About this Report

For the first time at the end of 2006, Bombardier Transportation published a comprehensive Sustainability Report. As part of our commitments with respect to the International Association of Public Transport (UITP) Sustainability Charter, we will issue such sustainability reports at least every second year. In order to reflect changes in performance continuously, we will also publish an abbreviated Occupational Health, Safety and Environment (HSE) data report every other year.

The present HSE report reflects this approach. It should be read in conjunction with the 2005/06 Sustainability Report which is available on our website (www.transport.bombardier.com > About us > Sustainable Mobility).

In the course of the year 2006, Bombardier Transportation has made progress not only in terms of business performance but also with regard to HSE. The figures shown in the present report demonstrate this. 2006 was a year of many accomplishments in HSE, including the presentation of two Environmental Product Declarations (EPD) according to ISO 14025:2006 at the InnoTrans fair in September 2006, and the awarding of Eco-Management and Audit Scheme (EMAS) registrations to the German sites Aachen, Bautzen and Goerlitz. In Poland, the Wroclaw plant also underwent validation according to EMAS. However, due to delays in the setting up of the EMAS system in Poland, it took until early 2007 before registration was carried out.

Regarding Design for Environment (DfE) we contributed to an international workshop of Allianz pro Schiene which took place in the context of InnoTrans in Berlin in September, 2006.

Report Profile

In 2006, no major changes took place with regard to the sites included in performance reporting. For data reporting, not only the 42 major manufacturing and services locations are covered, but also most of the smaller services/maintenance locations, three joint-ventures in China and some solely administrative locations. Although we started in 2007 (retroactively for 2006) to collect additional data (e.g. related to details of water usage/discharge or VOC emission), these are not yet included in the present report. However, we will include them in the coming year’s reports once the data quality has reached a sufficient degree.

Management Systems/Certification

We continue to follow guidance from Bombardier Inc., according to which all manufacturing and services sites have to undergo ISO 14001 and OHSAS 18001 certification, unless they have less than 150 employees, are joint ventures without Bombardier management control or are solely office locations. In 2006, we completed company-wide certification according to OHSAS 18001, with the

★ Eco-Management and Audit Scheme (EMAS) www.ec.europa.eu/environment/emas
★ Allianz pro Schiene www.allianz-pro-schiene.de
exception of one service center in North America (160 employees). Regarding ISO 14001, 38 out of 41 eligible sites are now certified. All locations not yet certified are relatively small, with 300 employees in two service centers in North America, and 700 employees in a bogie plant in Hungary which had just been acquired in 2005. From an employee number perspective this means that out of 23,600 employees in sites that should be certified only 1,000 (4.4%) are not yet certified with respect to ISO 14001, and merely 160 (0.7%) are missing certification according to OHSAS 18001. It may be worth mentioning that in most cases we follow the approach that each site must be certified individually prior to allowing for “matrix” certification which is widely used by other corporations and would make inclusion of smaller locations possible with less effort. In 2006, we started a program to enhance our management systems with stronger legal compliance, performance and communication elements. While independent legal compliance reviews have been performed for several years already, we introduced a mandatory HSE performance reporting per site equivalent to the “environmental statement” in 2006. This is also required under the European EMAS approach.

Bombardier Transportation favors EMAS: with all German sites, as well as Wroclaw, Poland, registered under EMAS, the percentage of covered eligible sites has reached 31%; with regard to employees this amounts to 38%.

Legal Compliance
As described in our 2005/06 Sustainability Report, Bombardier Transportation annually conducts a legal compliance survey in one-third of its manufacturing and services facilities. We have lowered the employee threshold for such audits from 150 to 50, and the scope of the audits now includes commitments from the Bombardier HSE policy as well. In 2006, 15 audits in total were performed, including three locations of the Total Transit Division (TTS). Most findings were related to implementation of the Bombardier Inc. HSE policy or were good practice recommendations.

