

Overview of 2008

(Circumstances relating to the recession experienced during 2008 have slightly curtailed this report)

As the year progressed into the autumn it became apparent that the depth of the recession exceeded even the most pessimistic projections at the mid-year stage. The rate of decline in demand for bricks for housing projects was unprecedented in living memory and painful decisions were made to down-size our operations to suit the marketplace that we found ourselves in. Consequently at the year end three factories were scheduled for permanent closure (Tannochside – our only factory in Scotland; Roughdales near St Helens and Funton in Kent) and a fourth factory was scheduled for a temporary closure that will extend well into 2009.

Several of the remaining factories also had extended temporary closures in the run up to Christmas and into early January 2009. Other construction materials suppliers found themselves in a similar market position. Forecasts for 2009 do not indicate any significant change in market activity.

2008 was our first year in the EU Emissions Trading Scheme (EU ETS) Phase 2 which runs from 2008-2012. We are also participants in the UK Government Climate Change Agreement scheme (CCA). As I have commented on previous occasions the two schemes run on *entirely different criteria*. Consequently they also give entirely different outcomes, as is indicated below:

Under UK CCA our specific energy consumption per tonne of saleable product (which is an indication of the efficient use of energy) deteriorated due solely to lower kiln output rates and in order to meet our 2008 energy target we had to purchase UK ETS carbon credits. Conversely, our performance under EU ETS has shown us to be very comfortably within our annual targets for Carbon Dioxide emissions to atmosphere. Another phase of CCA begins in 2011 and runs until 2017, EU ETS Phase 2 ends in 2012 and it remains unclear whether all or some of our individual production sites will participate in the next phase of EU ETS which runs from 2013 onwards. Aligning our future operations and investment plans to meet the targets set by both schemes simultaneously is likely to be a very trying subject.

For almost all the second half of 2008 the management team was preoccupied with issues relating to the deteriorating marketplace and realigning the company's operations to suit. Many environmental projects that we had hoped to fulfil were placed "on hold" whilst the focus was placed firmly on energy usage which remains a significant cost to the business.

On a positive note the number of environmental complaints received reduced considerably and we completed a very comprehensive retraining programme on environmental awareness for all employees.

Environmental Management Systems

During 2008 all Ibstock Brick Ltd manufacturing sites were deemed to continue to be compliant with ISO 14001 by third party inspection. We also maintained our registration of the Pinhoe site during the period and this remains a strategic site for dispatching brick stocks. Our site decommissioning procedures were once again put to the test for the closure mid year of Tannochside, SEPA have raised no significant issues with us and this demonstrates that our procedures are robust.

Work was started on a carbon footprint for the business as a whole but this had to be suspended for the reasons given above.

Board Member with responsibility

The Technical Director continues to have executive responsibility for environmental matters.

The Environmental Continuous Improvement Working Group (ECIWG) met only once in 2008. The second meeting was abandoned for reasons given above. It is chaired by the Sustainability Manager and has three members of the Ibstock Brick Ltd Board together with the Company Secretary, as attendees.

Corporate Environmental Policy

- The policy is freely available for downloading on the Company Internet site at: <http://www.ibstock.com/sustainability-more-info.asp>

Corporate Environmental Targets for 2008

A review of progress towards the 2008 targets was conducted early in 2009:

1. Publish KPIs for CO₂/m² total emissions and fossil fuel only; Tonnes of waste sent to recovery per 1,000 tonnes production; Tonnes of waste sent into landfill per 1,000 tonnes production; m³ of mains water used per 1,000 tonnes of production; number of environmental complaints; recycling of metals and oils. *It was decided that 2008 data was unrepresentative due to site closures and the variable impacts of temporary closures and reduced production levels etc. Indices will be published once normal production levels have resumed.*
2. Re-train all operatives and Team leaders with revised environmental awareness training packages. *All sites requesting training had been completed.*
3. Nurture and expand community liaison groups at all Ibstock controlled sites. *Communities in general appear to be interested in discussing particular issues rather than having regular meetings as such. It is now policy that groups will be formed once any issue arises at a site that requires discussion with local communities or (as now) upon any request.*
4. Transfer all waste removal activities from waste disposal to waste recovery / recycling. *There had been at least 3 attempts to engage waste contractors in this activity external to Ibstock sites. All required Ibstock personnel to complete separation of materials on site which they would then remove – subject to market prices etc. A Health and Safety risk assessment concluded that there was a significantly increased risk of fire and vermin from medium term storage of such materials. A collapse in the prices of recycled packaging during 2008 dramatically depressed the financial viability of any scheme. There is already in place at all Ibstock manufacturing sites recovery of wooden pallets, spent oils and waste metals and it may be that this is as far as market forces will permit us to progress at this time.*
5. Implement findings from the water discharge best practice demonstration project at Knutton quarry. *This is still being reviewed as potential best practice and it is on hold for reasons given above.*

