

# Sustainability Report 2011



CRODA

# About This Report

Since 2007 we have published an annual Corporate Social Responsibility (CSR) Report. This year we have entitled this publication Sustainability Report to reflect the growing use of the term “sustainability” in the corporate world and the increasing focus we are placing in this area within our business. Sustainability is at the core of our vision and is evident in our economic, environmental and social performance.



GRI Profile: [3.1](#), [3.3](#), [3.6](#), [3.8](#)

This report covers the sustainability performance of the Group for the period 1 January 2011 to 31 December 2011.




Principal subsidiary companies  
Annual Report, [page 98](#)

The scope of this report is all fully managed operations, which are those that are controlled by our Board and Group Executive Committee who are responsible for policies, standards and performance.


## Glossary of Terms


BOD – Biological Oxygen Demand  
COD – Chemical Oxygen Demand  
CSR – Corporate Social Responsibility  
GRI – Global Reporting Initiative  
HR – Human Resources  
ILO – International Labour Organisation  
KPI – Key Performance Indicator  
NGO – Non-Governmental Organisation  
PKO – Palm Kernel Oil  
PO – Palm Oil  
RSPO – Roundtable on Sustainable Palm Oil  
SHE – Safety, Health and Environment  
UK – United Kingdom  
VOC – Volatile Organic Compound

## For More Information

Supporting information and data on our performance is available on our CSR webpages, visit [www.croda.com/CSR](http://www.croda.com/CSR). Specific links have been provided throughout this report, look out for our web symbol 

Published alongside this Sustainability Report each year is our Annual Report, which provides additional information in relation to our economic performance, look out for our reference symbol 

To aid navigation through this report we have provided links between pages that offer supporting information, look for our page reference symbol 

Croda also uses the Global Reporting Initiative (GRI) framework to report sustainability data. A full list of Standard Disclosures is given in the GRI Index on pages 40-41. Selected data has been included in this report where relevant and further information is available online at [www.croda.com/GRI](http://www.croda.com/GRI), look out for our GRI symbol 

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Business Overview

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# Business Overview

## Who We Are

Since 1925 we have made our name as a customer focused manufacturer of innovative, naturally based speciality chemicals. We have been listed on the London Stock Exchange since 1964 and from 1955 we have occupied our head office at Cowick Hall in the North East of the United Kingdom (UK), just a few miles from where Mr Crowe and Mr Dawe established our first manufacturing site, which is still in operation today.


We are now a global organisation with manufacturing sites in 17 locations and operations in 33 countries across six continents around the world. As an ethical company we are committed to doing what we can to tackle the global issues that affect our organisation and our stakeholders.

## What We Do

We are a supplier of speciality chemicals so, whilst our name is not seen on the high street, millions of people throughout the world benefit on a daily basis from the many thousands of consumer and commercial goods that incorporate our products.

The products that are manufactured across the Group are sold into two key market areas: Consumer Care and Industrial Specialities. In each of these markets we design innovative products that meet the demanding performance requirements of our customers, and the current and future needs of consumers.

 Management Structure, Sustainability Report, page 7

 GRI Profile: 4.8

## Our Vision

At Croda, we have always shown our commitment to safety, the environment and people by recognising and implementing good practice and encouraging a culture of responsibility in all that we do. Sustainability is embodied by our Vision:

- To remain an independent company and operate as one global team
- We will remain a 'fun', lively, stimulating and exciting place to work, where all employees have the courage to question, and all functions and individuals are valued
- There will be a place for many styles of leadership, but all leaders will have as their primary objective to build other leaders
- We can only achieve our goals through excellent and constant communication, creativity and setting clear objectives at every level
- We will continually improve
- We will continue to be an ethical and responsible company

Our focus on sustainability and the setting of clear goals for continual improvement is the key to our future success. We believe that it is the responsibility of everyone working within the Group to behave in a manner consistent with our codes of conduct and policies to ensure we are an ethical and responsible business. We expect these same high standards across all of our operations, so that we make a positive impact wherever we can in the world.

## How We Operate

Whilst we have operations throughout the world, we aim to operate as one global team. Our Group Executive Committee gives strategic direction and sets performance targets under the guidance of the Board. The Group is divided into a number of operating businesses, each with its own Board chaired by an executive member. We have separate Consumer Care and Industrial Speciality Boards in Europe, plus regional Boards in North America, Asia and Latin America. Each of these is responsible for their own local manufacturing, research and development, sales, marketing and finance teams. This allows each region to respond to local requirements as well as the global objectives of the Group.

We operate a number of core functions centrally to ensure consistent performance around the Group, each of which reports to an executive member. One such function that is critical to our long term business success is Safety, Health and Environment (SHE). We are committed to Responsible Care®, which helps us continuously improve our performance in this area. Since the acquisition of Uniqema in 2006 that doubled our turnover, we have reduced the use of energy and water and the level of waste to landfill, whilst maintaining significant economic success. We are committed to managing our environmental impact, with all of our 17 manufacturing sites being certified to the ISO 14001 standard and accredited to the OHSAS 18001 standard for Safety Management.

Our Group Human Resources (HR) department is responsible for ensuring that the right policies and procedures are in place to attract, develop and retain our talented workforce.

They are closely supported by Regional HR teams, who manage the delivery of these Group standards and respond to the different day to day employee needs in the countries in which we operate.

Having a regional network of purchasing managers and our own dedicated sales force, we manage our relationships with key commercial stakeholders on a one to one basis. Members of our Executive Committee liaise with investors in the same manner to ensure we have a close partnership with those groups that are critical to our future business success.

## How We Add Value

We have recognised that we are not just about the products we manufacture, how they are made or how they are used, but that our activities also have a much wider impact on other organisations and individuals. We add value to society by succeeding as a business and continually improving our economic, environmental and social performance. We wish to share our values with every one of our stakeholders, not only to provide sustainable growth for those that have invested in us, but also for the benefit of everyone who comes into contact with anything we do or make.

We design and manufacture chemicals that can help our customers use less energy intensive processes, or that provide tangible environmental benefits for consumers. We are committed to being an ethical company that cares about the safety of its employees, neighbours and anyone who uses goods that contain our products. We have a commitment to use renewable resources wherever reasonably practicable and compare every new product that we launch against the 12 Principles of Green Chemistry.

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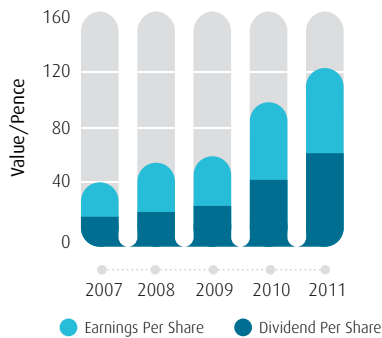
**Five Year Record,**  
Annual Report, [page 102](#)

**2011 Highlights**

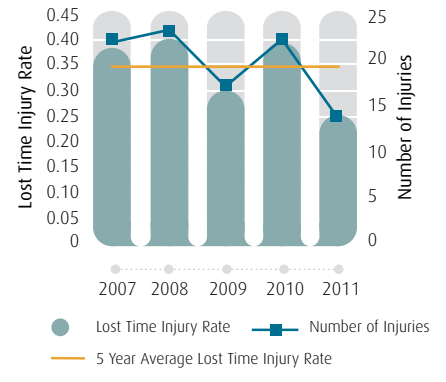
- 25.9% increase in pre-tax profit
- 57.1% increase in full year dividend per share
- 28.4% increase in earnings per share
- 4.9% reduction in energy consumption
- 42.9% reduction in landfill waste
- Significant improvement in personal safety, lost time injury rate down to 0.25 from 0.39 per 100,000 working hours\*
- All regions have completed an employee engagement survey
- 100% of customer requests relating to palm oil and carbon footprinting data have been met
- 132% increase in 1% Club time with 21% of the global workforce accessing the programme
- 78,500 training hours, covering 86% of the global workforce

GRI Economic Performance Indicator: [EC1](#)  
 GRI Environmental Performance Indicators: [EN3](#), [EN4](#), [EN8](#), [EN22](#)  
 GRI Labour Practices & Decent Work Performance Indicators: [LA7](#), [LA10](#)  
 GRI Society Performance Indicator: [SO1](#)

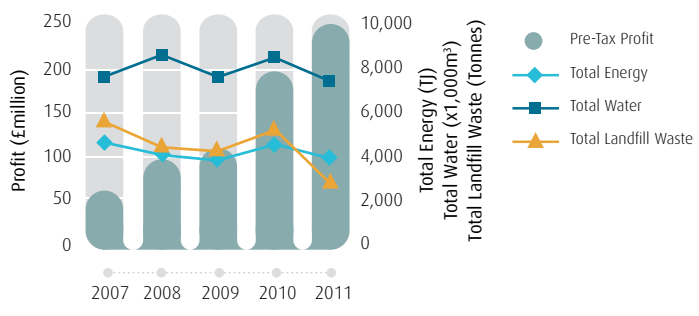
**Earnings and Dividend History**



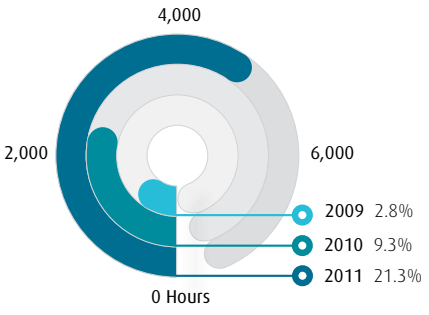
**Lost Time Injury Rate per 100,000 Hours Worked and Number of Injuries (of one day or more) by Year**



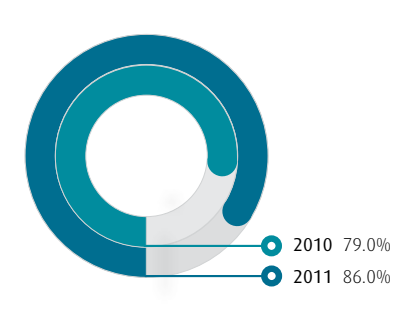
**Graph Contrasting Annual Group Pre-Tax Profit Against Environmental Performance for Continuing Operations**



**Total 1% Club Hours Worked in the Community and Percentage of Employees Accessing the Scheme**

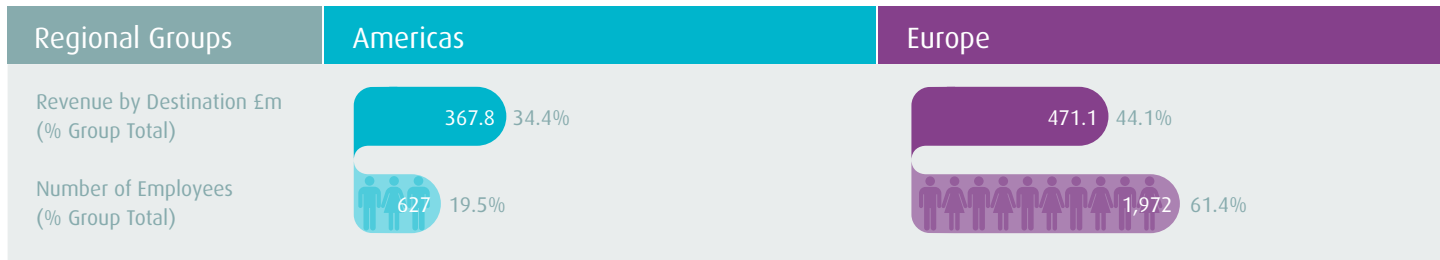


**Percentage of Employees Receiving Training by Year**



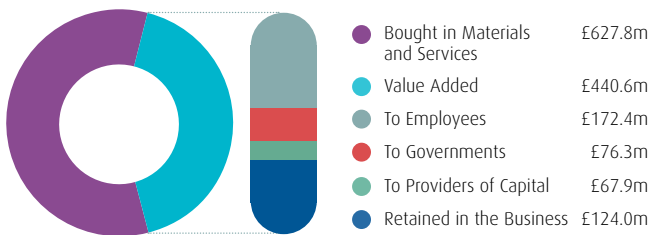
Data shown is for continuing operations on 31st December 2011.  
 \*Lost time injuries of one day or more

