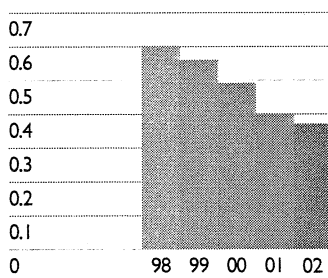


## Safety, health and the environment

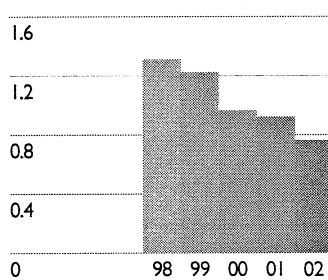
### Overall safety performance

|                                       | 2001 | 2002 | Improvement |
|---------------------------------------|------|------|-------------|
| Lost workday case rate                | 0.40 | 0.37 | 8%          |
| Total recordable case rate            | 0.92 | 0.76 | 17%         |
| Passenger car avoidable accident rate | 2.14 | 1.72 | 20%         |
| Truck avoidable accident rate         | 2.15 | 2.13 | 1%          |

### Lost workday case rate



### Total recordable case rate



The BOC Group takes its safety, health and environmental responsibilities seriously, and strives in all its business dealings to operate safe working practices, eliminate incidents and to ensure it causes no harm to people or the environment. The Group's commitment on this front is best illustrated by the breadth of measures taken to equip employees with training and the appropriate tools.

A dedicated Safety, Health, Environment and Quality (SHEQ) department ensures the Group has a deliverable policy, is proactive in its risk assessment and professional in its remediation.

BOC has well-established programmes governing SHEQ performance. These standards and procedures are already firmly embedded in the Group's global Integrated Management Systems and Standards (IMSS) database. IMSS disseminates the Group's SHEQ policies through the BOC intranet, outlining the minimum standards and actions needed to align with or conform to ISO 9000 (quality assurance), ISO 14001 (environmental) and ISO 18001 (health and safety) management systems as well as the International Safety Rating Systems (ISRS).

The management of safety and environmental performance is measured in the same way as are other key business parameters. Indeed, the pursuit of rigorous safety and environmental measurement procedures in recent years has contributed significantly to an improvement in the Group's overall business performance. As a result, BOC has improved efficiency with a reduced accident rate, fewer lost workdays, a greater recycling take-up, better energy conservation and less waste from the Group's production and distribution processes.

### Safety

BOC manufactures and distributes some products that are potentially hazardous, being stored at very low temperature or under pressure, with some exhibiting toxic or flammable properties. BOC is committed to practising and communicating safe operations around the world as part of its commitment to robust product stewardship. It is as important for the Group to transmit safe working methodologies to customers and suppliers as it is to have clear, entrenched and measurable performance standards practised by all BOC plants, depots and distributors, regardless of plant, product or service.

Each business unit in each region has a safety function, which is aligned with the unit's business activities and connected to the Group's other safety functions by a peer group network. This ensures that global best practice and the business' functional requirements are always at the forefront.

Controlling process-related risks is of the utmost importance. Any incidents that do occur are thoroughly investigated and the lessons learned applied throughout the organisation to minimise the likelihood of recurrence. Safety lessons are shared throughout the gases industry and BOC continues to participate fully in the development and application of industry-wide codes.

BOC has instigated a five-year plan to halve the Group's accident rate. A five-year strategy has been developed to enable these overall goals to be achieved and this strategy has been cascaded to regional businesses for local input. The main items underpinning the strategy are implementing, communicating, measuring and reporting best practice as well as training, competence and behavioural management systems.

Training and competence of BOC employees is continually improving as the Group's IMSS package is rolled out globally, ensuring best practice is applied within all businesses.

As part of its five-year strategy, BOC is implementing a behavioural safety programme to improve significantly safety performance across the organisation. This programme will look at subjects such as management leadership in safety and the safety behaviour of individuals.

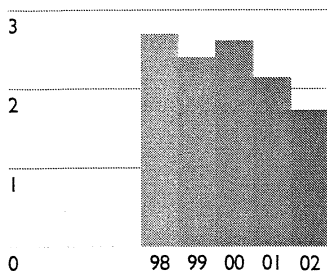
Significant improvements were recorded across all of the Group's key safety performance indicators with good results in the reduction of total recordable incidents and passenger car accidents.