External Awards

External awards demonstrate that our performance is recognized as best practice. In this context, we are proud to report that the Canadian Urban Transit Association (CUTA) gave its 2006 Corporate Exceptional Performance/Outstanding Achievement Award for “Empowered Employees Bring Significant Improvements to Workplace Safety” to our Plattsburgh site in USA. The Thunder Bay plant was nominated for an Environmental Stewardship Award offered by the Thunder Bay Chamber of Commerce, based on its 2006 energy savings program. And the Villeneuve (Switzerland) site has been chosen by the CNA (Caisse Nationale des Accidents – National Accident Department) to hold their bi-annual meeting, putting our good practices in the spotlight.

Key Performance Data

Health, Safety & Environment

While several HSE performance indicators have been defined to respond to Bombardier Inc. internal demands and to be in line with the Global Reporting Initiative (GRI) recommendations, Bombardier Transportation defined a set of Key Performance Indicators (KPIs) that are used for regular performance tracking. Whereas environmental data are collected and consolidated quarterly, this is done monthly for occupational health & safety. Health & safety performance information is available online for all members of the management as well as for the HSE experts, who will distribute the information on site level. From a larger set of data evaluated internally, the following HSE data are used for public reporting purposes. The reporting period corresponds to the fiscal year starting February 1 and ending January 31 of the following year.
Environmental Performance

For some time now, reduction of energy and water consumption, as well as waste generated, has been a focal point for environmental improvement.

Energy Consumption

In the context of rising energy prices and global warming, we are increasing reduction efforts in particular regarding energy consumption. This is especially relevant as energy costs world-wide for Bombardier Transportation are in the 30 to 40 million Euro range – previous reductions in quantity were overcompensated by cost increases. With respect to our manufacturing sites, the Bombardier Inc. imposed reduction target of 3% (referenced to 200,000 work hours, compared to previous year) was slightly exceeded. This is mainly due to the fact that after several years of restructuring we have now reached a more stable situation allowing for correct measurements and better targeted improvement actions.

However, this does not exclude situations where specific consumption per site will rise: examples are introduction of additional workdays or shifts which normally will not go hand in hand with a proportional increase in work hours but rather lead to an increase of the indicator; or introduction of new, energy intensive manufacturing technologies.

**OUR TARGET**

> Reducing specific energy consumption by 3% annually

**ACHIEVED**

> Specific energy reduction: 3.5%

Energy Consumption per 200,000 Hours*

Energy Consumption in Absolute Figures*

Reduction has been made possible by programs organized by the sites. Such actions primarily focus on renovation of buildings, including heating systems and energy sources used for heating, and improvements in lighting/lighting control.

* Reporting years from February 1 to January 31
Several locations in UK, like Central Rivers or Chart Leacon, have worked with the Carbon Trust, e.g. regarding energy audits, to significantly reduce energy consumption. These site energy surveys resulted in proposing several simple initiatives that have been adopted, such as replacing and reducing lighting in the workshops, renewing emergency lighting and investigating alternatives to current HVAC systems.

**Energy Efficiency of Logistics Networks**
Many of the parts and components we are using for assembly of vehicles and systems come from suppliers. While in the past we have focussed primarily on the reduction of disposable packaging, we have now also been looking into innovative solutions for transport: Bombardier Transportation Austria participated in the project ÖKOPROFIT® which is a project initiated by the city of Vienna to support companies in Vienna to improve their environmental performance. One of the projects initiated was delivering of goods by using the “Gueterbim” which is a special tram-vehicle provided by the local tram-operator – this means fewer deliveries by trucks and reduction of the associated environmental burdens.

**Future Plans**
Future plans concern temperature reduction in office buildings/workshops at night, automatic start of heating depending on the inside/outside temperature, which unfortunately is not yet standard everywhere.

At the Light Rail Vehicles (LRV) hub site in Bautzen, Germany, use of renewable energies in the installation of the new test ring for trams is being investigated.