# Our Operations

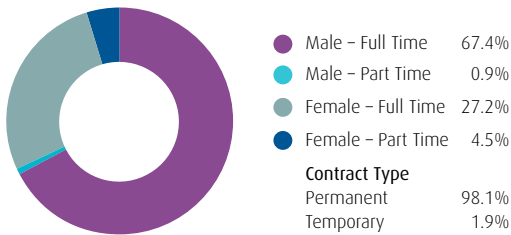


### Financial Highlights

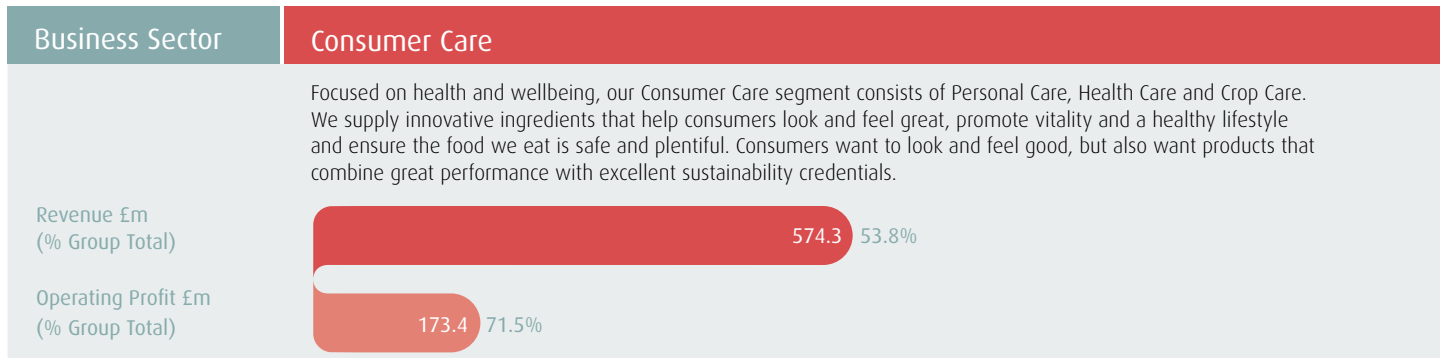
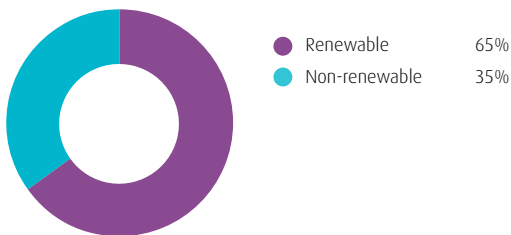
Revenue £1,068.4m



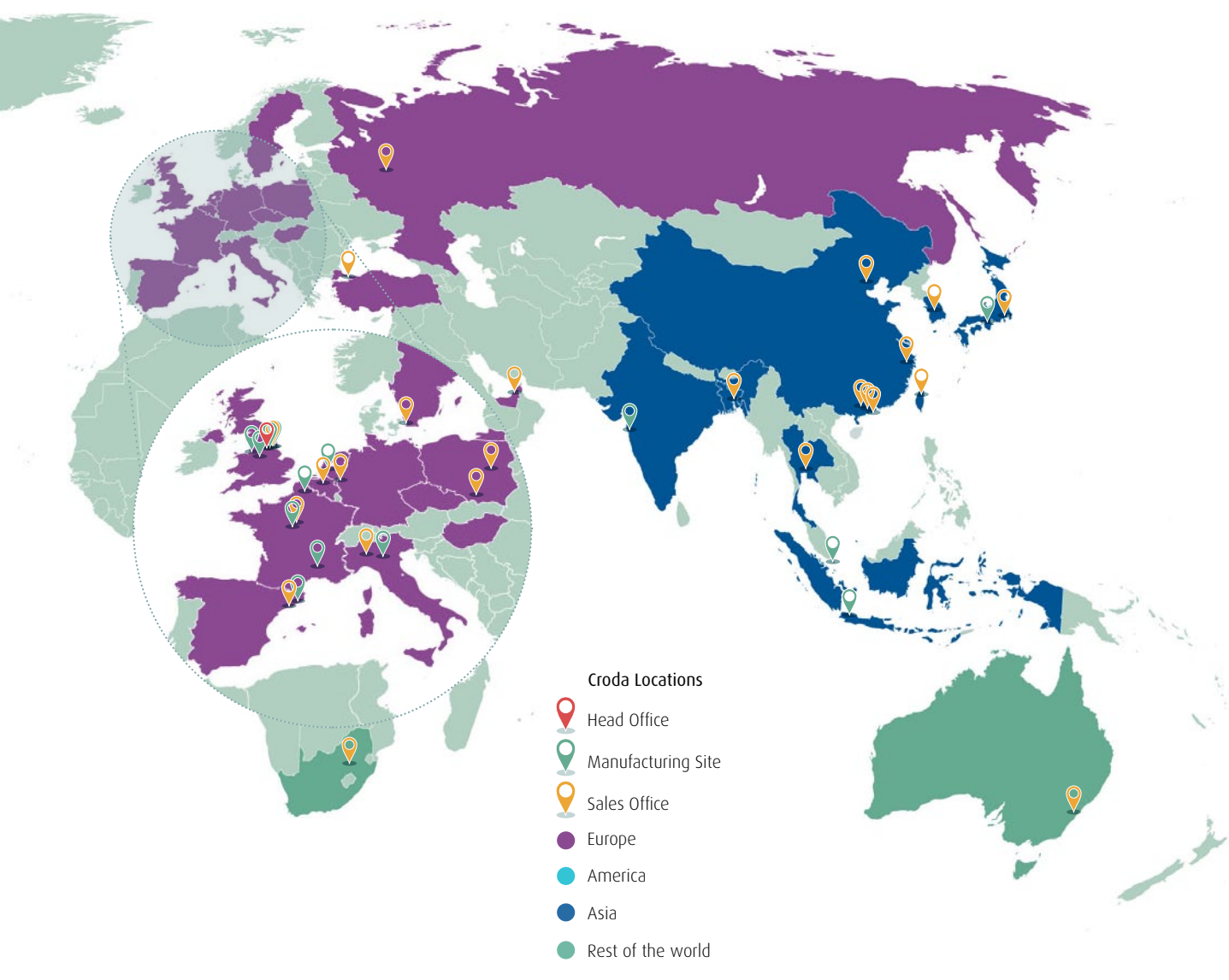
### Employee Overview



### Raw Materials by Source

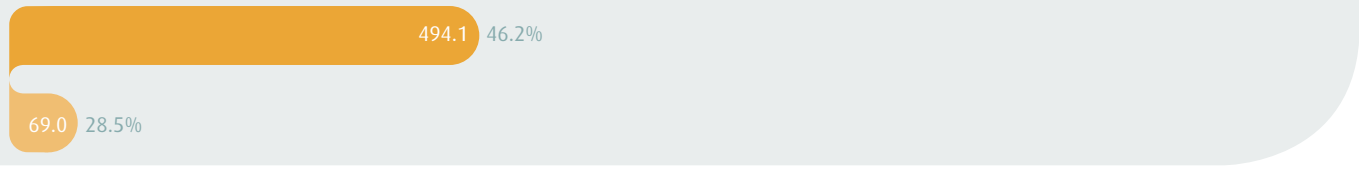


Asia	Rest of the World	Totals
174.3 16.3%	55.2 5.2%	£1,068.4m
567 17.6%	47 1.5%	3,213



## Industrial Specialities

Industrial Specialities provides speciality ingredients to the Lubricants, Coatings & Polymers, Home Care, Geo Technologies, Polymer Additives and Process Additives markets, delivering enhanced performance and efficiencies to industries like automotive and transportation, construction, surface cleaning and food packaging.





# Strategy & Governance

**What is Sustainability?**

For Croda it's simple, doing business sustainably means doing business the right way.

The right way by our people, the environment, the communities we work within and those organisations we work with.

 **GRI Profile: [1.1](#)**

 **Material Issues, Sustainability Report [page 9](#)**

## Group Chief Executive Statement

It is no longer enough to strive to be successful in traditional financial terms, businesses today have to realise that their responsibilities are broader. Corporate social responsibility recognises the positive contribution business makes to society and also the detrimental impact a business can have if it does not operate responsibly.

As a chemicals manufacturer, the potential impact of not operating responsibly is obvious. As an employer and neighbour, the consequences of irresponsible behaviour would be far reaching. As a sustainable, successful business, we have to recognise this responsibility and look for continuous improvement not only in economic terms, but also in our social and environmental performance.

We have found it a real challenge as a business to define in detail what we mean by "sustainability". One definition that struck a particular chord came from the Brundtland Report, commissioned by the United Nations: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs". We feel that through our emphasis on emerging markets and technologies, we are making our own small contribution, going beyond "not compromising" and actually "enhancing" the capabilities of future generations.

Equally challenging is a way of ensuring that all of our aspirations, worthy as they are, are underpinned by real tangible targets. These targets can help ensure our day to day behaviour is supportive of longer term goals, and can illustrate and help to communicate what sustainability really means to us at Croda.

Hence the need to identify the real sustainability issues facing our business today. We have worked hard in 2011 to identify the key issues we must address if we want to be a truly sustainable business. This hard work has been led by our Group Executive Committee with our Corporate Social Responsibility Steering Committee, reflecting the top level commitment within our organisation. The results of this work are best illustrated by our materiality matrix. The matrix was one of the outputs of our first Sustainability Strategy Day, held in July 2011, and is a simple graphical representation of what we see as the most significant sustainability issues we are facing today.

In the pages that follow, we want to provide more detail on these issues and how we are working hard to address them; by acting now and by setting meaningful targets for future action. I am particularly

pleased that we are able to report a reduction in the Group's lost time injury rate in 2011, as well as further reductions in energy use and waste to landfill. Equally pleasing is the continued success of our employee volunteering programme, the 1% Club. In 2011, more than twice as many employees were involved in some form of local voluntary project compared to 2010, investing a total of over 4,600 hours of work time.

We also recognise that to continue being successful in our sustainability journey, we have to establish a pragmatic way of getting things done. We have made great strides this year with the creation of a dedicated in-house Corporate Social Responsibility Department, responsible for informing and guiding our sustainability strategy, whilst at the same time ensuring we have sensible and effective structures in place to enable communication and information sharing with all stakeholders, inside and outside the Group.

We believe that our business model puts us at the very forefront of sustainable business; that said, the last thing we will be is complacent. As our business continues to develop new technologies and forge new partnerships in emerging markets, sustainability will continue to be central to our thinking.




Steve Foots, Group Chief Executive



 Governance, [www.croda.com/corporategovernance](http://www.croda.com/corporategovernance)

 Corporate Governance, Annual Report pages 24-29

 GRI Profile: 4.1

## Management Structure

Group strategy and governance are delivered through our two main decision making bodies: the Board of Directors, comprising of three Executive and five independent Non-Executive Directors, and the Group Executive Committee, made up of the Company's most senior executives including those who sit on the Board.