As in every year, BOC takes steps to prevent and address the underlying causes of serious accidents as well as to ensure employee security in the workplace. The Group uses four principal indicators to provide a consistent measure of its workplace and vehicle safety performance.

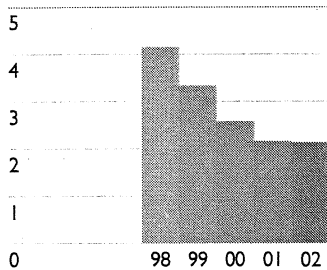
These are:

- Lost Workday Case Rate (LWCR) per 200,000 hours. This includes all accidents resulting in the loss of one complete day of work, according to best international practice. Many companies only report cases resulting in three or more lost workdays as deemed reportable under RIDDOR regulations.
- Total Recordable Case Rate (TRCR) per 200,000 hours. This includes all LWCs and medical treatment cases.
- Passenger Car Avoidable Accident Rate (PCAAR) per million miles.
- Truck Avoidable Accident Rate (TAAR) per million miles.

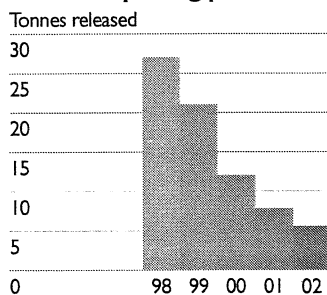
**Passenger car avoidable accidents per million miles**



**Truck avoidable accidents per million miles**



**Ozone depleting potential**



**Occupational health and hygiene**

BOC requires its businesses around the world to manage employee health activities in accordance with local laws and regulations and according to BOC's own codes of practice. The Group's occupational health and hygiene activities continue to provide a global service, striving to eradicate the organisation's work-related health hazards and in addition, ensure that those who travel internationally on Group business are properly protected against disease and that the medical requirements of visas and work permits are met.

A 'wellness' programme in the UK continues to deliver benefits, due largely to the identification and treatment of high cholesterol and blood pressure amongst employees.

A global approach to minimising employee health risks from our operations is now being pursued through the Group occupational hygiene function which has been incorporated into the Group SHEQ departmental responsibilities. The strategy has been to ensure all operations are reviewed for health risks and appropriate preventative measures and programmes are standardised and applied across the Group as best practice initiatives.

Access to global guidance on occupational hygiene, together with manuals, training videos and safety data sheets, is available on a dedicated intranet site.

Jeff Elphick, Group occupational hygiene manager, is President of the British Occupational Hygiene Society for 2002/3 and is Chief Examiner for the profession.

**The environment**

Although classified in the 'chemicals' sector, BOC does not have the same direct or significant environmental issues to deal with as traditional chemicals manufacturers. The nature of BOC's activities and the type of chemicals handled are quite different. However, in line with other industries, BOC has a commitment to the conscientious stewardship of its products and services.

Management of environmental issues that are relevant to the Group's businesses are overseen by the SHEQ department operating at global and local business unit level. Group environmental strategies have continued to help to improve business performance in sites across the world. Many BOC business units have programmes to achieve ISO 14001 environmental certification. The Group has 30 sites in different lines of business certified to this standard ranging from BOC's air separation unit at Jamshedpur in India, operations at Barbosa in Venezuela, which gained ISO 14001 in 2001, in Mexico, at the site of the largest nitrogen plant in the world, as well as the site at Gebze in Turkey which gained the first integrated ISO 14001 and ISO 9000:2000 certification in that country.

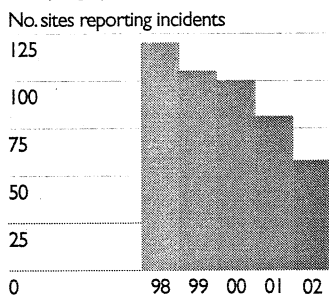
The SHEQ department – which oversees Group interests and performance – continues to pursue a programme to integrate environmental performance goals into BOC's management performance contracts and develop global best environmental operating practices. A global environment working group was set up this year to develop these practices in areas such as waste and environmental management. The environment working group implemented new communications to manage the structured transfer of best practice and a five-year strategic plan.

BOC has operated a comprehensive environmental survey programme of its sites for over ten years. The annual survey highlights issues relevant to the business and assesses how well they are being managed. Objectives for improved performance remain an integral part of business performance contracts.

