out nuclear energy in 1980, only one nuclear reactor has been closed down so far, with further decisions delayed because there has been insufficient renewable generation put in place to compensate for the loss of carbon-free generation.

Elsewhere, governments are reviewing their energy policies and considering the role of nuclear electricity. One such review is being carried out in France, where around 78% of electricity is generated from nuclear energy. In the UK, where approximately 22% of electricity is supplied by nuclear, the Government's review of energy policy largely sidesteps any decision on the future of nuclear.

Case study: The UK Energy Review White Paper

In February 2003, the UK Government published its proposals for a new energy policy. The policy has four main goals – to help cut the UK's CO₂ emissions by 60% by about 2050; to maintain the reliability of energy supplies; to promote competitive markets in the UK and beyond; and to ensure that every home is adequately and affordably heated. For more information see www.dti.gov.uk/energy/whitepaper/index.shtml

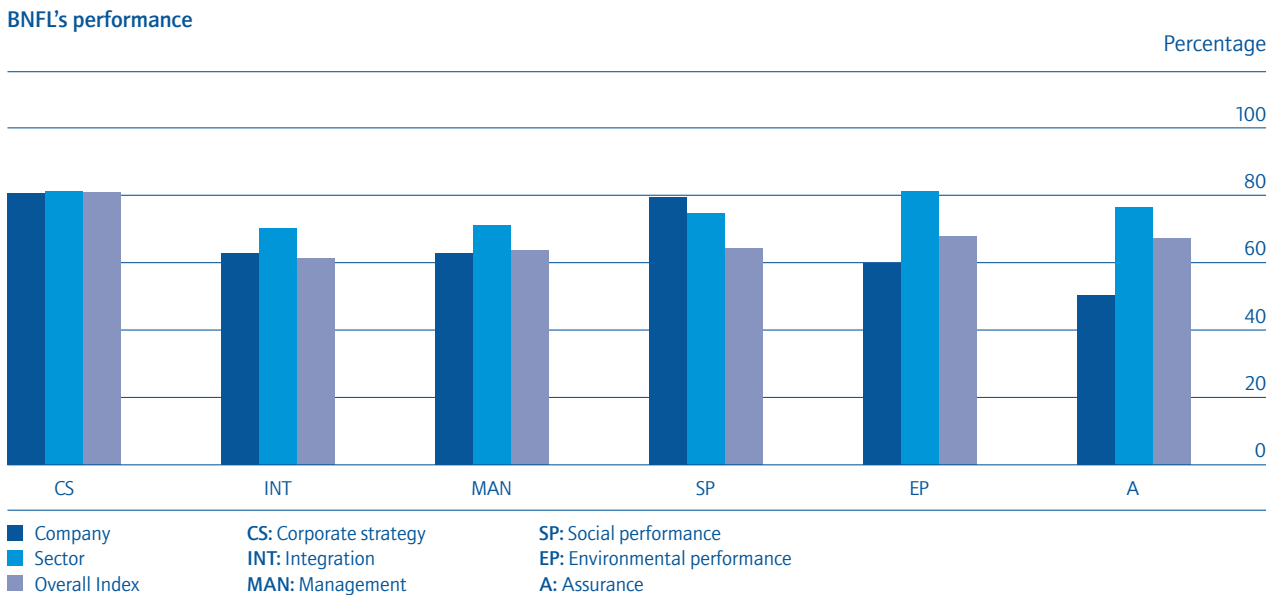
The two main actions identified to meet these goals were to improve energy efficiency and increase the use of renewable energy sources. The White Paper did recognise that nuclear energy is currently an important source of carbon-free electricity but acknowledged that the current economics make new build an unattractive option for new carbon-free generation capacity. However, the paper did not rule out the possibility that new nuclear build may be necessary to meet carbon emission reduction targets.



Business in the Community results

During 2002, we participated in Business in the Community's First Corporate Responsibility Index. Shown below is a summary of our performance benchmarked against participating companies in both our sector and economic groups.

The graph below provides a summary of our overall performance across the corporate responsibility agenda, compared against other companies in our sector and the overall index results.



For our full results, please visit www.bnfl.com

verification

In line with our desire to be open and transparent, we have had the report independently reviewed by Ernst & Young. This year we have excluded the processes for gathering or reporting the various data from the scope of work as these are, in the main, assured by other means. The environment, health and safety data used in this report is the same as that used in the preparation of the BNFL EH&S Annual Report and the financial information is that used in BNFL's financial Annual Report and Accounts. We recognise that the processes for gathering and reporting data on our social performance that fall outside of these two areas are not yet fully developed and we will report on progress in implementing suitable processes in future reports.

verification

To the management of British Nuclear Fuels plc

We have been asked to review British Nuclear Fuels plc's (BNFL) first Corporate Social Responsibility Report (the Report) in order to provide assurance on its contents. BNFL's management have prepared the Report and are responsible for the collection and presentation of information within it. The scope of our work did not include a review of the data in the Report or the underlying data reporting processes. This statement provides assurance on the content of the Report and should not in itself be taken as a basis for interpreting BNFL's performance in relation to corporate social responsibility.