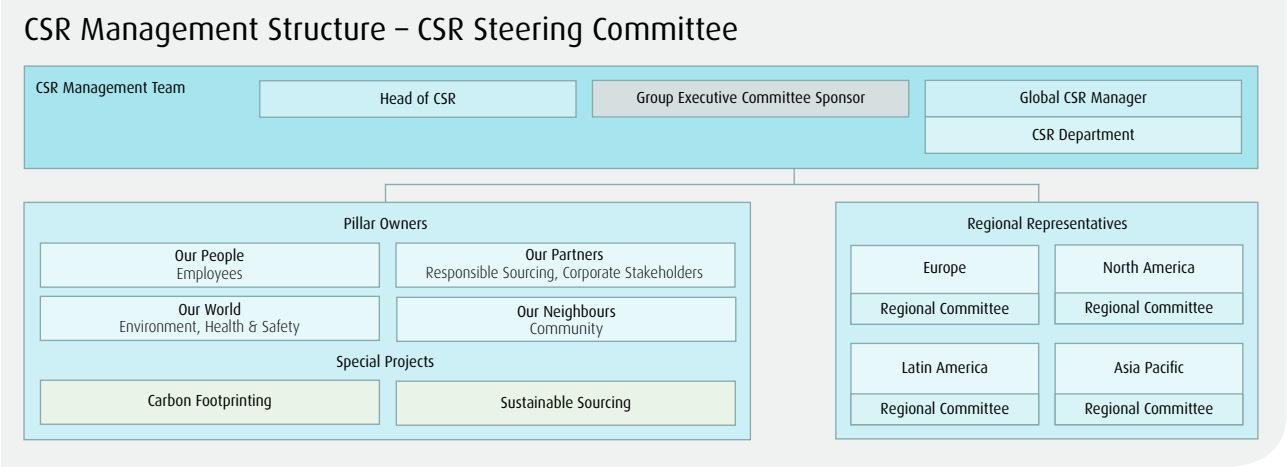
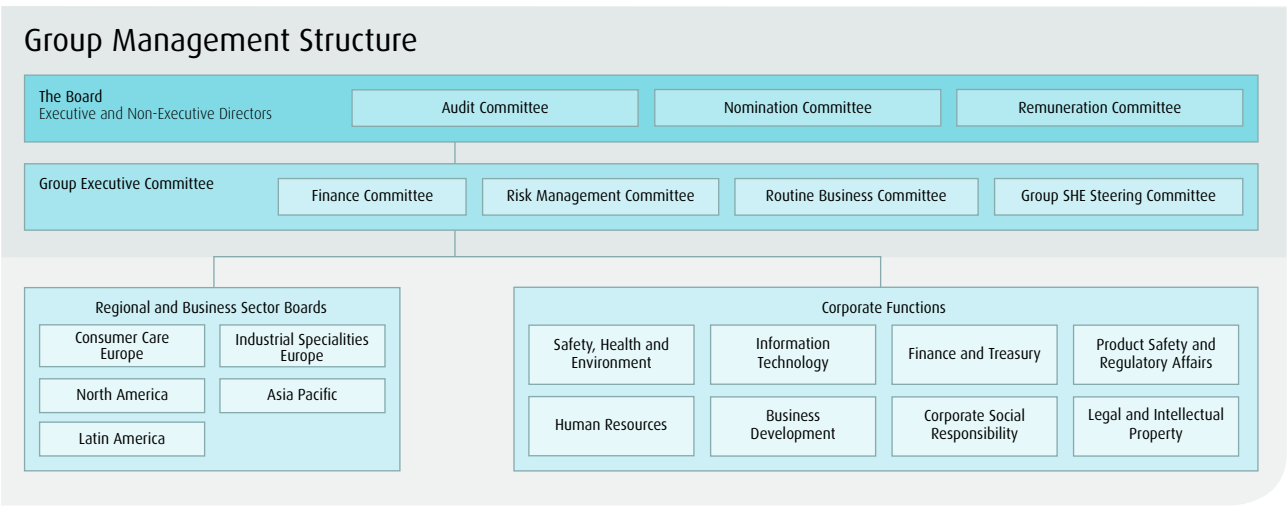
Each Executive Committee member has responsibility for a region or core function within the business, and has established their own senior management teams who have the skills and information to respond to individual business challenges and opportunities.

Our Board and Group Executive Committee work with our specialist committees of Finance, Risk Management, Routine Business and SHE to set economic, environmental and social targets and key performance indicators (KPIs). CSR has a holistic role across these committees, and our business functions, to ensure the material issues of our business and key stakeholders are addressed as part of our sustainable business development.

Our CSR targets underpin our business sustainability strategy; these are agreed upon with our Group Executive Committee. The CSR Department is responsible for managing the development and implementation of these targets with the help of the CSR Steering Committee.

The CSR Steering Committee is chaired by the Head of CSR and is made up of senior managers from around the Group, including one member of the Group Executive Committee. Four of these senior managers are Pillar Owners who have particular knowledge and experience in specific areas of sustainability, and help to guide and implement our sustainability strategy in their areas of expertise.

Reflecting our overall business management approach, CSR performance is managed centrally by the CSR Steering Committee, but implemented regionally by operational managers who are accountable to their local stakeholders and must respond accordingly. To ensure that the CSR strategy and targets are communicated and supported regionally, Regional Representatives sit on the CSR Steering Committee and also chair their own regional sub-committees.



# Strategy & Governance

**Strategy**  
[www.croda.com/CSR](http://www.croda.com/CSR)  
[www.croda.com/GRI](http://www.croda.com/GRI)

**GRI Index, Sustainability Report, pages 40-41**

**GRI Profile: 1.2**

## Our Strategy

At Croda, we are committed to economic growth, environmental protection and social progress.

As a public company our primary objective must be to increase shareholder value, but to deliver and maintain growth we continue to work on fully integrating sustainable development into our business strategy and on ensuring we manage our business across the triple bottom line: economy, environment and society.

Our product portfolio is based on using naturally derived ingredients to deliver high quality speciality products. The products we sell must meet the ever increasing performance demands of our customers and fulfill rigorous regulatory requirements. Achieving this in a fully sustainable manner is a complex challenge, especially within an ever growing and developing world. However, through a robust business model and diligent management, we endeavour to deliver on our strategic commitment to manufacture our products in a responsible manner.

This will be achieved through:

- value not volume driven chemistry;
- innovation at the core of our business;
- focus on fast growing niche markets;
- intensive customer engagement;
- supplying to all customers, big and small; and
- market led research and development to satisfy unmet needs.

Our mission is to achieve this sustainably by:

- continually innovating to improve our products and processes to minimise their effect on the environment, whilst maximising the efficient use of all resources;
- safeguarding the responsible management of our raw materials and products both up and down our supply chain;
- investing in truly global and profitable innovation where we will have long term growth;
- complying with all legislative requirements and when appropriate setting our own more demanding standards;
- setting consistent standards across all operations so as to provide a safe and healthy environment in which to work;
- fostering open and comprehensive dialogue with all stakeholders and working cooperatively to address material issues;
- providing development opportunities for all employees to reach their full potential; and
- ensuring fair and equitable employment conditions, providing a stimulating working environment based on respect and partnership.

The continual monitoring and reporting across our triple bottom line is communicated openly and transparently in our Annual Report, Sustainability Report\* and website at [www.croda.com](http://www.croda.com). GRI is also used as a framework to report and facilitate continual progress.

\*Published under the title CSR Report, 2007-2010

† Brundtland Report commission by the United Nations, 1987, Report of the World Commission on Environment and Development, General Assembly Resolution

## Sustainability

To ensure all of our stakeholders understand what we mean by sustainability we follow the definition of the Brundtland Report:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”†

Sustainability underpins our vision and therefore our growth strategy. Only where the three elements of economy, environment and society overlap is a product or service truly sustainable. This is where we will continually strive for our operations and products to be, driven by our sustainability strategy and implemented by our CSR activities.

**Materiality and Management Approach**  
[www.croda.com/GRI](http://www.croda.com/GRI)

**GRI Profile: 3.5**

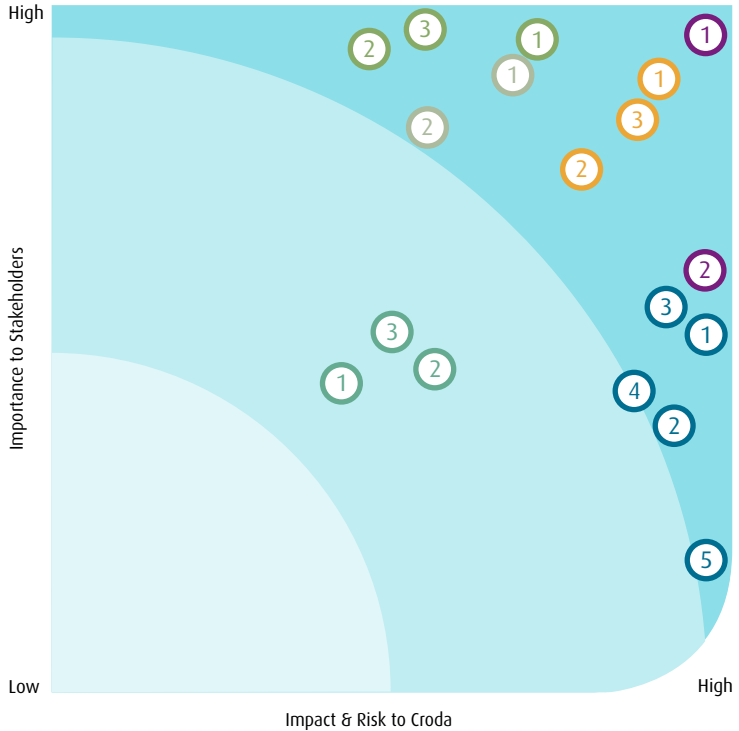
## Material Issues

Our underlying approach to sustainability has focused on establishing clear commitments and performance targets aligned to our material issues.

By material issues we mean topics or issues with the potential to affect the long term success of our business and the sustainability of the economy, environment and communities in which we operate. This must embrace the areas that are of most significance to our business and those that are of most importance to our stakeholders.

To identify our most material issues, the Head of CSR, Global CSR Manager and Pillar Owners met with the Group Executive Committee in July 2011 for an in depth Sustainability Strategy Day to discuss the major issues to our business and key stakeholders. A materiality matrix was mapped to illustrate the relative materiality of the issues identified, plotting business impact against stakeholder perception. Since this meeting, all of these issues have been embedded into our sustainability strategy and activities.

## Croda's Materiality Matrix



Section	Material Issue
Environment	1 Air Quality & Climate Change
	2 Water Quality & Supply
	3 Landfill Waste
Health & Safety	1 Process Safety Management
	2 Occupational Health & Safety
Responsible Sourcing	1 Renewable Raw Materials
	2 Responsible Palm Oil Sourcing
	3 Product Data Gathering

Section	Material Issue
Employees	1 Recruitment & Retention
	2 Compensation & Benefits
	3 HR Policies & Systems
	4 Talent Management & Employee Development
	5 Performance Management
Corporate Stakeholders	1 Corporate Stakeholder Engagement
	2 Ethical Supply Chain
Community	1 Community Communication
	2 Community Involvement
	3 Community Education

# Strategy & Governance

 **Management Approach**  
[www.croda.com/GRI](http://www.croda.com/GRI)

 **Management Approaches:**  
[Environmental](#)  
[Labour Practices & Decent Work](#)  
[Human Rights](#)  
[Society](#)

 **Targets Overview, Sustainability Report, pages 16-17**

## Management of Material Issues

Each material issue has a clear management approach within the business to establish clear strategy development, performance management and implementation responsibilities. CSR targets have then been set with our Executive Committee to ensure that progress is made. A review of all CSR targets is reported to the CSR Steering Committee on a quarterly basis by the relevant Pillar Owner and Regional Representative.

A quarterly summary report highlighting significant achievements or areas of concern is then sent to the Group Executive Committee.