6. Bring South Holmwood, Ellistown and Birtley into rainwater recovery for process use. Hit 50% of all process use by recovered water by the end of 2008.
S Holmwood and Ellistown converted to recovered water during 2008. Variable production levels have prevented accurate assessment of the % of recovered water in normal operations.
7. Continue to promote the MARSS methodology of recycled content in tandem with the WRAP definitions and use this to inform customers. A revision to the recycled content was necessary during 2008 due to the exclusion of some materials, it continues as a standard environmental item.
8. Continue to explore all possible avenues for alternative energy – including Biomass.
An attempt to expand the amount of Landfill Gas (LFG) generated power at Lord St Helens in 2008 failed due to the lack of reinforcement in the local electricity distribution network, the excess methane is currently flared to atmosphere. Further progress is possible in 2010 at other sites.
9. Continue to press suppliers > £0.5 million value / annum for ISO 14001 compliance.
This item would be passed over to the CRH UK purchasing team to progress.
10. Produce an Ecological Site Management Plan and use as a model at Atlas.
Properties Dept are working on this.
11. Improve videoconferencing facilities (both existing and any new ones).
In view of revised operations this issue is on hold.
12. Introduce an intranet based car-sharing web page for all employees to use.
This was introduced but has received no levels of uptake whatsoever. It is believed that employees already “sort themselves out” with regard to any possibilities for car sharing.

2009 Corporate Environmental Objectives

Due to the continuance of the recession the number of objectives for 2009 are limited as energy reduction is the prime overreaching objective for the company at large.

1. Review company policy in relation to collection and return for recycle of packaging following a small number of requests to do this. This was originally investigated in early 2008 and concluded that demand for it and logistics rendered it unviable. Apparently circumstances have changed slightly.
2. Complete the environmental refresher training of all remaining Team Leaders in 2009.
3. Continue to review the need for new community liaison groups at all site environmental reviews.
4. Review the possibility of compressed air reduction at all sites.
5. Explore the possibility of further LFG generation at two further Istock sites.
6. Continue to press “significant” suppliers to adopt ISO 14001 or BS 8555 to support responsible sourcing.

Review of Discharges into the Environment

2008 was a difficult year for assessing the mass emissions from our kilns due to reduced production and temporary closures. Statutory testing had been conducted at sites whenever requested by the Regulators but this cannot be accurately used to estimate annual discharges.

Collection of data will resume when normal production levels are re-established.

Average Specific Energy Consumption (SEC) and Carbon Dioxide emissions to atmosphere.

During 2008 our SEC figure used for UK CCA purposes per saleable tonne of product deteriorated due to reduced outputs. Despite over some £50 million in investments focused on energy and process efficiencies our energy usage efficiency is now worse than for several previous years. It is impossible to turn this around until we return to normal production levels. To make matters even worse some of our most fuel efficient kilns usually supply that part of the market that has been most affected by the mortgage “famine” prevailing and the consequent lowest UK house building programme since the end of the Second World War in 1945.

In line with European Union Emissions Trading Scheme (EU ETS) rationale, we no longer consider emissions from electricity generation as included within our process definition these are the responsibility of the generators themselves. We estimate that the Carbon Dioxide released by our activities is as according to this breakdown shown below. [Note the apparent significant reduction is due to reduced outputs].

	2008	2007	2006	2005	2004	2003	2002	2001
Tonnes from combustion of Natural Gas.	192,541	235,108	233,876	277,484	292,806	291,777	284,629	290,950
Tonnes from combustion of LPG.	3,835	4,810	4,204	5,049	5,233	5,375	5,202	5,500
Tonnes from combustion of Coke (clamp firing).	3,101	1,742	3,178	4,459	5,618	5,330	5,084	4,941
Total combustion Tonnes Carbon Dioxide	199,477	241,660	241,258	283,629	303,469	302,482	294,915	301,391
Process emissions(see note below)	95,528	136,810	128,176	N/A	N/A	N/A	N/A	N/A
Total CO₂ emissions	295,005	378,470	369,434					

It has only been possible to estimate process emissions since 2006 when a data collection system was implemented in preparation for EU ETS in 2008.

Our principal haulier (Wincanton) continues to report to us that on average total of 5% of bio-diesel is used for our deliveries.

Discharges to watercourses

We have established a matrix of water discharge testing at all of our sites in our internal reporting system. However, the intermittent nature of the volume and concentration of very low levels of suspended solids in water at consented discharge points to controlled waters continues to make assessment of total quantities discharged very difficult. Accurate figures are still not available at the time of publication. No "Red List" substances are discharged at any Ibstock clay brick site nor any List 1 or List 2 substances.