Our review

There are currently no statutory requirements within the UK relating to the preparation, publication or independent review of corporate social responsibility reports. The AA1000 Assurance Standard that was published by Accountability in March 2003 sets out principles for social and environmental report assurance. We have set out our conclusions by reference to the assurance principles described in the AA1000 Assurance Standard.

Our review process involves the main steps outlined below:

- 1 Interviews with a selection of BNFL Executives** and senior managers, to discuss the aspects of business activities that underpin corporate social responsibility, in order to understand the objectives and means to accomplish those objectives, and the degree to which those objectives have been met.
- 2 Review of selected documents** which provide guidance and briefings to BNFL's management on corporate social responsibility. Documents reviewed included Board, Executive, Sustainable Policy Team and Environment, Health and Safety Committee papers. The purpose of this review was to assess the Report's content against those issues considered significant by BNFL's management and their plans for corporate social responsibility activities.
- 3 Review of documents from independent stakeholder engagement activities** to understand the issues raised in these discussions and assess the coverage of these issues within the Report.

4 Review of a selection of international, national and local media sources and trade press covering BNFL's management of corporate social responsibility issues and risks, as a further check on the balance of the information contained in the Report.

5 Visits to selected BNFL businesses and sites to review evidence in support of the Report's statements and assertions presented in the Report. The four sites visited this year are listed below:

- Westinghouse Nuclear Fuel, Columbia, USA
- Sellafield Management and Operations Services, West Cumbria, UK
- Westinghouse Nuclear Fuel, Västerås, Sweden
- Wylfa Magnox Generation (Power Station), Wales, UK

6 Obtain and consider evidence in support of assertions and claims made in the Report regarding BNFL's corporate social responsibility activities in order to substantiate them.

Our conclusions

Based on the work, our conclusions and observations are outlined below:

Completeness and responsiveness

- The objectives and business processes described in the Report are consistent with those observed through the course of our work.
- The Report addresses the key issues highlighted in our media review. The Report also addresses the key issues highlighted in the BNFL UK National Stakeholder Dialogue convened by the Environment Council, an independent UK charity. Decisions regarding the inclusion of such material were based on BNFL's judgment as to whether the Report contents address key stakeholder concerns.
- The BNFL businesses visited by us undertook routine and planned interactions with local communities to understand their concerns and needs. We attended a meeting of the Sellafield Local Liaison Committee and observed interactions between BNFL management and local community members and representatives.

Materiality

- The Board has received regular briefings on how corporate social responsibility is managed in BNFL and the plans and priorities for further developing the company's approach to corporate social responsibility. Those issues considered material by senior managers interviewed during our work are included in the content of the Report.
- The significant issues raised in Environment, Health and Safety Committee papers have been discussed in the Report.

Evidence and commentary

- **Claims and statements** We tested claims and statements made in the Report and obtained evidence to support them.
- **Data** Our scope of work did not include the processes for gathering or reporting the various data presented in the Report and therefore we provide no assurance on the quality and accuracy of it. We saw evidence that the environmental, health and safety data presented within this report is collected utilising the same processes for collecting data for BNFL's separate Environment, Health and Safety Report.
- **Main observations from the visits to sites and businesses:**
 - The framework for corporate social responsibility in BNFL is set out in the company's business principles and underpinning policies. The business principles have not yet been widely communicated across BNFL. The business principles form the basis of BNFL's corporate social responsibility strategy. We understand that the strategy will include the wider communication of the business principles.
 - A Corporate Social Responsibility Sub-Committee of the Environment, Health and Safety Committee has been established with a remit to provide advice and guidance on corporate social responsibility across BNFL.
 - Whilst we observed that the heritage businesses that make up BNFL (former BNFL, Westinghouse, Magnox Generation and ABB Nuclear) operate differing processes and procedures for managing the issues that underpin the business principles, we saw evidence that there are clear management structures and accountabilities across the functions that directly contribute to BNFL's approach to corporate social responsibility.
 - There are formal and consistent measures in place to track environment, health and safety performance. Measures to track wider aspects of BNFL's approach

to corporate social responsibility are less formal and consistent across BNFL. We understand that BNFL plans to undertake a study to define its wider corporate social responsibility impacts across the organisation. This study could be used to define appropriate and consistent measures and targets to manage all key corporate social responsibility impacts.