## Environment

Material Issue	Definition	Management Approach
<p><b>1 Air Quality &amp; Climate Change</b>                      To reduce the emissions of greenhouse gases to the environment from our manufacturing sites to ensure that we progress towards fully sustainable operations.</p>	<p>The link between emissions of combustion products such as CO<sub>2</sub> and climate change is now well established. It is therefore essential that as a socially responsible company we reduce the impact of our emissions to a sustainable level. The expectation of all of our stakeholders is that we continue to make progress in reducing discharges of climate change gases.</p>	<p>The SHE Manager at every manufacturing site is responsible for measuring energy consumption and emissions of volatile organic compounds, from which the site's equivalent CO<sub>2</sub> burden is calculated. With reduction targets set by our Group Executive Committee, each site reports on a quarterly basis to Group SHE who collate the results for the quarterly SHE Steering Committee. At these meetings issues are discussed and actions agreed between the Group SHE Vice President, the Group Executive Committee representative and subsequently the relevant Site Director. Improvement plans for non-manufacturing locations are also managed in this way, though the primary focus remains on the largest contributors.</p>
<p><b>2 Water Quality &amp; Supply</b>                      To minimise the environmental burden arising from water consumption and waste water discharges from our manufacturing sites.</p>	<p>Fresh water is becoming increasingly scarce as population and industrial activity increases. Furthermore, the onset of climate change may influence rainfall patterns such that water resources in some parts of the world become increasingly stressed. Left unmanaged, supplies would eventually run out. Whilst our operations are not in regions where water resources are under immediate threat, many of our manufacturing sites and offices operate in communities that are dependent on a shared natural fresh water resource. We therefore have a public responsibility and a business need to have a strategy for water management to ensure the sustainability of our operations.</p>	<p>The SHE Manager at every manufacturing site is responsible for measuring the consumption of water from all sources, including piped supplies, and aquifer and river abstraction. The manager also monitors the quality and quantity of water discharged to the environment. Looking across all operations, but especially focusing on those in higher risk areas, our Group Executive Committee have set stringent internal reduction targets, which are monitored by Group SHE and reported quarterly through our SHE Steering Committee.</p>
<p><b>3 Landfill Waste</b>                      To phase out the disposal of waste arising from our activities into landfill sites.</p>	<p>Like other resources, land is becoming increasingly stressed. Productive land has been consumed by development and subsequently contaminated, so less space is available to grow food. One of the most environmentally unfriendly activities is landfill, which modifies the land permanently and incidentally introduces contamination to air as well as to water. Whilst our activities do not have a direct impact on the land we occupy, we have a responsibility to minimise our landfill waste and ultimately look to eliminate this activity from our business.</p>	<p>Our Group Executive Committee has set the long term aspiration of eliminating landfill waste entirely. Each Site Director is tasked with working with their onsite SHE experts and Group SHE to investigate the feasibility and cost of this and report progress back to the SHE Steering Committee.</p>

## Health & Safety

Material Issue	Definition	Management Approach
<p><b>1 Process Safety Management</b></p> <p>To reduce the risks associated with all of our chemical processes to a point deemed to be as low as reasonably practicable (ALARP).</p>	<p>Process safety encompasses the most significant hazards associated with our operations. The consequences of poor process safety are well documented in a multitude of historical industrial disasters, for example Union Carbide in Bhopal and BP in Texas City, which not only led to many fatalities, but also significant harm to the environment and lasting material damage to the companies involved and their reputations. The moral obligation alone that every company has in this area is indisputable, and one that we have always committed significant time and resource to managing.</p>	<p>Every chemical process in the Group has been subject to a Process Risk Assessment through a rigorous Hazard Study Process. The Process Safety Manager at each of our manufacturing sites is responsible for reviewing and updating this assessment at least every five years, using the same rigorous process. This forms part of the Risk Management procedure that is overseen at Regional Board and Senior Board level. The completion, results and actions arising from these studies are reported to the Group Executive Committee through the SHE Steering Committee on a quarterly basis. Targets regarding the frequency, quality and timeframe for any actions are set by our Group Executive Committee.</p>
<p><b>2 Occupational Health &amp; Safety</b></p> <p>To reduce the frequency of injuries to all of those who work at our operations to a level compatible with the top quartile of peer companies, with an aspirational goal of zero harm.</p>	<p>No one should expect to be injured when they work at any of our manufacturing sites or offices. In addition to this moral obligation, the cost to the business of an unsafe workplace can be enormous in terms of fines, compensation for injury, loss of production and loss of reputation. High workplace injury rates are often symptomatic of poor general management practices and they do not signal a sustainable business.</p>	<p>The reporting of incidents is actively encouraged across all areas of the business and is the responsibility of the SHE Manager in each of our operations. All significant incidents and near misses are investigated by trained SHE personnel across the Group, with the ultimate management of such reviews resting with our Group Executive Committee, which receive a quarterly report through the SHE Steering Committee. In addition to this, our Risk Management procedure ensures that all of our Regional Boards review potential health and safety risks at least twice per year.</p>

## Responsible Sourcing

Material Issue	Definition	Management Approach
<p><b>1 Renewable Raw Materials</b></p> <p>To ensure our product portfolio is sustainable and to dedicate new product development to meeting our customer needs in this area.</p>	<p>The developing world is increasing its reliance on oil and other non-renewable material sources; it is clear that these resources are being depleted and the environment cannot support current production levels in the future. To ensure that we can continue to make the products that our customers require, we are committed to developing and manufacturing high performance products from renewable raw materials wherever reasonably practicable.</p>	<p>It is the responsibility of our Research and Development teams across the markets and regions in which we operate to ensure new product design and raw material selection adheres to as many of the 12 Principles of Green Chemistry as possible. This effort is shared with production teams and purchasing managers, as well as sales and marketing directors to ensure that we meet the needs of our customers. Our Group Executive Committee review our use of raw materials and our new product launches against the 12 Principles of Green Chemistry.</p>
<p><b>2 Responsible Palm Oil Sourcing</b></p> <p>To fully support sustainable Palm Oil and Palm Kernel Oil and to keep working with the industry to secure a sustainable source of derivatives.</p>	<p>As the demand for Palm Oil (PO) and Palm Kernel Oil (PKO) continues to grow, primarily for inclusion in food, it becomes ever more important that it is sourced sustainably. Whilst we use extremely small volumes of the actual PO a number of our products do include derivatives that are a result of processing the oil for food markets. The supply chain of derivatives is very complex due to the number of different producers involved. However, through our involvement with the Roundtable on Sustainable Palm Oil (RSPO), we are determined to do what we can to bring about change to secure a sustainable supply of derivatives.</p>	<p>Through our Group master product database, our Purchasing Managers will be responsible for ensuring that the small amounts of PO and PKO that we use are sustainable through RSPO's Book and Claim certification method. One of our senior managers in Asia, where RSPO is based and most palm oil plantations are located, sits on the Derivatives Working Group of RSPO to support our purchasing teams, and the CSR Steering Committee, on the issues and progress that is being made in the derivatives supply chain.</p> <p>To support our customers in this area, our Product Assurance Department responds to requests for calculating the amount of PO or PKO needed to make the derivatives we use, so that our customers can buy certificates through the Book and Claim method.</p>
<p><b>3 Product Data Gathering</b></p> <p>To ensure that we are leaders in the quality and quantity of product data to support all future customer needs and to allow further in depth sustainability analysis of our products internally.</p>	<p>"What you do not know you cannot manage" is a GRI mantra that we truly believe in. In order to ensure that we can continue to manufacture our products and to look for opportunities to enhance their environmental profile, it is very important to the Company and its stakeholders that we have an extensive amount of data to hand on the products we make. This data goes beyond what is required for regulatory purposes. Our aim is to build a detailed picture of the sourcing of each raw material used to make our products and the impact those products have on the environment from origin to final use.</p>	<p>The programme that we have in place to build this database and gather the information is called Ingredient Sustainability. It relies on a number of departments within the Group working together to gather the data. The programme is sponsored by our Group Executive Committee and is being coordinated by our Product Assurance Manager who is running the collaboration between their department, the Product Safety and Regulatory Affairs department and each of our manufacturing Site Directors, who will provide detailed and accurate data relating to the resources used to make each product.</p>

# Strategy & Governance

## Employees

Material Issue	Definition	Management Approach
<p><b>1 Recruitment &amp; Retention</b></p> <p>To attract, recruit and retain high calibre employees to support our objectives and changing business requirements.</p>	<p>Like all successful businesses, we recognise that our future depends on our ability to attract and retain individuals who are passionate about personal and business growth and want to make a significant contribution to the future of our business. Recruiting individuals that fit this description and the culture of the business is always hard, but within the chemical industry it is increasingly a problem with a high level of competition for a decreasing number of graduates. As our business is focused on innovation and growth in emerging markets and developing countries, this challenge increases further.</p>	<p>Through our global competency framework, developed by Group HR and managed by HR Managers in each of the regions in which we operate, we can ensure recruitment practices across the Group identify the people with the right skills, knowledge and attitude.</p> <p>Our proven track record of successfully developing future leaders from within has called for our Graduate Recruitment Programme to be rolled out in all regions. Implementation and management of these programmes will be the responsibility of each Regional HR Manager.</p> <p>Employee turnover is reported to the Group Executive Committee on a quarterly basis to monitor any potential problem areas before they have a negative impact on the business.</p>
<p><b>2 Compensation &amp; Benefits</b></p> <p>To ensure our compensation and benefits packages enable us to attract, recruit and retain key talent.</p>	<p>In a competitive recruitment marketplace we are conscious that we should not lose critical staff because of issues relating to pay or additional benefits. We realise that the remuneration package we offer plays a key part in attracting and retaining employees.</p>	<p>Our Regional Boards retain control over their remuneration and benefits packages. Through a series of previous employee surveys, which will be repeated regularly in the future both at regional and global level, Group HR are able to share learnings on the expectations of our employees with these management teams, and at Group Executive Committee level to ensure that our approach is effective and consistent.</p> <p>Exit interviews also allow regional HR teams and Group HR to see if compensation and benefits are a problem in any part of the business, so that they can act accordingly.</p>
<p><b>3 HR Policies &amp; Systems</b></p> <p>To operate streamlined, fair and coherent employment policies and systems.</p>	<p>Information and knowledge sharing are at the heart of making better business decisions. Streamlined systems and policies not only provide the data and trends on which to base decisions, but will in turn drive employee engagement. We believe that well defined policies and procedures allow our employees to operate without constant management intervention. It is this autonomy and freedom to act that has made our business what it is today.</p>	<p>We operate a global HR database and our global appraisal and development planning system will be fully rolled out during 2012, thus ensuring that Group HR can provide timely updates across all areas to our Group Executive Committee. It is the responsibility of our Regional HR Managers to ensure that our systems are used and updated efficiently.</p> <p>A trial of an internal professional social networking site, the hive, is already reaping rewards. This is designed to open up communication channels amongst our global workforce without constant management intervention.</p>
<p><b>4 Talent Management &amp; Employee Development</b></p> <p>To offer a wide range of development opportunities to enable our employees at all levels to gain the skills, competencies and experience necessary to attain individual, team and organisational goals and expectations.</p>	<p>The key to the future success of any business lies in the skills and abilities of its workforce. It is only through the continual development of our workforce that we will be able to meet the future demands of our customers in relation to enhanced creativity, innovation and customer service.</p> <p>Being a business dependent upon a large number of specialists including engineers and scientists as well as finance, IT, HR, marketing, purchasing, sales, regulatory and legal professionals we have to place great focus on continuous development.</p>	<p>Our global competency framework provides the basis for employee development plans, which are monitored through our global appraisal system, Croda Aspire.</p> <p>Our Regional Boards are responsible for succession planning, which is carefully monitored by our Group Executive Committee through Group HR and regional reporting.</p>
<p><b>5 Performance Management</b></p> <p>To instil a high performance culture through an integrated and consistent approach to performance management.</p>	<p>A strong, efficient performance management culture is not only important to employees' professional development, but also to meet the Company's objectives and so ultimately contributing to its bottom line. In addition, a clear, robust process will lead to enhanced communications and the opportunity to address performance problems effectively, thus delivering improvements in employee morale.</p>	<p>Our highly trained regional HR teams provide ongoing support, coaching and development to our line managers across all business operations. This ensures that they are fully equipped and capable of having effective and constructive performance and development conversations. Our global appraisal system facilitates this process and allows Group HR to oversee performance management, so that it can offer support and guidance where and when needed.</p> <p>Our global HR database also allows performance in relation to absence to be monitored and reviewed at regional and global level.</p>