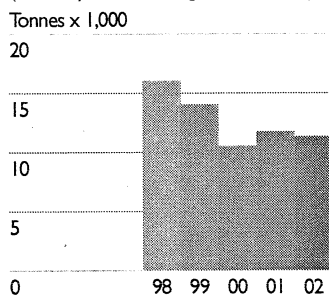
The transport of product by road has a potentially significant environmental impact. BOC operates its vehicle fleet to the highest environmental standards. The UK businesses, which operate 2,000 large delivery vehicles, implemented a fuel efficiency programme that led to an annual saving of more than £340,000 in fuel consumption costs and a significant reduction in carbon dioxide emissions.

BOC's commitment to environmental stewardship and partnership is shown in its approach to new plants, facilities and services. For example, due to the rapid growth in worldwide demand for natural refrigerants, the distribution network of our range of hydrocarbons was extended to the Philippines, Malaysia and Thailand this year. East Asia is a key market for air conditioning and refrigeration with users eager to extend their range of solutions that minimise industry's contribution to global warming. Also, BOC's hospitals business in South Africa undertook a wide-ranging energy review programme focusing on efficient site water utilisation, space heating, steam production, air conditioning and energy load management systems. One outcome of this programme was the installation of solar panels at the Brenthurst hospital to assess and implement alternative renewable energy sources.

**Non-compliances**  
(violation of laws, complaints and spillages)



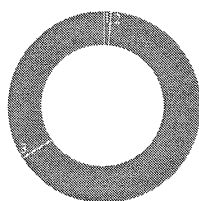
**Hazardous waste**  
(variability in national legal classification)



**General waste disposal 2002**

Total 84,120 tonnes

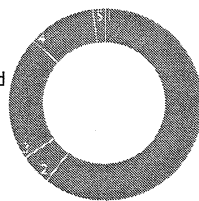
- 1 Incinerated
- 2 Landfilled
- 3 Recycled



**Types of general waste**

Total 84,120 tonnes

- 1 Garbage
- 2 Glass
- 3 Metals
- 4 Paper and card
- 5 Plastic



BOC aims to comply fully with all material environmental laws and regulations. No fines or prosecutions for breach of any environmental regulation were incurred and BOC was compliant with external standards, but did not comply with all internal codes or practices.

The US Environmental Protection Agency has named The BOC Group Inc as a potentially responsible party for clean-up costs at a number of hazardous waste sites. Although liability for the remediation of such sites may be legally imposed without regard to the quantity of waste contributed, based upon the information available management believes that it is unlikely that any costs incurred will be material to the Group.

BOC continues to contribute technology and processes to meet the environmental needs of customers who are striving to improve their own environmental performance. The increase in the demands set by environmental legislation also presents BOC with a number of potential business opportunities. BOC's eco-efficiency technologies include the Vitox oxygen injection system, which improves water quality and can, for instance, help fish farmers improve production rates. BOC has also patented systems to recover carbon dioxide from other companies' productive processes and put it to constructive use. For example, carbon dioxide is infused in drip-irrigation water or used to enrich atmospheres to enhance crop growth. The glass and metals industries use BOC's oxy-fuel burners to increase the efficiency of combustion, using less fuel and reducing polluting emissions. BOC also installed its first Burnjector technology in Australia for the leading manufacturer of steel products at its steel scrap recycling plant. The BOC-patented Burnjector is an oxy-fuel burner, oxygen lance and chemical reactor system. The Burnjector system enhances the energy efficiency, productivity, environmental performance and safety of the electric arc furnace.

BOC continues to develop technology that is more energy efficient, which helps to support customers and partners meet their carbon dioxide emission reduction commitments under the Kyoto protocol on climate change. In 2002, BOC launched a mobile oxygen barge in Shanghai, China, to help in the rehabilitation of the most polluted stretch of river in China, Suzhou Creek – an excellent example of BOC's commitment to delivering global environmental solutions.

The Group continues to work actively with its stakeholders – customers, suppliers, employees, investors, local communities and governments – to ensure environmental issues are approached responsibly and supported actively. BOC sponsored the second BOC Environment Award at the Institute of Chemical Engineers' annual award ceremony in September. The award was given to Phillips Petroleum's project to decommission the oil production platform Maureen, which was refloated, towed to safety, cleaned, deconstructed and the parts reused or recycled – a first under new UK environmental laws.