### Sites Taking Action – Some Examples

For example, in Dunakeszi, Hungary, a long term program aimed at changing doors in production halls has almost been finished. The site has minimized steam usage, paint shops were fitted with local heating systems instead of steam heating. At the end of 2006 the “LEAN” Energy saving project was started. Strommen, Norway, belongs to the group of sites that replaced old windows. To save energy in the Randers facility, Denmark, new automatic lights, shutting down when no persons are present, were installed in the administration building. The intensity of the light is automatically regulated according to incoming daylight. The La Pocatiere site, Canada, uses factory walls with solar heaters for pre-heating the heating system water.
Also regarding future activities to reduce energy consumption even more, we have decided to use support from external contractors (“Energy contracting”) which will start from an in depth analysis of the site specific reduction potential and usually results in cost savings of approx. 30%.

Reducing energy consumption does not necessarily lead to reduction of greenhouse gas emissions. In addition to looking into specifically buying “green” energy, we are investigating options for Carbon offsetting, such as involvement with the National Forest or Woodland Trust in the UK.

**Greenhouse Gas Emissions**

**OUR TARGET**
> Reducing greenhouse gas emission by 3% annually

**ACHIEVED**
> No reduction (0.1%)

**Water Consumption**

**OUR TARGET**
> Reducing specific water consumption by 3% annually

**ACHIEVED**
> Reduction of 7%

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**EU CO₂ Emission Trading**

Most of our production facilities are not subject to the EU emissions trading scheme. Only the Aachen plant, Germany, and the facility in Brugge, Belgium, participate in CO₂ emission trading with respect to their heating systems.

**Product Related Energy Efficiency/CO₂ Reduction Activities**

While decreasing energy consumption and CO₂ emissions is of utmost relevance for the sites, it is even more important to support our customers to cope with rising energy cost, but also to improve the competitive advantage of rail. Respective information has been presented in detail in our 2005/06 Sustainability Report. New initiatives include a feasibility study regarding the use of biodiesel in trains as well as political initiatives like participating in a conference on climate change jointly organized with Deutsche Bahn in Brussels in November, 2006. Bombardier Transportation presented its environmental strategy to members of the European Union (EU) Commission and Parliament.
Specific water consumption (mainly for sanitary use) has been reduced by 7% as compared to the previous year. This was due to continued efforts at many sites, including reduction of water use in production. For example, at the Aachen site, Germany, the water for vehicle water tests is now reused. One important side-effect of more diligently following water consumption has been the detection of leaks in a few places. The leaks were mainly due to old age of most facilities, dating back to the early days of rail, 150 years ago. We have started to distinguish in more detail the water sources, as well as gathering data on water discharge. As mentioned in the introduction, these data will be reported from 2007 on, in order to achieve better conformity with the GRI guidelines.

In our 2005/06 Sustainability Report, we pointed out that it is difficult to control the generation of hazardous waste. There are two main reasons for this: Restructuring activities and moving of production equipment between sites is typically accompanied by the disposal of out-dated materials or critical construction waste like paints, glues, contaminated soil or even asbestos, which would fall under the “hazardous waste” category. Our Services sites, in particular when refurbishing old vehicles, generate considerable quantities of waste, and some of it is considered “hazardous”. Both contributions to the waste stream are largely out of our control. However, also in the new-built business, new orders may sometimes bring about an increase in hazardous waste, as may normal facility maintenance like the regular cleaning of a paint booth. Nevertheless, due to our continued effort to limit the amount of hazardous materials bought in, a reduction was still achieved.

**Hazardous Waste**

**OUR TARGET**
- Reducing hazardous waste by 5% annually

**ACHIEVED**
- Reduction of 28%

**General Waste**

**OUR TARGET**
- Reducing general waste by 3% annually

**ACHIEVED**
- Reduction of 20%

*Reporting years from February 1 to January 31*
Much of what was said about hazardous waste also holds for general waste. The more steady state regarding the sites is reflected in the decrease of waste quantities, following a peak in 2004. But we are just back to the 2001/2002 situation – which indicates that further efforts for reduction are required.