## Corporate Stakeholders

Material Issue	Definition	Management Approach
<p><b>1 Corporate Stakeholder Engagement</b></p> <p>To have open ongoing engagement with all key stakeholders to identify and review the material issues for our business and all our partners, thus ensuring that we take appropriate action.</p>	<p>For any company to be successful it cannot work in isolation; it must consider and take necessary action to meet the needs and expectations of its stakeholders. Our key corporate stakeholders are our customers, investors, suppliers and Non-Governmental Organisations (NGOs). We have always been committed to working with these stakeholder groups and have long standing relationships with them as we understand their importance to our success. We now want to deepen our understanding of these groups, particularly in relation to their key sustainability issues, as what will affect them will also have an impact on us.</p>	<p>The CSR Steering Committee member responsible for our corporate partners is leading a number of formal communication projects. Implementing those relating to our customers will then be the responsibility of the Sales Managers in the markets and regions in which we operate. NGOs are managed by the appropriate department manager, whilst our Purchasing Managers will lead projects with our supply chain. Our investor relationships will continue to be managed by Group Finance, with the Group Finance Director taking ultimate responsibility.</p>
<p><b>2 Ethical Supply Chain</b></p> <p>To increase monitoring of our supply chain to ensure that it is ethical and sustainable so as to meet the future needs of our business.</p>	<p>It is the responsibility of all companies to act ethically, but standards can differ from one business to the next. At Croda, we apply the same high ethical and sustainability standards across all of our operations. Our suppliers are a critical part of our business and we believe that they should operate to the same standards as we do. With increasing consumer awareness and customer demands in this area, we have to work even more closely with all of our suppliers.</p>	<p>Within Croda we have very clearly defined policies and procedures that ensure we act ethically and sustainably across the Group. These are managed by the relevant Group functions. Our Regional Boards are ultimately responsible for our relationships with suppliers, but on a day to day basis it is our regional Purchasing Managers who own the relationships with their suppliers. They must therefore ensure that our Supplier Code of Conduct is communicated to all suppliers and then seek the most appropriate way to monitor and check their compliance. Where there are any concerns about a supplier an audit will be conducted.</p> <p>In addition to this, our supply chain is an area that is considered in our rigorous Risk Management Framework, ensuring that analysis of risks and mitigating measures are implemented by all business Boards across the Group.</p>

## Community


Material Issue	Definition	Management Approach
<p><b>1 Community Communication</b></p> <p>To develop relationships with the communities in which we operate through effective communication regarding our business operations and in doing so, ensure that our public affairs activities are sufficient to support the growth expectations of our business.</p>	<p>Operating ethically means being aware of the impact a business has and acting responsibly within the communities in which it is located and where its employees live. This can only be achieved through open dialogue with the community. The relationship we have with our local communities is extremely important to us. We take pride in ensuring that we keep our neighbours informed of activities that are planned to take place at our manufacturing sites and other key locations where health and safety is of paramount importance. As our business grows, it is vital that we develop and maintain a supportive external environment, as well as a strong brand and reputation. This will continue to reinforce our Company culture, which has community awareness and activity at its heart.</p>	<p>Our Regional Boards each have the responsibility for developing a community communication plan, and for ensuring that this plan is effectively delivered at all of the manufacturing sites and main offices within their region.</p> <p>The guidance in ISO14001 on the communication of hazards to local communities is reinforced by our Group SHE Manual, with which all of our manufacturing sites must comply. This is in addition to the legal requirements imposed on sites by local and national legislation.</p> <p>All local community interactions, at our manufacturing sites and offices, are ultimately managed by the most senior manager in each location. They are used as vehicles for two way communication, which can lead to interesting cooperative activities that benefit both parties. Formal records of all meetings are kept and shared with the CSR Steering Committee to review quarterly and share best practice.</p>

# Strategy & Governance


## Community


Material Issue	Definition	Management Approach
<p><b>2 Community Involvement</b> To put community communication into action and, in doing so, enhance the performance of our employees and support the recruitment needs of our business in the future.</p>	<p>Putting talk into action is the true way of demonstrating a company's commitment to its communities. Our Company culture is such that we have the capability to be both proactive and reactive to community needs and we have the motivation to make a positive impact in the communities in which we operate.</p> <p>The morale of our employees is enhanced by the goodwill that is created through community involvement.</p> <p>It is also very important to our business that we use this activity as an opportunity for personal and team development.</p>	<p>At Croda, our community involvement is facilitated through a programme called the 1% Club, which provides a great opportunity for all employees to support the local community in which they work and live. The programme allows all employees across the Group to utilise 1% of their working time to support appropriate community projects. The 1% Club is adapted to suit the local needs and legislative environment of the regions in which we operate, but in every form the guiding principle is action that supports the community through direct involvement.</p> <p>It is the responsibility of our Regional Boards to ensure that the 1% Club is available and managed correctly in their operations. They also manage the targets and metrics, defined annually and agreed with the Group Executive Committee, to ensure ever increasing levels of engagement and participation. Additionally, a network of 1% Club Champions, one at each of our operations, assists with the coordination of activities on a day to day basis.</p>
<p><b>3 Community Education</b> To enhance our brand and reputation, and raise the profile of science, technology and engineering by providing community education and training opportunities on a local and national basis as relevant to the regions in which we operate.</p>	<p>For any business operating in very specialist markets it is essential to raise awareness of the opportunities it offers and the skills it needs by educating future generations. Our rich scientific heritage and strategic reliance on delivering market led innovation means we must ensure that we play our part in developing scientists, technologists and engineers. By developing a strong external educational platform to engage with potential employees in these areas, we will also enhance our image and reputation, thus helping us to recruit appropriately educated people who will support our future technical activities.</p>	<p>It is the responsibility of each of our Regional Boards to define and implement a local programme of activities that is appropriate to support the teaching of science, technology and engineering across any chosen age group between the ages of 5 and 21. Our aim is to align the learning needs of individuals with the scientific knowledge and history of our organisation. Our 1% Club Champions support community education by building relationships with local schools, colleges and universities. Annual regional plans will help target the specific needs of the educational institutions we support and will also identify the employees who can enhance their personal skills through this type of activity.</p>



 Stakeholder Engagement  
[www.croda.com/GRI](http://www.croda.com/GRI)

 Top 50 customer survey, Sustainability Report, page 34  
Employee surveys, Sustainability Report, page 28-29  
Community Involvement Sustainability Report, pages 37-38

 GRI Profiles: 4.11, 4.14-4.17

 Risk Management, Annual Report, pages 10-11

## Stakeholder Engagement

Underpinning our sustainability strategy is stakeholder engagement. We recognise that to succeed economically, environmentally and socially we must continue to broaden our two way dialogue with all of our stakeholders. This dialogue takes many forms and encompasses a very diverse audience.

In addition to our ongoing activities in relation to our key stakeholder engagement areas, we have undertaken a number of specific projects that have focused on particular aspects of stakeholder engagement during 2011. Namely, our top 50 customer survey, regional employee surveys and face to face meetings within our communities. There are also many activities within our peer group where we make significant contributions to the sustainability of our industry in general.

We interact with academic institutes that provide world class capabilities in our areas of interest. This includes joint research programmes, work experience opportunities across various age groups and involvement with a number of university advisory boards to ensure we are able to influence the teaching and learning of numerous chemistry related subjects for the scientific innovators of tomorrow.

As a global company and a respected voice in our industry, we are asked by governments and industry bodies to contribute to, and in some cases lead, working groups and committees. We are especially active in areas relating to product, personal and process safety, health and environment, regulatory affairs and taskforces concerned with the growth of the chemical industry.

## Risk Management

The effective identification and management of risk is critical to business success. A robust Risk Management Framework reinforces our management of sustainability across all business operations.

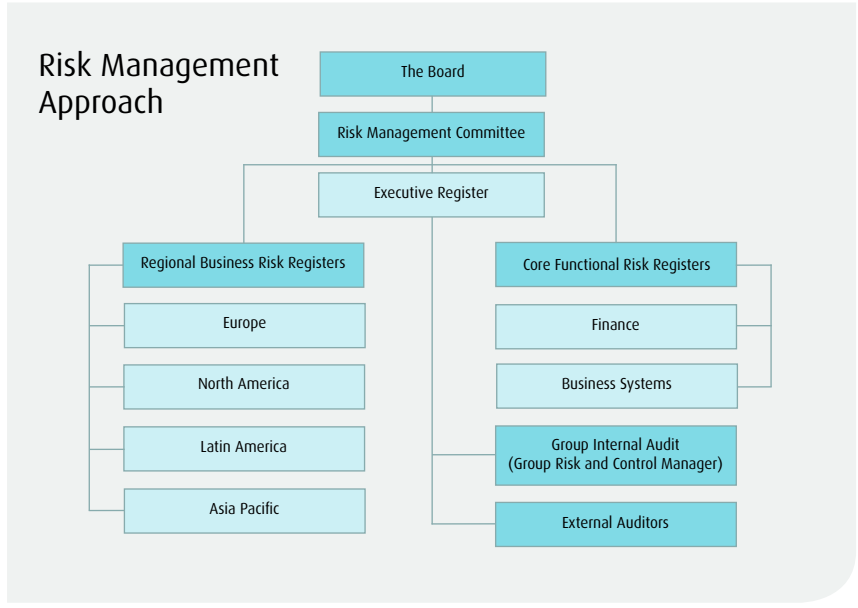
The Risk Management Committee, comprising mostly of Group Executive Committee members and reporting directly to the Board, is responsible for the Group's Generic Risk Framework. This is then applied by our Regional Boards and core business functions, which are responsible for scoring and applying the classifications within the framework. The management of the high level Executive Register is also the responsibility of the Risk Management Committee.

In 2011, the CSR Steering Committee conducted a gap analysis of the Generic Risk Framework with the Group Risk and Control Manager to ensure that all material sustainability issues and associated activities were covered. As a result of this work, additional definition was added to some of our risk classifications and we are now confident that sustainability is truly embedded in our Risk Management processes.

The review of our risk framework will be ongoing as our business changes. As a minimum, all regions and core functions update their registers twice per year.

During 2012, the CSR Steering Committee will be addressing two particular areas of risk associated with two of our material issues; responsible supply chain management and consistent community engagement. The aim of this review is to enhance the processes and procedures we have in place to manage these areas across our business.

- Key stakeholder engagement areas are:**
- working closely with our customers to meet their current and future needs;
  - close interaction with suppliers to deliver high performance sustainable products;
  - regular engagement with our employees on performance, policies and issues relating to meeting personal and business needs;
  - engagement with neighbours close to all of our operations and open discussion regarding safety with those who live around our manufacturing sites;
  - ensuring that our investors are satisfied not only with our short term performance, but also our long term sustainability strategy; and
  - a proactive approach to working with many external organisations, both within and outside our industry, to contribute and aid our understanding of the issues affecting the sustainability of our business.



# 2012 Target Overview

Material Area	Targets
<b>Environment</b>	
Air Quality & Climate Change	Based on 2010, reduce total Group energy consumption by 5% by 2015.
	To have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015.
	Based on 2010, reduce total Group VOC emissions by 10% by 2015.
Water Quality & Supply	To create the capability of measuring the volume of aqueous effluent arising from our processes prior to its pre-treatment and its associated content of organic material by the end of 2013.
	Based on 2010, reduce total Group water consumption by 10% by 2015.
	To achieve 100% compliance with effluent discharge consents by 2015.
Landfill Waste	Based on 2010, reduce total Group waste to landfill by 20% by 2015.
<b>Health &amp; Safety</b>	
Process Safety Management	At the end of every quarter in 2012, have 100% of all process safety studies reviewed at least once every five years across the Group.
	At the end of every quarter in 2012, have no outstanding critical actions from process safety studies overdue across the Group.
	To establish a KPI that tracks the compliance of Process Risk reviews with internal quality standards by the end of 2012.
Occupational Health & Safety	Sustained year on year improvement on the frequency of injuries to all personnel across all manufacturing sites and offices, to ultimately reduce the rate to 0.2 per 100,000 hours worked on a sustainable basis.
<b>Responsible Sourcing</b>	
Renewable Raw Materials	Monitor the sustainability of new products by measuring the renewable raw material content and by assessing them against the 12 Principles of Green Chemistry during 2012.
Responsible Palm Oil Sourcing	Work more closely with suppliers and RSPO to seek ways to source sustainable palm oil and palm kernel oil derivatives wherever possible during 2012.
	Ensure that the small quantity of palm oil purchased directly is sourced sustainably by seeking certification by the end of 2012 under RSPO guidelines.
Product Data Gathering	Complete a gap analysis for the products within our Ingredient Sustainability programme by the end of 2012 to allow data gathering to start at manufacturing site level in 2013.
<b>Employees</b>	
Recruitment & Retention	All regions to have a programme of local graduate and trainee recruitment by the end of 2013.
	To have a process in place that ensures all new employees complete an induction programme during their first six months of employment by the end of 2012.
	To complete one global employee engagement survey in 2014, which will then be conducted at least every third year.
Compensation & Benefits	All manufacturing sites and offices to review and set goals to ensure that adequate health promotion, health monitoring and health related benefits packages are operated by the end of 2012.
	Develop Company share scheme membership by improving advertisement, promotion and availability during 2012 to ensure that all employees can make an informed decision for the 2013 programme.