Underlining the Group's adherence to sound, internationally attested environmental practices, BOC is a signatory to the UN's Global Compact in support of human rights, labour and environmental principles. The continuing importance of global compliance, corporate social responsibility and sustainability amongst BOC's wider stakeholders means that BOC has continued to review and adapt its business practices appropriately by reviewing policies, training and implementation programmes and processes. In Europe and the Americas, BOC supports the chemical industry's Responsible Care programme. BOC also continues to participate in the Business in the Environment survey for the UK. This year the Group improved its overall survey score achieving 76 per cent against 71 per cent in 2001.

**The BOC Foundation for the Environment**

The UK-based BOC Foundation for the Environment, which was established with an initial injection of £1 million in 1990, has so far supported more than 110 projects focusing on waste management, water quality and pollution control. Since the Foundation's inception BOC has donated £3.5 million. This year the company contributed £214,000 to Foundation projects, bringing the combined funding for projects from BOC and its co-sponsoring partners to more than £11 million since 1990.

## Research, development and information technology

### **Research and development**

Research and development (R&D) is conducted around the world with key sites located in north America, the UK and Japan. The Group Technical Centre in Murray Hill, New Jersey, continues to be a primary R&D location for market applications for Process Gas Solutions.

During the year BOC combined its process plants research and development capabilities related to the production of industrial gases, which were based in Murray Hill, with those of Linde Engineering. The resulting Linde BOC Process Plants operation covers all engineering aspects from initial engineering studies, through construction, to commissioning of a full range of plants: air separation, hydrogen and carbon monoxide generation and purification, helium liquefaction and recovery and other refinery and chemical facilities. It has access to technology from The BOC Group, Linde AG and third parties.

The growing need for H<sub>2</sub>/synthesis gas by the chemicals and petroleum industry will be met by production technology from Linde BOC Process Plants. In addition, BOC is developing various process technologies based on ceramics for the production of H<sub>2</sub> and synthesis gas. Some of these technologies have already been successfully demonstrated in pilot scale and have the potential to reduce the cost of production substantially. During the past year BOC has arrived at novel and improved ways to dissolve and react gases in liquid, resulting in better ways to freeze food products and options to address the CO<sub>2</sub> sequestration issue.

BOC Edwards' development efforts are focused on a broad product portfolio of equipment, materials and services for semiconductor, industrial and scientific customers. Technology investment is based on an understanding of future industry requirements, with the International Technology Roadmap for Semiconductors being a key guide for semiconductor development. Two examples of technology programmes in the semiconductor area which address emerging industry needs are the development of new cleaning technologies using supercritical CO<sub>2</sub> and the use of on-site generated fluorine for applications in process chamber cleaning.

The chemical management division of BOC Edwards has expanded its range of advanced systems for copper technology. Technology obtained from the recently acquired Semco business enables increased flexibility and accuracy in blending, thereby allowing tool designers and semiconductor process engineers to customise process steps on a wafer-by-wafer basis, increasing wafer yields and device robustness.

The acquisition of Hydromatix Inc has contributed several new, patented metal removals technologies to our semiconductor exhaust management capabilities. These technologies are being applied to the treatment of chemical mechanical planarisation and metal plating bath waste streams using a patent-pending process which combines ion exchange, catalysed oxidation of organic compounds, electrowinning of metals, and concentration of chemicals using sophisticated membrane techniques.

The electronic materials product division continues development programmes on materials designed to meet the increasing purity requirements for the storage and delivery of gases and liquids. Low dielectric constant materials that address current applications are available while other programmes address longer term ultra-low dielectric constant materials trends. Special in situ sensors have been introduced for enhancing productivity in the semiconductor fab manufacturing environment.

A significant programme with a leading lithography tool manufacturer is aimed at solving vacuum problems for EUV (extreme ultraviolet) lithography tools, projected to be needed in 2006. In the near term, development is underway to create the ultrapure gas systems needed for 157 nm lithography tools.

Core development in the vacuum products division continues in areas of reduced 'cost of ownership', noise and vibration as well as pumping capability for next generation process tools for sub 0.1 micron line widths and beyond. The acquisition of the turbomolecular pumps division of Seiko Instruments brings in-house, turbomolecular pump design capability for advanced blade features and advanced magnetic-levitation. Technology suitable for large industrial pumping applications, obtained by acquiring the vacuum and pressure business of the Smiths Group, broadens the overall portfolio.