- We saw evidence of extensive community involvement at the sites visited, including community stakeholder dialogue and investment in community programmes. BNFL has also developed a policy for community involvement, however, this had only been communicated to one of the sites visited.
- BNFL has undertaken a study of how the various BNFL businesses currently seek to influence customers, suppliers and contractors on its approach to corporate social responsibility. The study found that there are variations in the degree to which the businesses seek to influence customers, suppliers and contractors. This was confirmed by our site visits. However, we observed various mechanisms at the sites visited to influence the environment, health and safety performance of suppliers and contractors.
- At the sites visited, various aspects of the business principles concerning environment, health, and safety, human resources, and procurement are addressed within management systems such as quality, ISO 14001 and safety, and are therefore subject to the associated assurance processes.

Our independence

As auditors to British Nuclear Fuels plc, Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW; Guide to Professional Ethics). Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. Each year, partners and staff are required to confirm their compliance with the firm's policies.

Our assurance team

Our team has been drawn from the UK social and environmental reporting team, part of the business risk services practice at Ernst & Young. All members of the team are experienced in social and environmental assurance, having worked on similar engagements for a number of significant UK and international businesses.

Ernst & Young LLP
London, 31 July 2003

glossary

AGR Advanced Gas-cooled Reactor. A design of nuclear reactor owned and operated by British Energy in the UK.

ALFA BNFL team which has the task of getting the company in the right shape for the NDA and a future competitive market.

Alpha and Beta Some materials (such as uranium and radium) are naturally unstable and undergo spontaneous transformation into other atomic forms – this process is radioactive decay. Eventually, the process of decay stops and the substance becomes stable, but during the decay particles or waves of energy are emitted known as alpha, beta and neutron particles or gamma rays and x-rays.

AP1000 New generation of Advanced Pressurised Water Reactors (PWR) designed by Westinghouse.

BWR Boiling Water Reactor.

CBI Confederation of British Industry.

CIRIA Construction Industry Research and Information Association.

COMARE Committee on Medical Aspects of Radiation in the Environment.

DTI Department of Trade and Industry.

EA Environment Agency.

EPA Environmental Protection Agency. US regulatory body.

HSE Health and Safety Executive.

IAEA International Atomic Energy Authority.

ILW Intermediate-level waste.

INES International Nuclear Event Scale.

ISO 14001 The International Standard for Environmental Management Systems.

KPIs Key Performance Indicators.

London Benchmarking Group Model A simple, effective way of measuring a company's community involvement programmes, developed by leading UK businesses.

MDF MOX Demonstration Facility. The first MOX production facility at Sellafield, built to demonstrate that our processes could work on the required scale.

MOX Mixed Oxide Fuel. Consists of recycled uranium and plutonium oxide powder embedded in ceramic pellets.

mSv A millisievert is one thousandth of one sievert. For example, the average annual amount received from natural background radiation is 2.2 mSv.

NII Nuclear Installations Inspectorate. Part of the UK Health & Safety Executive, a regulatory body.

National Stakeholder Dialogue A process whereby stakeholders inform BNFL about improving the company's environmental performance in areas which they have identified as being of concern or interest.

NDA Nuclear Decommissioning Authority.

NGO Non-Governmental Organisation.

NO_x Gaseous oxides of nitrogen released from some of our chemical plants.

NRC Nuclear Regulatory Commission in the US.

NRPB National Radiological Protection Board.

OCNS Office for Civil Nuclear Security.

OSHA Occupational Safety and Health Administration (US).

OSPAR Oslo/Paris Commission which adopted a convention in 1992 for the protection of the marine environment of the North-East Atlantic, the North Sea and the Irish Sea. Signatories are Governments of countries bordering these seas.

Pebble Bed Modular Reactors (PBMR) A new type of reactor currently being developed by a group of companies led by the South African utility company Eskom and involving BNFL.

Per Cent Club The Percent Club Index is a voluntary benchmark, measuring the contributions made by companies through cash donations, staff time, gifts in kind and management time, shown as a percentage of pre-tax profits.

PWR Pressurised Water Reactor – common type of nuclear reactor used throughout the world.

R&D Research and Development.

RAMSAR Site A site protected under the convention on Wetlands of International Importance.

REDOX A type of chemical reaction in which one reactant is reduced (gains electrons) while the other is oxidised.

Repository A place of final waste disposal, usually deep underground. Note: 'disposal' indicates that there is no intention to retrieve the waste.

SAFEGROUNDS Project Supports good practice in health, safety and environmental aspects of managing contaminated land and civil nuclear defence sites.