Material Area	Targets
<b>Employees</b>	
HR Policies & Systems	To ensure our policies are consistent with the spirit and intent of the ILO Declaration on Fundamental Principles and Rights at Work where applicable to business. The ILO Declaration states that all of its members have an obligation to respect and promote the elimination of discrimination in employment, prohibition of child and forced labour, and freedom of association and the right to collective bargaining.
Talent Management & Employee Development	To make personal skills development accessible to all through the development of a comprehensive online learning zone and enhanced regional training delivery by the end of 2013.
	To implement regional leadership development programmes across the Group by the end of 2012 with the first review of their progress in 2015.
	Each region to identify future leaders and specialists through effective talent management and succession planning by the end of 2012.
Performance Management	All employees to have an annual appraisal via the Croda Aspire system by the end of 2015.
<b>Corporate Stakeholders</b>	
Corporate Stakeholder Engagement	To conduct formal one to one engagement with respondents to our 2011 top 50 global customer survey during 2012.
	Extend our formal survey to the top 50 customers across all market sectors in each region during 2012.
	Engage with our investor community by implementing a process to obtain formal feedback on our sustainability performance by the end of 2012.
Ethical Supply Chain	Communicate the Supplier Code of Conduct to all suppliers during 2012.
<b>Community</b>	
Community Communication	To ensure every manufacturing site and office of more than 30 employees holds a minimum of two face to face dialogue sessions within each of the key stakeholder groups: i. Local authorities, councils, government, emergency services; ii. Local businesses or business representative groups; and iii. Local educational institutions (schools, colleges, universities).
Community Involvement	All manufacturing sites and offices of more than 30 employees to undertake at least one new project through the 1% Club that supports local stakeholder needs during 2012.
	Based on 2011, increase the total time spent in community related activity through the 1% Club by a further 20% during 2012.
	Increase the number of individuals in the Group using the 1% Club to 25% of the global workforce in 2012.
	All manufacturing sites and offices with more than 30 employees to have at least three different participants who use a minimum of four hours of 1% Club time during 2012.
Community Education	To ensure that all operations with a Research and Development Centre create a formal ongoing science, technology and engineering programme with implementation by the end of 2012.
	Develop an internal Education Ambassador training programme to underpin community education activity in English, French, Dutch and Portuguese by the end of 2013.
	Ensure that 5% of employees at all operations with a Research and Development Centre receive Education Ambassador training by the end of 2014.
	Develop a new, consumer facing marketing and educational programme, which is relevant to our business and complements those already developed, for implementation during 2013.

# Environment

 Environmental  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Environmental  
Performance Indicators:  
EN3, EN4, EN16, EN20

## Air Quality & Climate Change

### Strategy

At Croda, we have now carefully measured emissions of gases implicated in climate change for more than 15 years and have consistently set targets for reduction. Increasingly demanding targets have been set for 2015 by our Group Executive Committee under the guidance of the SHE Steering Committee. To ensure actions can be taken to bring about change, all major SHE targets are set over a five year time period. A strategy for further significant change beyond 2015 is already in place.


It is the responsibility of all manufacturing Site Directors to implement improvements in both plant and operational practices, which contribute to a reduction in the amount of CO<sub>2</sub> and other greenhouse gases produced. Our Group Executive Committee will continue to support this through the approval of relevant capital expenditure, which will also include activities at our offices where appropriate.

Our long term aspirations include further energy reductions up to a long term target of 20%, assuming the scope of current operations remains the same. Furthermore, our long term aim is to have 50% of this requirement supplied from non-fossil sources.

Our approach will be to conduct detailed audits of energy consumption at all manufacturing sites. The information from these audits will be used to modify operating procedures, attitudes and behaviours of our employees and to invest in more energy efficient capital equipment.

Our Atlas Point manufacturing site in North America completed two projects to reduce electricity consumption in 2011, with the combined annual saving expected to be approximately £120,000. The first was the installation of LED lighting fixtures that use 50% less energy, whilst improving the quality of light for operators and reducing maintenance costs due to the lights' 10 year lifespan. The second investment was a system that automatically adjusts temperature and lighting when the buildings are unoccupied.

 Live solar panel data  
[www.crodausa.com](http://www.crodausa.com)



During 2011 the wind turbine at our Hull manufacturing site in the UK performed 11% better than in 2010 by generating over 14.5 million kilowatt hours of electricity. This improvement was due to stronger and more consistent winds and the continuing reliability of the turbine.

The turbine's production of green electricity is not only used on site, the excess is exported off site into the local electricity network. Community benefits also include educational visits, the local Humberside Fire & Rescue Services used it for familiarisation and rope-rescue training, and nearby businesses have used its installation process and performance data for their own feasibility studies.



Our Edison office in North America launched their 305 kilowatt solar energy system in July 2011. The first of its type at any of our operations, the system is expected to provide more than 50% of the power required to run the facility. This is approximately equivalent to powering 42 average sized homes, removing 47 cars from the road or saving over 100,000 litres of petrol each year.

### 2011 Targets

- Based on 2010, reduce total Group energy consumption by 5% by 2015.
- To have 25% of the Group's total energy requirements generated from non-fossil fuel sources by 2015.
- Based on 2010, reduce total Group VOC emissions by 10% by 2015.

### 2011 Performance

In 2011, compared to our 2010 baseline year, energy consumption was reduced by 4.9%. This was due to the implementation of a large number of energy saving projects, including:

- solar panels at Edison;
- "Gouda Goes Green" campaign;
- Hull wind turbine improvements; and
- energy optimisation at Atlas Point.

An additional contributing factor was a reduction in production volume during the year, so the challenge will be to maintain the reduction in energy consumption sustainably as production volumes increase.

Some progress was made towards our target of 25% energy from non-fossil sources, up from 13.3% to 14.5% by the end of 2011. However, projects are in hand to make significant progress towards this target in the next two years.

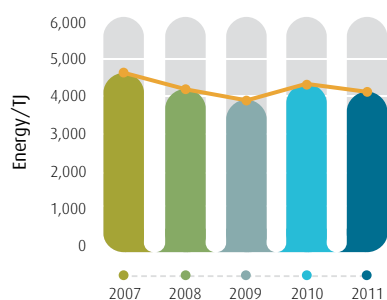
VOC emissions fell by 8.8% from the 2010 baseline to 280t. Improved process control and a slight reduction in production volumes both contributed to this improvement. The sustainability of the improvement will be checked in 2012. The contribution to the greenhouse effect of our VOC emissions is insignificant compared to the CO<sub>2</sub> generated by our energy sourcing, but we remain committed to reducing these emissions.

### The Future

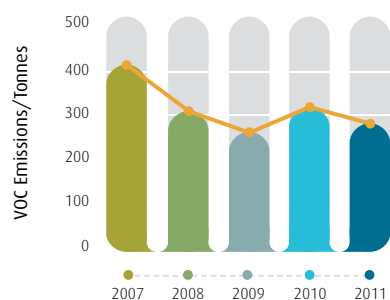
A pilot Site Energy Audit is planned for 2012, paving the way for further detailed energy audits at all manufacturing sites in line with our strategic approach.

Major projects on energy sourcing are expected to start delivering an increase in non-fossil sourced energy in 2012 and further process optimisation is expected to deliver more reductions in VOC emissions in the period up to 2015.

Total Energy Usage for Continuing Operations by Year



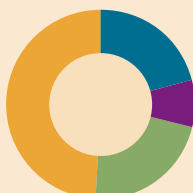
VOC Emissions for Continuing Operations by Year



The installation of in line drying vessels at our Rawcliffe Bridge manufacturing site in the UK is part of ongoing capital investment, improved management and equipment optimisation that will significantly reduce VOC emissions. Over the past 10 years, the site has reduced emissions by 36%. The latest investments will see a further 20% reduction, with additional novel technology expected to deliver further improvements in the coming years.

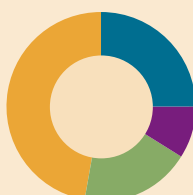
During 2010 our Gouda manufacturing site in Holland started a multi-year programme called "Gouda Goes Green" to reduce CO<sub>2</sub> emissions and water discharge. It began after the combined heat and power plant went live, but it will not only include process investment projects, it will also increase visibility and raise awareness of ways to save energy and water across the site.

In 2011, good progress was made with a total reduction of 109,000 GJ of the site's total energy consumption for the year and a reduction of 336,000 tonnes of water. Over 50% of this reduction was directly due to "Gouda Goes Green" initiatives, which we will strive to maintain as production levels increase and the range of products manufactured changes in the future.



Gouda Energy Reduction 2011

- Steam savings projects
- Electricity saving projects
- Raised awareness increasing production efficiencies
- Volume decrease and changes to products manufactured



Gouda Water Reduction 2011

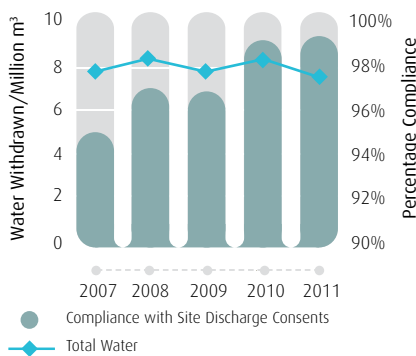
- Stop use of city water for cooling tower
- Pilot to use waste water effluent in boiler feedwater plant
- Reduced steam usage, so lower raw water usage
- Reduced production volume and awareness effects

# Environment

 Environmental  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Environmental  
 Performance Indicators:  
 EN8, EN9, EN21

**Total Water Usage and Water Discharge Compliance for Continuing Operations by Year**



- 2011 Targets**
- Based on 2010, reduce total Group water consumption by 10% by 2015.
  - To achieve 100% compliance with effluent discharge consents by 2015.
  - To measure the total COD generated and discharged from manufacturing sites with captive effluent treatment plants and develop a baseline by end of 2011.

In 2011 total water consumption for our Gouda manufacturing site in Holland decreased by 336,000m³ compared to the previous year. This was due to two projects:

1. Eliminating the use of mains water in the cooling tower system. This enabled the site to reduce its overall mains water requirement by 25% compared to 2010 and brought total reduction levels to more than 50% compared to 2008.
2. A pilot study that uses filtered and desalinated water from the site's waste water effluent to feed boilers, replacing ground water supply. It is hoped that this successful trial will lead to a project that will completely stop the use of ground water as a source of steam.

## Water Quality & Supply

### Strategy

Since 2011 we have set targets for reducing total water usage, whether supplied or abstracted directly and have established a longer term vision that applies more stringent internal reduction targets.

By firstly focussing on reducing the impact of our largest consumers of water, and then turning our attentions to those who are abstracting water from depleting or stressed sources, we will ensure that our operations are stable. We will also minimise our impact and demonstrate to local stakeholders that we operate responsibly and take environmental stewardship very seriously.

In terms of our effluent discharge, it is intended to shift the focus of our efforts away from improving the quality of our discharges to the environment, which is now 99.2% compliant with consents, to measuring the quantity and quality of the liquid effluent generated by each process. It is anticipated that this will enable targets for reduction at source to be set, which will encourage process efficiency improvements, rather than simply building bigger and better effluent treatment units.