Throughout the last year, semiconductor industry focus has continued on achieving lower cost per bit with reduced environmental emissions. BOC Edwards technology has focused on ensuring that its range of products and services meet and, where possible, anticipate these requirements to position us for leadership in our areas of activity.

Total R&D expenditure in 2002 was £47.0 million, compared with £59.7 million in 2001 and £59.2 million in 2000.

### **Information technology**

Customers continue to benefit from the extension by BOC of so-called 'portal' technology to new market groups. Targeted customers in the UK, Australia and New Zealand now have on-line access to services tailored to their business needs. As a customer in its own right, BOC has applied e-commerce techniques such as on-line reverse auctions and horizontal buying groups to help manage its supplier base more effectively.

In 1994 BOC chose SAP to supply its business computing system and last year continued to roll-out the system to more businesses in Asia, north and south America and Europe. A global data centre was set up in the UK. This is capable of managing all transactions from BOC's SAP-based systems around the world, passing data over the Internet. BOC has also established a software development centre in Australia to ensure programs developed for SAP and other applications are supported as cost-effectively as possible.

## Corporate governance

The BOC Group is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the board supports the highest standards in corporate governance.

### **Board and committees**

The board comprised five executive directors including the chief executive and six non-executive directors including the chairman at 30 September 2002. Roberto Mendoza was appointed as an additional non-executive director on 9 October 2002. Biographies of each of the directors and their board committee memberships can be found on pages 8 and 9. The non-executive directors bring a wide range of experience and expertise to the board and are all considered by the board to be independent. Göran Lundberg is the senior independent director, having been appointed to this role in November 2001. The roles of chairman and chief executive are separate. This has been the case since 1994.

There is a formal schedule of matters reserved to the board which includes the review of strategic and policy issues. These matters are reviewed annually at a combined board and strategy meeting lasting over a period of two days, with updates provided to the board on a regular basis. The board meets six times a year, with two meetings being held at major operating subsidiaries of The BOC Group, one at a location outside the UK.

There are six principal board committees and further details can be found on page 9. All the independent non-executive directors are members of both the audit and management resources committees with the exception of the independent non-executive chairman who attends by invitation. The nomination committee comprises all the independent non-executive directors and the chief executive.

In addition to ensuring the timely issue of board meeting papers, regular reports on the company and market sector activity together with updates on governance and regulatory matters affecting BOC are provided to the board.

All directors have access to the advice and services of the company secretary and there is a well established procedure enabling any director, in the furtherance of his or her duties, to seek independent professional advice at the company's expense.

The Group has long recognised the vital role that non-executive directors have in ensuring high governance standards and the BOC board has for many years had a significant non-executive element of high calibre. The nomination committee identify, evaluate and nominate candidates to fill vacancies for approval by the board as a whole. Non-executive directors are initially appointed for a three year term after which their appointment, whilst not automatic, may be extended subject to mutual agreement and shareholder approval.

The non-executive directors have full access to both management and internal and external auditors, and are encouraged to stay fully abreast of the Group's business through site visits and meetings with senior management. Training and briefings are available to all directors on appointment and subsequently, as necessary, taking into account existing qualification and experience.

During October 2002 the directors completed a self evaluation which included a review of processes and arrangements for the board and the audit, management resources and nomination committees. The findings and recommendations for change are currently being implemented including a more comprehensive training and induction programme for directors.

### **Directors and officers**

The directors holding office at the date of this report are named on pages 8 and 9. Each of the following new non-executive directors were appointed: Rob Margetts on 4 October 2001, Fabiola Arredondo on 8 November 2001, Matthew Miao on 23 January 2002 and Roberto Mendoza on 9 October 2002.

At the conclusion of the Annual General Meeting held on 18 January 2002 Sir David John stepped down as chairman. He also retired as a non-executive director, as did Howard Macdonald and Harry Groome.

The officers of the company are the executive directors and other members of the executive management board as named on pages 10 and 11. All held office throughout the year ended 30 September 2002 and there have been no changes up to the date of this report.

#### **Directors' remuneration**

The management resources committee review and make recommendations to the board on remuneration policy. A report on remuneration is set out on pages 56 to 63.

#### **Communications with shareholders**

The board considers communications with shareholders, whether institutional investors, private or employee shareholders, to be extremely important. Results are published quarterly, and half year and annual reviews are sent to all shareholders. A copy of the full report and accounts is available by election or on request. The Annual General Meeting provides an opportunity for shareholders to question directors. The chairmen of each of the board committees are present at the meeting. During the year responses are given to letters received from shareholders on a variety of subjects. There is a programme of regular dialogue with major institutional shareholders and fund managers.