All Ibstock sites have now been mapped for underground drains and all discharge points on all sites are known and are monitored.

All Ibstock sites are fully compliant with the Oil Storage Regulations contained within the PPC Regulations. Contamination of watercourses with traces of oils should be a very remote possibility.

Disposals to landfill etc (all figures in Tonnes / annum)

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Non-hazardous	1,735	2,167	1,903	2,715	2,991	2,980	5,018	3,135	5,000
Hazardous	104	193	200	179	295	271	321	201	Not available
Kiln flue gas cleaning media	547								

Fired brick hardcore is either used for our own purposes as an alternative to primary aggregate for building quarry access roads or it is sold for use as secondary aggregate, some 45 thousand tonnes of primary aggregate was saved by using these non saleable items in this manner.

Hazardous waste

This category of waste is significantly represented by refractory materials in particular ceramic fibres. These are necessary to maintain our energy reduction programme by maintaining high levels of insulation at high temperature interfaces and it is difficult to foresee a substantial reduction in the use of ceramic fibre if the programme is maintained.

Recycling of materials / resources (some estimated figures)

	2008	2007	2006	2005	2004	2003	2002	2001
Water (M ³ / annum)	not avail	111,000	98,000	100,000	95,900	121,584	84,500	68,800
Metals (Tonnes/annum)&	1,101	1,061	1,306	1,133	1,436	1,404	1,500	1,240
Oils (litres/annum)	44,360	66,400	49,750	67,000	103,600	99,500	44,950	6,000
Wood (Tonnes/annum)&	193	232	124	159	313	290	est 200	est 200

& indicates in addition to VALPAK PRO obligation quantity

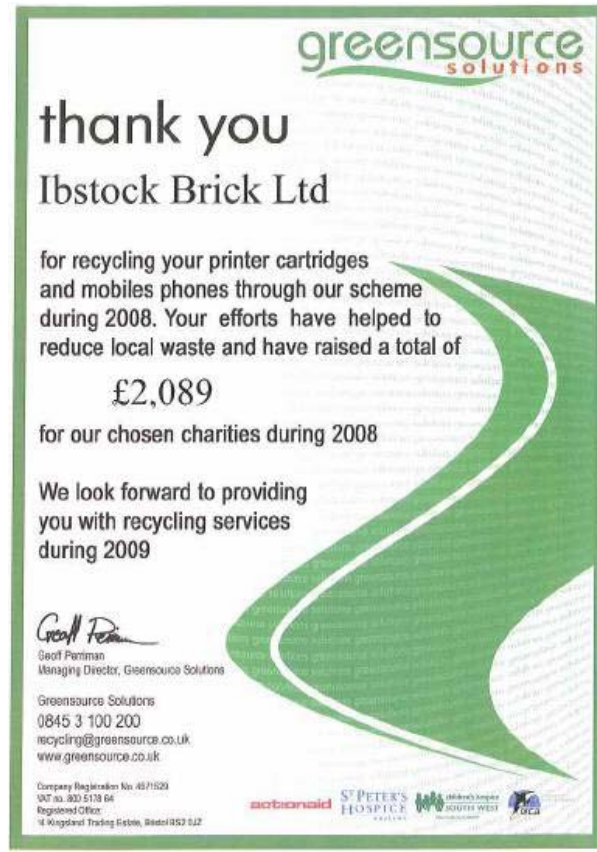
Whilst we added two factories to those recovering and using rainwater for process purposes it proved to be difficult to accurately calculate the gross volume of water recovered. However, we are now closer to our target of 50% of all water consumption once normal production resumes.

NB The quantity of oils sent for recovery is variable year on year as tanks are emptied when nearly full.

Charitable recycling activities.

2008 saw yet another good year for funds donated to ActionAid (now Greensource Solutions) for the toner cartridge and printer cartridge recycling scheme with £ 2,084 for charitable projects, this scheme is operated entirely by one of the Technical Department staff in her own time.

The total collected so far in this scheme is now over £ 12,500.



Internal Environmental Audit

An internal Environmental Audit was conducted at every manufacturing Ibstock site.

There have been no significant environmental non compliances. Continuous improvement groups at each site now have an environmental coordinator.

Environment focused supplier scheme

Some modest headway was made during 2008 yet this stubbornly remains one of the most problematic areas for us to make substantial progress. Some of our suppliers are in a “sole supplier” status and knowingly ignore our requests or only supply the absolute minimum of information when pressed.

We have now passed the task over to the CRH UK purchasing group to press significant suppliers to obtain environmental accreditation within the next 18-24 months (gross annual purchases > £0.5 million except for energy suppliers).