### 2011 Performance

Progress has been made in improving effluent treatment facilities and their operation. A good start has also been seen in reducing the amount of water used by our manufacturing sites, with a reduction of 9.2% in 2011 compared to 2010.

However, during the same period our production output saw a reduction, but the savings made due to a number of projects that we implemented should become clear during 2012. These include:

- effluent treatment plant improvement at Mevisa site;
- water conservation at Mevisa site; and
- water reduction projects at Gouda site.

We continue to make progress on our effluent discharge and in 2011 Chemical Oxygen Demand (COD) and Biological Oxygen Demand (BOD) measurements were taken at plant discharge points on all manufacturing sites, developing a baseline. The capabilities of all effluent treatment plants were also compared to best practice.

### The Future

During 2012, all of our manufacturing sites will begin to report the amount and quality of effluent arising from their processes before it is treated. In some cases this will require the installation of new instrumentation and analytical equipment. This change will enable us to highlight opportunities to improve process efficiencies and to reduce our liquid effluent environmental burden at source.

2012 will also see the completion and the real benefits of water consumption reduction projects at our Mevisa and Gouda manufacturing sites. Spurred by our corporate target for water consumption reduction, all of our operations are reviewing opportunities for investments in water saving projects.

Over the past five years our Mevisa manufacturing site in Spain has gone through major expansion, requiring the site's utilities to undergo a number of upgrades.

**Effluent Treatment Plant (ETP):**  
 An ambitious goal was set to increase the volume of water that can be treated on a daily basis, whilst maintaining a COD discharge level well below the legal limit. The new process includes three main steps. The first is in pre-treatment where the focus is on the upstream segregation of effluent streams to prevent the entrance of as much organic material and potential toxic product into the ETP as possible. The second step saw the installation of physico-chemical and biological treatment facilities, which included the construction of a new biological reactor of 4,000m³ capacity. Finally, a third treatment process enhances filtration to ensure that COD levels are further reduced where necessary.



**Water Conservation:**  
 Reducing water extraction and increasing the efficiency of water consumption is vital in this region of Spain due to the growing level of stress on the resource. By automating water control values to manage flow, and through modification and increased water storage capacity, the recirculation of water used for the refrigeration process rose from between 50-60% to 70-80%, thus significantly reducing water extraction.

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Environmental  
[www.croda.com/GRI](http://www.croda.com/GRI)

GRI Environmental  
 Performance Indicator:  
 EN22

**2011 Targets**

- Based on 2010, reduce the total Group waste to landfill by 20% by 2015.

## Landfill Waste

### Strategy

We have set demanding targets to reduce and gradually phase out the deposition of waste arising from our manufacturing sites into landfill. Each site has been tasked with reducing their waste sent to landfill, with the three sites that contribute the largest amounts being targeted first.

A longer term aspiration is to eliminate waste to landfill altogether. Understanding the feasibility and cost of alternative disposal routes have yet to be identified or evaluated in many cases, so work to itemise the waste streams involved must firstly start in 2012.

### 2011 Performance

Excellent performance was seen during 2011. By focusing on our manufacturing sites with the largest quantities of landfill waste, rapid progress has been made with a reduction of almost 43% recorded compared to the baseline year of 2010. A major contribution towards this was due to a programme implemented at our Mill Hall manufacturing site.

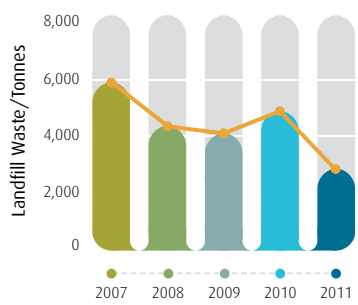
It must also be noted that the five of our manufacturing sites who achieved zero waste to landfill by the end of 2010 maintained this record in 2011.

### The Future

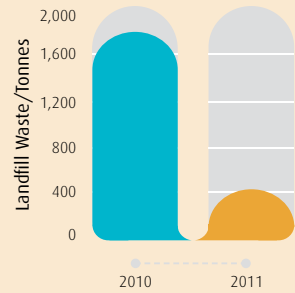
Further work is being carried out to reduce the mass of landfill waste from the largest contributors in the Group, with further substantial progress expected in 2012 through projects that are currently in hand.

The Directors of all manufacturing sites that send waste to landfill have been tasked with investigating the viability of completely eliminating landfill waste in the future. Proposals will be screened for viability by Group SHE and brought forward for consideration by our Group Executive Committee when scoping has been completed.

Total Waste to Landfill for Continuing Operations by Year



Mill Hall Total Waste to Landfill




As part of our efforts to reduce waste to landfill, a Waste Reduction Team has been set up at our Mill Hall manufacturing site. The team evaluate methods of eliminating or minimising waste, as well as identifying beneficial opportunities to reuse waste streams.

During 2011, the team worked with a business partner to implement a process to reuse wastewater sludge that was previously sent to landfill. The result was a reduction in sludge to landfill of 86% (1,274t), which significantly contributed to the 75% reduction in the total waste sent to landfill at Mill Hall compared to 2010. Further reduction is expected in 2012 as the project was not fully implemented until the second quarter of 2011.

# Health & Safety

 Environmental  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Environmental  
Performance Indicator:  
EN23

In recognition of the critical role that directors and senior managers play in process safety, a workshop was delivered to all of our global Managing Directors by an external specialist in December 2011. The syllabus is sponsored by the UK's National Skills Academy for the Process Industries, and uses examples such as the BP Texas City explosion and the major incident at Buncefield in the UK to outline how critical leadership is in ensuring that process safety is being properly managed. During the training, delegates devised personal action plans, which will be reviewed at the next meeting in 2012.

- 2011 Targets**
- To have 100% of all process safety studies reviewed at least once every five years across the Group.
  - To have no critical actions from process safety studies overdue across the Group.

At our Thane manufacturing site in India a key, but hazardous raw material is Ethylene Oxide (EO), which is transported over 300km by road from a chemical manufacturer to our site. The standards of equipment, roads and traffic management prevailing in India fall short of those in Europe or North America, and the site has responded by adopting a variety of special measures to improve the safety of EO transport. These measures include route assessment, GPS monitoring, an off site emergency response plan, defensive driving training and specially built tankers.

These tankers, which we commissioned, actually exceed European safety standards with design features including a rigid frame, buffer zones to front and rear, and protected branches and valves.



## Process Safety Management

### Strategy

At Croda, we have established a register for all 150 of our chemical processes and have subjected each to a rigorous hazard study process and a system of regular review. All employees involved in these studies have been trained on the Basis of Safety for each process, and a set of key performance indicators has been implemented, which are regularly reviewed by senior management. Significant capital expenditure continues to be made on improvements to process safety and the control of process hazards, which will continue to be monitored in line with our Risk Management procedure.

Now that we have set out a framework for identifying process hazards, and assessing and controlling risks, our focus must turn to improving the quality of these studies. This will be accomplished by training, coaching and developing the skills of our engineers across all of our manufacturing sites. We already have a team of trained specialists around the world and have established our own Academy for Process Safety Practitioners.

### 2011 Performance

To be clear, our target is to ensure that every quarter throughout the year 100% of all process safety studies that are five years old have been reviewed. This is a maximum timeframe; some studies may be reviewed more frequently. Similarly, each quarter throughout the year there must not be any outstanding critical actions from these process safety studies overdue by the agreed completion date.

At the end of 2011, with the exception of two manufacturing sites, all process safety studies were reviewed. Of the 383 critical actions arising, all but two were completed on time, and these two are on track to complete in quarter one in 2012.

As well as the first meeting of our Academy for Process Safety Practitioners taking place this year, there was also Process Safety Leadership training for our most senior Directors to instill a rigorous and consistent approach to safety culture from the top of our organisation. An example of management pro-action can be found in the transportation of hazardous raw materials in India.

### The Future

The quality of the process safety studies and their reviews is critical to the assurance of process safety across the Group. The process safety Academy will focus on the improvement of quality through meetings and webinars during 2012 and beyond.

The range of process safety key performance indicators (PSKPIs) continues to be developed. For example, a new target for 2012 is to establish a KPI that tracks the compliance of Process Risk Reviews with internal quality standards.


At Croda, we decided to develop our own internal process risk management programme rather than relying on consultants. So, in 2011 we established an Academy to enhance the initial training on Hazard Studies undertaken by manufacturing site engineers. Apart from cost savings, by each manufacturing site nominating an Academy Member to act as the site champion, ownership of process safety is given to the site and the people who can make a greater impact.

The programme for the first meeting in June 2011 included formal training on Layers of Protection Analysis (LOPA) and improving the quality and consistency of Process Risk Analyses and Reviews at our manufacturing sites. The Academy meetings will continue to be an annual event supplemented by online seminars on specific topics twice per year.

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 Labour Practices & Decent Work  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Labour Practices & Decent Work Performance Indicators: [LA6](#), [LA7](#)

Our Leek manufacturing site in the UK used the results from the UK's Health and Safety Laboratory Climate tool, together with workforce involvement and existing company good practice, to develop a behavioural training package to improve safety awareness and safe behaviour. The START Safely safety initiative delivered by line managers reminded personnel when faced with a potentially hazardous situation to: **Stop, Think, Access, Report and Talk.**

START Safely, along with continual improvement in systems and workplace, contribute to the site personnel accident rate being below the Group target of 0.2 per 100,000 hours worked. START Safely continues to develop and in the future line managers will use it to reinforce positive behaviour by completing behavioural job safety reviews.

**2011 Targets**

- To reduce the rate of lost time injuries to 0.2 per 100,000 hours.

During 2011, our UK manufacturing site in Hull conducted a Safety Climate Survey to see if improvements have been seen following the actions taken after the previous survey in 2007. With a response rate of 70% and a particularly good return from site operators, the results can be taken as meaningful and a credible view of safety in frontline site activities. Overall, feedback was very positive, showing many areas of improvement. These included regular departmental SHE meetings, more plant automation, simpler reporting processes and putting safety before production targets. There are areas that need further attention, particularly in the usability of procedures and accident and near miss reporting, where action plans are being developed.

## Occupational Health & Safety

### Strategy

Whilst process safety plays an obvious role in this area, human aspects of safety such as attitudes and behaviours must also be actively managed. Our training includes hazard awareness and behavioural safety programmes, in which we continue to spread good practice across the Company.

Reporting of incidents is actively encouraged and all significant incidents and near misses are investigated by trained SHE personnel across the Group. The management of such reviews lies with the Group Executive Committee which receives a quarterly report through the SHE Steering Committee.

A Safety Climate Survey is now conducted every three years across all of our operations to assess trends in attitudes and opinions regarding our management of safety, the results of which are used to adjust and formulate the management of injury prevention and safety promotion.

Given that most injuries within our business operations are slips, trips and falls, contact with fixed or moving objects, and lifting and ergonomics, our strategy is to focus on training and changing the behaviours of our people. By equipping them with the skills and knowledge to identify and deal with the hazards in their day to day jobs, we aim to achieve our target of reducing the injury rate.

### 2011 Performance

In order to meet our target, we must have sustained year on year improvement in the frequency of injuries to ultimately reduce the lost time injury rate to 0.2 per 100,000 hours worked on a sustainable basis.

In 2011, we changed the basis of measurement to include lost time injuries of one day or more, which had been three days or more in previous years. This is a more stringent measure, against which we continue to set a lost time injury rate of 0.2 per 100,000 hours worked. An improvement was achieved in 2011, with a rate of 0.25 compared to the previous year's performance of 0.39 using the new measurement criteria.

Each of our operations is required to refresh its safety awareness and behavioural safety programmes regularly. Examples of the many activities include: the 'START' Safely campaign at our Leek manufacturing site, the first repeat of the Croda Safety Climate Survey at Hull and a Global SHE Managers' Conference. The very nature of changing attitudes and behaviours takes time, so it is hoped that further progress and a sustained reduction in our injury level will soon be reported.