The company's website ([www.boc.com](http://www.boc.com)) provides financial and other business information about The BOC Group.

#### **Accountability and audit**

Statements of the respective responsibilities of the directors and auditors for these accounts are set out on pages 64 and 65.

To enhance further the confidence of investors in the independence of the independent auditors and their report, the board of BOC has introduced a policy that defines which other services PricewaterhouseCoopers may or may not provide to BOC. The policy requires the provision of these services to be approved in advance by the audit committee of the board. A full statement of the fees paid for audit and non-audit services is provided in note 2 c) to the financial statements.

#### **Risk management and internal controls**

This statement of compliance with the Combined Code on Corporate Governance in respect of risk management and internal controls is in line with the arrangements set out by the UK Listing Authority.

The board has overall responsibility for the Group's system of risk management and internal controls.

The schedule of matters reserved to the board ensures that the directors maintain full and effective control over all significant strategic, financial, organisational and compliance issues.

**Risk management** The BOC risk management programme assists management throughout the Group to identify, assess and mitigate business risk.

Introduced in 2001, the risk management programme is supported by a dedicated central team of risk specialists. To ensure all parts of the Group have a firm understanding of risk, the central team has led over 100 risk workshops and reviews around the world in the past two years. These risk assessments have been broad, covering: risks in strategy; risks in achieving commitments contained in performance contracts; risks in organisational change; risks associated with major projects; and risks involving acquisitions. The risk management process operates throughout BOC and is applied equally to the global lines of business, the business units and corporate functions.

The output from each assessment is a list of prioritised risks with associated action plans to mitigate them. Line managers are responsible for these action plans and their progress is reported, as required, as part of their performance contract reviews.

As part of the strategy review conducted in 2002, BOC has identified six areas that have to be managed well to achieve our objectives. These are; managing growth within a competitive environment, managing the challenges in Asia, the semiconductor cycle, pricing and productivity, managing change successfully and understanding the global economic environment and its impact on BOC's plans.

A report is made to the board twice a year. Line of business chief executives made presentations to the board in May and October 2002, covering actions which had been completed and the status of continuing action plans to manage the Group's key risks. The risks reviewed include those described in the risk factors section on pages 29 and 30.

BOC views risk management as integral to good business practice. The programme is designed to support management's decision making and to improve the reliability of business performance. BOC will continue to embed the management of risk into all its management processes.

**Internal controls** The directors have delegated to executive management the establishment and implementation of a system of internal controls appropriate to the various business environments in which it operates. The Group operates under a system of controls that has been developed and refined over time to meet its current and future needs and the risks and opportunities to which it is exposed. These controls, which are communicated through various operating and procedural manuals and processes, include but are not limited to:

- the definition of the organisational structure and the appropriate delegation of authorities to operational management.
- procedures for the review and authorisation of capital investments through the investment committee including post-acquisition reviews and appraisals.
- strategic planning and the related annual planning and re-forecasting process including the ongoing review by the board of the Group's strategies.
- the establishment of individual business unit annual performance targets and the quarterly business review of actual performance.
- the monthly financial reporting and review of financial results and other operating statistics such as the health and safety reports as well as the Group's published quarterly financial statements, which are based on a standardised reporting process.
- accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the Group's accounting records.
- specific treasury policies and objectives and the ongoing reporting and review of all significant transactions and financing operations.

The internal control system is monitored and supported by an internal audit function that operates on a global basis and reports its results to management and the audit committee of the board on the Group's operations. The work of the internal auditors is focused on the areas of greatest risk to the Group determined on the basis of a risk management approach to audit.

There have been regular reviews by the audit committee of the board of the effectiveness of the Group's overall internal control processes throughout the year and up to the date of this report and accounts.

The directors therefore believe that the Group's system of risk management and internal controls provides reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or would be detected within a timely period.

Having reviewed its effectiveness, the directors are not aware of any significant weakness or deficiency in the Group's system of internal controls during the period covered by this report and accounts.

#### **Disclosure controls and procedures**

The Group chief executive and Group finance director, after evaluating the effectiveness of the Group's disclosure controls and procedures (as defined in US Exchange Act Rules 13a-14(c)) within 90 days of the date of this report, have concluded that, as of such date, the Group's disclosure controls and procedures were effective to ensure that material information relating to the Group was made known to them by others within the Group particularly during the period in which this annual report and accounts was being prepared.