SEPA Scottish Environment Protection Agency.

SO_x Gaseous oxides of sulphur discharged from some of our chemical plants.

SSSI Site of Special Scientific Interest.

Thorp Thermal Oxide Reprocessing Plant. Reprocesses AGR, PWR and BWR spent fuel at Sellafield.

Triple bottom line Considers the economic, environmental and social impacts of a business.

UKAEA United Kingdom Atomic Energy Authority.

UKAEAC United Kingdom Atomic Energy Authority Constabulary.

tell us what you think

An important part of our CSR journey is finding out what our stakeholders think. If you do have an opinion on any of the topics included in the report; what we should include in future reports or anything else about our activities, please take the time to tell us by either returning the questionnaire or contacting us at csr@bnfl.com

Which stakeholder group do you belong to? Please tick.

- | | |
|---|--------------------------------------|
| <input type="radio"/> Employees | <input type="radio"/> Unions |
| <input type="radio"/> Customers | <input type="radio"/> Suppliers |
| <input type="radio"/> Local communities | <input type="radio"/> Governments |
| <input type="radio"/> Regulators | <input type="radio"/> Media |
| <input type="radio"/> NGOs | <input type="radio"/> General public |

Radioactive discharges (see pages 24–25)

Nuclear and climate change (see pages 48–49)

Reprocessing and plutonium (see page 33)

Our CSR report

Was this report useful to you? Did it provide the kind of information you were looking for? How can we improve it next year?

Legacy waste management (see pages 40–41)

What other issues relating to the nuclear industry would you like to know more about?

Security and safeguards (see pages 44–45)

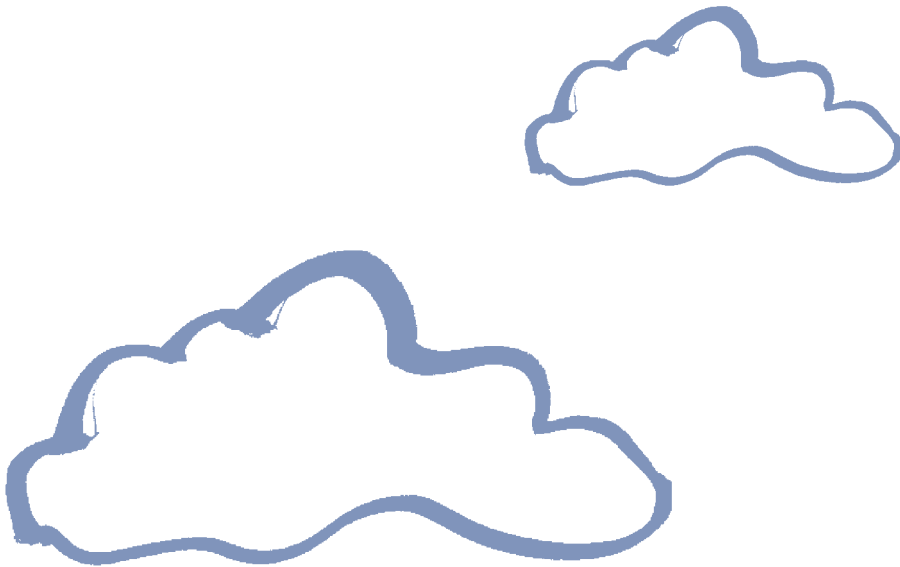
Anything else? Tell us what you want to know.

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2

British Nuclear Fuels plc
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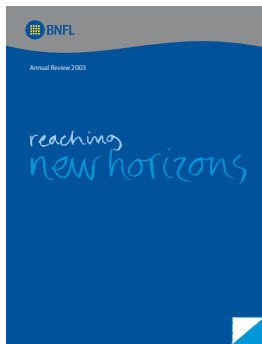


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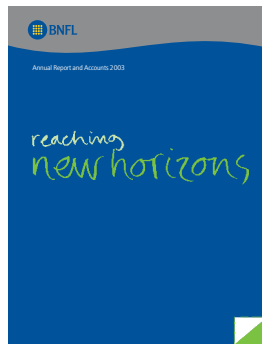
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other publications



Annual Review 2003: a summary of our financial and operational performance for the year.



Annual Report and Accounts 2003: a more detailed look at our financial and operational performance.



Environment, Health and Safety Report 2002-2003: an in-depth review of our health, safety and environmental performance over the year.



Discharges and Monitoring of the Environment in the UK Annual Report 2002: this report supplements the company's EH&S Report with more detailed information on discharges and monitoring in the UK operations.

www.bnfl.com

for further information about BNFL and our subsidiary companies, visit our website.

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