This task is now more important due to the objective of obtaining Responsible Sourcing accreditation to BES 16001 or similar for Ibstock Brick Ltd. A substantial part of this work is aimed upstream in our supply chain.

Employee environment programme

The Board of Ibstock Brick Ltd remain committed to provide IEMA* Foundation Course training to senior managers. External training commitments have been scaled back as a result of the recession and these courses will resume in the future.

* Institute of Environmental Management and Assessment.

To cater for as many employees as possible new environmental awareness training packages were developed and presented during 2008.

Every contractor appointed to carry out work has to accept the Company Contractors rules which contain a briefing on environmental requirements.

Environmental Stewardship

Despite the best endeavours of all employees of Ibstock situations will arise from time to time. 2008 showed a further welcome reduction in complaints received albeit that one was of a serious nature, these complaints are all detailed below. Brief details of all corrective actions are also given.

During 2008 Ibstock Brick Ltd received a total of 7 environmental complaints from all sources eg Ibstock employees, neighbours and regulators. One of these relating to Dalton quarry discharge was significant in as much as a formal caution was issued to us by the Environment Agency. This arose as a result of an attempt to actually improve the quality of the quarry discharge. Whilst re-profiling of the ground was taking place heavy rain ensued and the resultant discharge was several times the authorised limit as the excess waters could not be contained on site. Local management had not informed the EA that this improvement work was taking place and indications are that if they had been informed the EA may not have raised this as a formal caution.

There was also another remarkable incident at West Hoathly in November where Ibstock personnel informed the local EA that domestic central heating oil had been spotted entering a nearby watercourse from a neighbouring house. The EA duly arrived on site and were given active support to clean up the watercourse by Ibstock personnel using our spill kit materials but did not establish the source of this spillage. Whilst on site they expressed concern about a water discharge from our site that was slightly over the consent limit. Authorisation had already been obtained from the EA for this to take place due to exceptionally high water levels on site following heavy rainfall and the risk of flooding surrounding homes and gardens. The EA officers attending the central heating oil spill decided to express their displeasure (in writing) towards Ibstock about an authorised discharge that was in progress to assist our neighbours.....

Table of received complaints is shown overleaf:

Site	Date (2008)	Nature of Complaint	Details / Corrective Action
Ravenhead	<i>February</i>	Diesel spill from contractor's tank. Small amount entered storm water system to Sewage works.	Only small amount lost, Sewage works experienced no problems. Contractor to replace tank.
Laybrook	<i>February</i>	Noise of process alarms	Noise established as a bird scaring device and a process alarm on equipment. Bird scaring device to be turned off at night. Process alarms contained by closed doors in the factory.
Swanage	<i>March</i>	Small volume of Natural Gas lost via leak.	Leak repaired immediately.
Ellistown	<i>March</i>	Noise from factory??	Source not established - may not be Ibstock.
Nostell	<i>April</i>	Mud on main road outside factory during clay deliveries and heavy rain.	Road sweeper brought in to deal with problem.
Ravenhead (Dalton Quarry)	<i>October</i>	Excessive solids in water discharge during work to improve water discharge quality	See above - formal caution issued.
West Hoathly	<i>November</i>	Discharge from site which had been temporarily consented by EA	See above.

During 2008 Ibstock Brick Ltd had a total of 7 totally contained incidents involving fuels or chemicals all of which were promptly dealt with on site. In each case the integrity of the drainage system was maintained and no pollution left site to any watercourse or sewer. The fact that each of these was fully contained is supporting our view that our environmental management systems are generally robust.

During 2008 the following were conducted:

- One Newt survey.
- Six surveys that included Bats, Water Voles and Badgers.
- Two extended habitat surveys.
- One ecology survey.
- One biodiversity survey.

In terms of restoration of sites and related matters during 2008 a total of 1,370 trees were planted at Ibstock sites. Total planted since 1999 is well over 60,000.

Community relationships

Ibstock Brick Ltd together with Cory Environmental Ltd founded the Ibstock Cory Environmental Trust (ICET) in 2001. The Trust uses funds available via the Landfill Tax Credit Scheme to provide grants to approved community projects. At the time of going to press I have no details of funds allocated during 2008.

Stakeholder Communication

Ibstock continues to play a major part in developments in conjunction with Trade Associations. These include consultations on many papers issued by the Environment Agency, DEFRA (Department of the Environment, Food and Rural Affairs) BERR and the newly formed DECC.

Ibstock continues to be a major contributor and supporter of the Brick Development Association (BDA) and the publication of annual KPIs for the industry which are available on the BDA website (www.brick.org.uk).



Further information is available from:

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