There were no significant changes in the Group's internal controls or in other factors that could significantly affect these controls subsequent to the date the Group chief executive and Group finance director completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Group's internal controls requiring corrective actions.

#### **Going concern**

The directors' report on going concern is included in the finance and treasury review on page 50.

#### **Compliance**

The board has applied the principles contained in section 1 of the Combined Code on Corporate Governance appended to the UK Listing Authority Listing Rules and during the year has moved to a position of full compliance in the following areas:

- a) on 8 November 2001 Göran Lundberg was appointed to the role of senior independent non-executive director; and
- b) the share award plan, established in 2000 following the lapse of the offer by Air Liquide and Air Products to provide a mid-term incentive for senior managers, vested in June 2002. No further awards have been, or will be, made under the plan. Further details can be found on page 58.

With regard to executive directors' service contracts, the company has recently moved to a policy for all executive directors, which policy is in the course of being implemented, of service contracts that can be terminated by the company on one year's notice and an explanation can be found on page 58.

Directors submit themselves for re-election at regular intervals and at least every three years in accordance with the company's Articles of Association and the Combined Code.

### Corporate social investment

In 2002, The BOC Group's corporate social investment programme had three key objectives. The first was to continue to focus on projects designed to improve environmental stewardship. The second was to continue to devolve the choices of social investment donations to our employees. The third was to broaden the organisation's involvement in social programmes around the world.

BOC made a number of positive contributions to environmental projects including the BOC New Zealand Community Environmental Grants Programme which provides assistance to schools and community groups. Together with the New Zealand Water Environment Research Foundation, we now manage a scheme providing funding to help communities maintain, protect and improve their water environment.

Our environmental flagship remains the UK-based BOC Foundation for the Environment, which was established with an initial injection of £1 million in 1990. The Foundation has so far supported 110 projects focusing on waste management, water quality and pollution control. This year, the Group contributed £214,000 to the Foundation and saw 11 new projects come on stream. Since the Foundation's inception BOC has donated £3.5 million. Combined funding from BOC and its co-sponsoring partners now exceeds £11 million.

As in previous years, BOC has managed a balanced charitable donations programme in which we direct our resources at areas where we feel we can make a difference or where our employees have a direct involvement. Social investment projects around the world have increased in number since last year and retain a local context.

In 2002, BOC made charitable donations totalling £1.28 million including £458,000 to UK-registered charities through direct donations from the company and matched giving. As in previous years, no political donations were made in the UK.

At a local level, BOC employees have continued to involve themselves in charitable fundraising and voluntary support. To this end, our matched giving scheme again proved its worth as a way of aligning corporate funding with the personal generosity of BOC employees. Matched giving schemes have been operating in the UK, the Americas and the south Pacific for some time, but this year there has been a marked increase in employee involvement. In the course of 2002, BOC in the UK donated a record £245,000 (included in the UK total above) through the Charities Aid Foundation to match employee beneficence – a rise of 38 per cent on the previous year. In the US, BOC's employees contributed a record sum equivalent to £80,000.

In addition to the numerous causes supported through matched giving, we also supported a number of projects on a Group basis, including the Royal British Legion, Children's Direct Aid and ProShare. We also launched the BOC Emerging Artist Award in March to encourage and support a committed UK-based artist for a year. We were delighted with the interest this received and are pleased to say the 2002 award was won by Royal College of Art graduate Simon Keenleyside, from Raleigh, Essex. Simon emerged as the overall winner of the £20,000 bursary from nearly 200 other young artists from across the UK.

Outside the UK, the development of community programmes also rests in the hands of our local companies, each one being responsible for its own project selection and funding. This devolved approach, both inside and outside the UK, has resulted in the funding of a rich variety of programmes that are truly relevant to the communities in which BOC companies operate.

In the US, through a combination of financial support and many hours of volunteer involvement, BOC and its employees continued to assist the United Way charitable appeal, helping to make a difference in many deprived sectors of the community.

BOC in the US also pursued a number of other projects including a Science Can Be Fun day for teenagers, a day spent building wheelchair access ramps to allow disabled girls to attend Girl Scout summer camps and a drive to collect used mobile phones to be distributed to local women at risk from domestic abuse.