Recycled Materials

There is no specific Corporate target for recycled materials reduction, but we achieved a strong reduction of 38%. It is difficult to say whether this is good or bad. It may be considered good, because it means less resource consumption in the first place. But it may be seen as bad also, because (compared to the reduction in general waste which is not recycled) the decrease is stronger. This means, the proportion between landfilled/incinerated waste and recycled waste has moved to the “wrong” direction. The reasons for this shift are again twofold: On one hand there is the reduction of e.g. scrap from building demolition and old production equipment. On the other hand, there is a strong trend to move from disposable packaging to returnable. For instance in Plattsburgh, US, 50% of the major components were received in returnable crates from the main equipment suppliers; or in Kassel, Germany, a reduction of packing material was achieved due to the introduction of kanban materials and bin management (usage of re-usable transport containers).

Since packaging materials (carton board, wood, plastic) will normally be recycled, this is an important cause for the strong reduction of this waste category.

Environmental Incidents

There was one significant incident in April 2006, in the UK, when about 5,000 liter of diesel were discharged from the sites drainage system into a watercourse. Once reported, the spill response procedure was initiated properly, and tankers pumped out the contamination. The Environment Agency (UK Government) was also advised immediately, and visited the site the following day. A remediation scheme was devised and approved by the Environment Agency and the watercourse was decontaminated. The fuel point drainage system has been modified since, reducing risk of reoccurrence.
Health & Safety

Bombardier Transportation has been putting a lot of effort in reducing work-related accidents and illnesses. Starting from 2001, we were able to reduce accidents resulting in workday loss significantly. In 2001, basically every day an accident happened somewhere in the organization. Now, we have a mean time between accidents of more than a week. The target (world-class level) is around one Loss Time Accident (L.T.A.) per month. We have defined mandatory areas of action to be tackled by all sites, and some examples demonstrate how the facilities deal with these.

Use of Leading Indicators, e.g. Reporting and Following-up of Hazardous Situations and Near Misses
In order to increase the number of reports from around one per ten employees per year to one report per employee per year, the Central Rivers plant in the UK gives a monthly award (Eagle Eye Award) for the near miss report of the month. Award winners receive a trophy and are taken out for a celebration meal twice per year.

Demonstrating Management Attention, e.g. by Performing Regular Workplace Audits
At many facilities regular audits performed by the management team have become a common sight although some years ago they were still regarded as an unusual event.

For example, at La Pocatiere, Canada, in 2006 305 audits were carried out by supervisors and employees in different cells of the plant. In Thunder Bay, Canada, there were 55 documented audits performed by the General Manager, the directors and/or managers of the plant. Monthly 5S+1 (Sort, Straighten, Shine, Standardize, Sustain, plus HSE) audits are conducted in the cells within the World Class Manufacturing (WCM) program. Similar figures hold for plants in Europe, like Aachen (70 audits) or Brugge (63 audits).

Incentives to Award Accident-Free Work Teams or Employees
While recognition for employees improving safety makes a lot of sense, the best way to achieve this may be debatable. Due to cultural differences, we believe that such recognition cannot be prescribed on a global Group level.

Health & Safety

OUR TARGET
> Reduce accidents frequency to 0.5 (Loss time accidents plus temporary assignments per 200,000 work hours)
> Reduce accident severity to 15 (days lost due to accidents plus temporary assignments per 200,000 work hours)

NOT FULLY ACHIEVED
> achieved was a frequency reduction from 0.9 to 0.8, and a severity of 16

* Reporting years from February 1 to January 31
There are however some initiatives not related to awarding money, but to more intangible recognition. As an initiative to improve safety communication within the division and on site, our London Underground Division (LUP) launched a safety wallet under the divisional strap line “Destination Safety”. Together with a safety booklet giving guidance on keeping safe when out and about on London Underground sites, the wallet was issued to all LUP staff and suppliers and has been very well received.