In the south Pacific, our employees requested that the company matches their fundraising in relation to three charities a year. In Australia, employees chose the Salvation Army's Red Shield Appeal, Daffodil Day, a fundraising event for cancer research, education and patient support, and Jeans for Genes, an international campaign that raises funds for research into genetic disorders. In New Zealand, our employees selected Daffodil Day, the Westpac Rescue Helicopter and the Society for the Prevention of Cruelty to Animals.



BOC in Australia already has an established relationship with the Malcolm Sargent Cancer Fund for Children. BOC employees have renewed and deepened this relationship with additional financial contributions and employee support through volunteering and fundraising activities.

In South Africa, BOC's subsidiary Afrox and its staff continued to support the company's community involvement process, which includes the management of 115 projects to improve the lives of disadvantaged young people. Once more, the highlight of the year was Bumbanani (meaning 'let's build together') Day when 8,000 children attended events hosted by BOC staff. This year, in celebration of Afrox's 75th anniversary, the company contributed an additional £96,000 to its social investment fund, increasing its Bumbanani activities and lifting the sum spent on good causes to £192,000. This year's Bumbanani activities reached 1,000 more children than they did last year.

In addition, Afrox hospitals engage in a wide range of health care and safety initiatives, including sponsorship of the South African Heart Foundation. This year, the first Mended Hearts support group and cardiac rehabilitation team to assist people in their recuperation and rehabilitation after heart surgery, was launched in Cape Town from the Vincent Pallotti hospital.

Some Afrox hospitals have a special outreach in the form of rape crisis centres. Medical examinations are conducted in a non-threatening environment with the emphasis placed on maintaining the dignity of the victim. Preventive medication is given for the contraction of sexually transmitted diseases as well as antiretroviral drugs.

BOC and its employees have also been active in many other markets. BOC in Pakistan, for example, has been running a social investment programme for some time, particularly in support of leading medical institutions. This year, support continued for: the Layton Rehmatulla Benevolent Trust, an organisation dedicated to providing free eye care; the Marie Adelaide Leprosy Centre; the Shaukat Khanum Memorial Cancer Hospital, the first institution in Pakistan dedicated to cancer treatment; and the Aga Khan Medical Hospital and Foundation. BOC was one of the founding contributors to the Aga Khan Foundation which runs a world class university hospital affiliated to the Harvard Medical School.

In Venezuela, we donated funds and helium balloons to schools and orphanages and breathing oxygen to local fire stations. In Curacao, we channel support through the local Rotary Club and contributed to various youth education and care for the elderly projects. In India, we made a number of contributions across a range of community welfare interests.

#### **Annual General Meeting**

The Annual General Meeting will be held at the Institution of Electrical Engineers (Lecture Theatre), Savoy Place, London WC2R 0BL on Friday 17 January 2003 commencing at 11.00 am. The Notice of the Annual General Meeting, which includes explanations of all resolutions, is contained in a separate circular which is being sent to all shareholders more than 20 working days before the meeting.

Resolutions will seek approval to the following:

- a) receipt of the report and accounts;
- b) reappointment of Matthew Miao, Roberto Mendoza, Göran Lundberg, René Médori, and 'Raj' Rajagopal as directors;
- c) reappointment of PricewaterhouseCoopers as auditors and granting authority to the directors to fix their remuneration;
- d) the dividend policy;
- e) the directors' remuneration report and the remuneration policy;
- f) amendment to the rules of the all-employee share option scheme;
- g) establishment of a new long-term incentive plan and executive share option scheme;
- h) political donations and expenditure pursuant to the Political Parties, Elections and Referendums Act 2000;
- i) renewal of the authority of the directors to allot shares;
- j) renewal of the authority for the directors to allot shares for cash other than to existing shareholders in proportion to their holdings; and
- k) granting of general authority for the company to purchase its own shares up to a maximum of ten per cent of issued share capital. No purchases were made following last year's authority.

The report of the directors has been approved by the board and signed on its behalf by:

**Nick Deeming** Secretary  
Windlesham, 22 November 2002

## Responsibility of the directors

### For preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the Group at the end of the year and of the profit or loss for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have general responsibility for taking reasonable steps to safeguard the assets of the company and the Group and to prevent and detect fraud and other irregularities.

A copy of the financial statements of the company is placed on the website of The BOC Group plc. The directors are responsible for the maintenance and integrity of statutory and audited information on the company's website. Information published on the Internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.