At the Central Rivers facility, UK, a donation of £50 is given to “Railway Children” charity for every shift that has an accident free month. Railway Children supports street children living alone and at risk on the streets. The charity helps children all over the world, many of whom live in and around railway stations.

At the La Pocatiere site, Canada, the first season of the HS World Cup (incentive program based on preventive actions) was completed early 2006 and gifts have been distributed to participants. The second season of the World Cup which includes now Environment, Health Care, Quality and WCM program began in 2006.

Several business divisions, e.g. Locomotives (LOC) and TTS, award annual HSE prizes, either for whole sites or outstanding individuals in recognition of their health & safety performance.

**Visualization**

All sites use information boards near the entrance to inform about days since the last accident, the number of accidents in the current year and longest time between accidents. In many places, in addition to the statistics there are indicators used such as a cross coloured in green for accident-free days or a picture of a human body with indication of injured parts to make employees aware of the situation in their work cell. Some sites created mascots to raise awareness of the workforce in avoiding accidents, e.g. the mascot “Prudencio” – made out of different pieces of Personal Protection Equipment (PPE) – at our Sahagun plant in Mexico or the mascot “Théo Z’Aguets” (English: “B. Vigilant”) at the La Pocatiere site, Canada.

**Communicating HSE Issues to Employees**

The list of activities at the La Pocatiere plant, Canada, is just one example of the large spectrum of ways to communicate:

- Local newspapers
- HSE Flash (punctual communication as needed)
- HSE meetings with Supervisors and also with the Directors
- In-plant TV network
- WCM board
- HSE monthly topics
- HSE and business unit’s posting board
- Daily communication inside cells
- Posters
- Kiosks on different HSE topics
- Distribution of pamphlets
- Season’s Greetings cards sent to all employees from HSE Committee
- Two conferences for all employees
**Wellness**

Wellness programs are being incorporated into many large corporations due to their ability to lower the ever increasing costs of health care.

Here are some examples what Bombardier Transportation has implemented at site level: A worksite wellness program at the Pittsburgh location, US, was implemented, with full intentions of branching out to all TTS SDCs, manufacturing, project sites, and offices. The Wellness Newsletter, distributed quarterly, provides information on stress reduction, exercise and a balanced diet. The newsletter is distributed electronically.

In Plattsburgh, US, 109 employees participated in the “Biggest Losers” weight loss contest. Total weight loss for the Plattsburgh facility was 1043.5 pounds averaging over 9.5 pounds per employee. A fun team-supported diet and fitness program encouraged sensible eating habits and fitness routine and boosted employee moral.

At several sites, including the Group headquarters in Berlin, Germany, an on-site physical therapist evaluates and treats early symptoms of muscular skeletal disorders and coaches employees on proper body mechanics preventing ergonomic injuries.

In Baroda (India), we are providing extensive health care for our employees, for example:

- Health check-up of all blue collar workers
- Executive medical check-up of all management staff
- Dermatology check-up camp for all employees
- Diabetes check-up camp for all employees
- Cholesterol check-up camp for all employees
- Eye check-up camp for all employees
- Ear, Nose, Throat (ENT) check-up camp for all employees
- Dental check-up camp for all employees
- AIDS awareness camp
- Education about water borne diseases and their prevention

**Sustainability**

The UITP launched its Sustainable Development Charter in 2003 with 33 pioneer signatories, among them Bombardier Transportation as the only vehicle manufacturer. Today over 100 UITP members from across the globe have signed up to this voluntary, measurable commitment to incorporate sustainable development into their organizations.

**UITP Sustainability Conference, Bilbao**

In October, 2006, Bilbao hosted the first UITP international conference dedicated to covering all the different aspects of sustainable development – clearly demonstrating the environmental, social and economic advantages of the sustainability approach, and the contribution and role of the public transport sector. Bombardier Transportation showcased its good practices and the implementation of new, environmentally sustainable technologies for the public transport sector in the poster zone.