### The Future

In recognition that we take personal injury extremely seriously amongst all personnel across all of our operations, we have extended our ultimate lost time injury rate target of 0.2 per 100,000 hours worked to include contractors, so encompassing anyone working for us at any time.

It is recognised that making improvements in safety performance cannot take place quickly and training programmes including Behaviour Based Safety, Hazard Awareness Training and also Safety Climate Surveys are continuously being rolled out and refreshed.



Site SHE Managers and several Site Directors from around the world attended a Global SHE Managers' Conference at the Health and Safety Laboratory (HSL) in Buxton, UK for the first time in 2011. The three day event focused on Occupational Safety including lectures on the key causes of injury to our employees including: slips and trips, ergonomics and behavioural safety, and how to prevent them.

# Responsible Sourcing

 Environmental  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Environmental  
 Performance Indicators:  
 EN1, EN26

Perfad™ 3000 and Perfad 3050 are unique organic friction modifiers, both in terms of their chemistry and their performance. Based on polymer chemistry, they deliver outstandingly low friction properties, which is the key to increasing fuel efficiency, reducing CO<sub>2</sub> emissions and engine wear, as well as extending the durability of engine equipment. A small improvement in individual vehicle fuel efficiency has a dramatic impact on total fuel consumption and exhaust emissions.

## Renewable Raw Materials

### Strategy

At Croda, we have a history of using renewable raw materials in our products wherever possible, with sustainability being embedded in our product innovations since we launched our very first product, lanolin.

Our research scientists work with our marketing teams to determine the market opportunities early in the new product screening and development phase; this includes giving consideration to the origin of the raw material used in terms of safety and environmental impact.

Underpinning this process is our adoption of the 12 Principles of Green Chemistry, where our scientists ensure our products meet as many of these principles as practically possible, therefore ensuring that our products have the most minimal impact on health and the environment.

The challenge is meeting the demands for green and safe products, whilst maintaining competitive product performance and functionality.


During 2011 there has been a change in the strategic direction of our measurement of the renewable raw materials we use. We were going to use our new ERP system to record the total volume of renewable raw materials used across all of the products we sell. However, since we have much greater control on the origin of our raw material content, as opposed to the sales volumes of one product versus another, we will use the system to record and report the total percentage of renewable raw material within our product portfolio. This approach will enable us to closely monitor and consider changes to our product ranges to meet customer demands.



The speciality chemical industry is fast moving away from using depleting resources and energy intensive, environmentally compromising processes. The focus is on sustainable raw materials and greener, cleaner and safer manufacturing methods. With our heritage in naturally derived products, we are at the forefront of this evolution.

It was biotechnology that stood out to us amongst the array of approaches to achieving sustainable product design. It is a path offering many promising opportunities in the future, which is why we have dramatically expanded our investment in the research and development and manufacture of these products at our Ditton manufacturing site in the UK.

In 2011, we published a Whitepaper called "Biotechnology and Its Role in Sustainable Design", which was a technical article describing this field of science and our desire to incorporate its capabilities into our core technologies.




Our French research and development and manufacturing operation, Sederma, took on the challenge of developing natural molecules for the cosmetic industry without causing any damage to the environment using Plant Cell Biotechnology.

This technology uses plant cells to produce a range of natural molecules with unique performance characteristics. Culturing these cells has a number of benefits, but the most significant is the preservation of the environment as the process can start from a very small fragment of plant leaf or root. The culturing of plant cells does not require fertilisers, pesticides or land use and can be done any time of the year.

In 2011, Sederma launched the first product using this new technology. Resistem™ is an active cosmetic ingredient that helps the skin to protect and regenerate itself to build its own anti-ageing defence system.

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### 2011 Targets

- In 2011, to use the ERP based system to record a baseline measurement of the number of new products developed based solely on renewable raw materials.
- In 2011, to use the ERP based system to record a baseline measurement of the total volume (tonnes) of products sold based solely on renewable raw materials.



First launched in 2010, the NatraGem™ range was developed to produce solubilisers and emulsifiers based on renewable raw materials to replace traditional petrochemical derived products. This technology platform has been exceptionally well received in a number of markets due to its green profile and ability to outperform non-renewable alternatives.

In 2011, we launched new additions to this range, which are preservative free and made from 100% renewable raw materials. This offers more choice to our customers and ultimately the opportunity for consumers to purchase goods that will not have a negative impact on the environment.

All products in the current range are approved “natural” by Ecocert and are cold processable, thus reducing the energy requirements for our customers. There are plans to launch more NatraGem products in the near future and to further expand their application into different markets.

### 2011 Performance

Using our ERP system, we recorded the total percentage of renewable raw materials used within all of the products we manufactured across the Group in 2011, the total was 65%. Although this figure has decreased by 3% compared to 2010, largely due to changes in product mix, it is still a high percentage for the chemicals industry and it sets us apart from our peers.

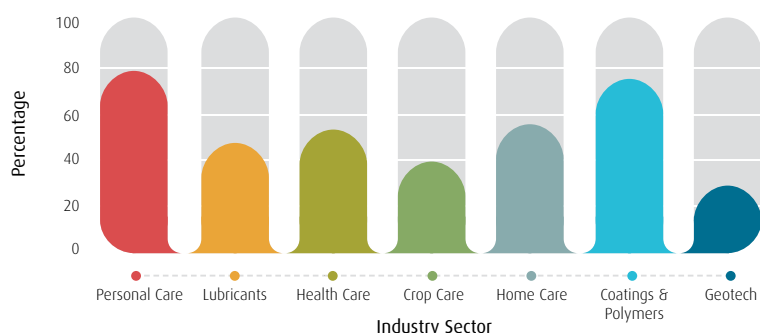
In 2011, we monitored the percentage of all new products launched based solely on renewable raw materials and found this figure to be 32%, whilst the average percentage of renewable raw material content in all of the products we launched in 2011 was higher at 58%. It is also encouraging to see that in Personal Care and Coatings & Polymers this figure is significantly higher still. An example of a 100% renewable product launch in 2011 is NatraGem™ S150 NP, a natural solubiliser for active ingredients.

### The Future

Renewable raw material content is still a top priority, so we shall remain committed to developing new products based on as high a proportion of renewable raw materials as possible.

The 12 Principles of Green Chemistry is embedded in new product development, but in 2012 we aim to implement an official check procedure to monitor this process and seek areas for improvement

Percentage of Renewable Content in New Products by Industry Sector



Our Home Care division launched a new additive for hard surface cleaners called ModiSurf™ Clarity during 2011. ModiSurf Clarity forms a protective layer on surfaces such as glass, which repels limescale and reduces the tendency of surfaces to mist up.

Unlike most alternative products, ModiSurf Clarity has a high content of renewable raw materials, over 60%, and is biodegradable. As ModiSurf Clarity remains effective for longer than conventional products, the consumer uses less of the cleaning product. The result is a reduction in the quantity of chemicals washed down the drain. ModiSurf Clarity, therefore, provides both performance and environmental benefits for the consumer.

# Responsible Sourcing

## 2011 Targets

- To continue working with the RSPO Palm Kernel derivatives technical working group on establishing relevant industry guidelines for calculating Palm Kernel Oil volume equivalents for the derivatives we purchase.
- With the help of our supply chain partners, to continue verifying the Palm Kernel Oil volume equivalents for the derivatives we purchase and our finished products.
- To aid our customers in supporting certified sustainable PO/PKO. Making available, on request, the PO/PKO volume demand (as calculated by Croda) per tonne of finished product they buy.

## Responsible Palm Oil Sourcing

### Strategy

We are committed to providing sustainably sourced palm oil (PO) products to our customers. The vast majority of the raw materials we use with this origin are derivatives of palm kernel oil (PKO), obtained from the processing of PO for the food industry. Due to the number of industries and organisations involved in the growing, cultivation and manufacturing of PO, we joined the leading global body working towards a sustainable supply chain, the Roundtable on Sustainable Palm Oil (RSPO), when it was created in 2004.

To ensure we have involvement in the sustainable supply of PO and PKO derivatives, which are our primary focus, our senior manager in Asia, where RSPO is most active, is a member of the Derivatives Working Group that supports the RSPO Trade and Traceability Steering Committee.

During 2011 we saw the approval of a methodology by the RSPO to calculate the volume of PO and PKO within the derivatives that we use. This means that we can continue to provide customers with this data, so that they can support sustainable sourcing, most commonly through the Book and Claim certification route.

Our purchasing teams will work closely with our suppliers in this area to investigate ways in which the supply chain may be improved to allow traceability and, therefore, the supply of sustainable PO and PKO derivatives. They will also ensure that a central database is maintained to manage the purchase of our own Book and Claim certificates for the very small volume of PO that we buy.

## 2011 Performance

We have successfully calculated the PO and PKO equivalent volumes for our products using our own calculations to meet all of our customer requests during 2010 and into 2011, in the absence of an agreed industry standard. However, with the RSPO Derivatives Working Group gaining approval for a common calculation standard, which aligns with our own methodology, so our customers can continue to be confident that they can take the necessary action to certify their products and support sustainable PO.

At the end of 2011 RSPO had their 9th Global Roundtable Conference. Our RSPO representative attended this meeting with one of our Purchasing Managers to offer input into the latest discussions and establish new contacts as we seek opportunities to improve the sustainability of the derivatives supply chain.

### The Future

On request, we shall continue to provide data on equivalent volumes of PO and PKO in the derivatives we use. To offer a quicker response to customer needs in this area, we will add this calculation to our product profile in our master product database.

In 2012, we will ensure that we implement a process to purchase Book and Claim certificates for the small volume of PO that we use. We will also continue to actively engage with our suppliers in this area and work with the RSPO Derivatives Working Group to offer all the assistance we can in securing a sustainable PO and PKO derivative supply.



In 2011, we provided PO and PKO equivalent data for 100% of our customers' requests. All of the customers who requested data are from the Personal Care market and the accumulation of data provided covers greater than 95% of our Personal Care product portfolio.

Our calculations allow our customers to purchase certificates for sustainable PO through the Book and Claim method. This is currently the only viable method to support sustainable PO plantations in the complex supply chain of derivatives, with the money from the sale of the certificates going back to the sustainable growers.

Environmental Product Responsibility [www.croda.com/GRI](http://www.croda.com/GRI)

GRI Environmental Performance Indicator: EN26  
GRI Product Responsibility Performance Indicators: PR1, PR3

- 2011 Targets**
- To be an active contributor to the CDP and participate in the SCLCI.
  - In 2011, to enable product specific CFP of key technologies in >50% of our manufacturing sites, providing training where necessary. We will also review the impact of data acquisition and dissemination on the business.

## Product Data Gathering

### Strategy

We are identifying and gathering key sustainability data on all of our major raw materials and finished products. This data goes beyond requirements for legislation and current customer needs, as we aim to meet emerging and future data requirements. This important initiative is our Ingredient Sustainability Programme, which will offer a comprehensive understanding of our major raw materials' origin and potential environmental impact, together with the environmental footprint of our products and processes throughout their lifecycle to the point of leaving our gate.

We are working to gather all of the relevant sustainability data into one location, which will be the Group's central master database, SAP. This is a collaborative and ongoing programme between our Product Assurance, Product Safety and Regulatory Affairs and Purchasing departments, together with each of our manufacturing sites, to obtain the data for our ever growing product portfolio.

### 2011 Performance

During 2011 we continued to be an active contributor in the Carbon Disclosure Project (CDP) and its Supply Chain Leadership Cooperation Initiative (SCLCI). We will continue to report to CDP, but no further targets will be set in this area at this time as we are satisfied with our performance in this area and must focus our efforts on other challenging environmental targets.

In 2010, we implemented C-CaLC, a carbon footprinting (CFP) analysis tool, and during 2011 we focused on training key employees around the Group in using the tool to meet customer requests in this area. At least one participant from 10 of our manufacturing sites attended a course on CFP and, with further training offered during the course of the year, by the end of 2011 employees covering 76% of our manufacturing sites can use the C-CaLC tool.

Work on our Ingredient Sustainability Programme started in mid 2011 as we established the scope of the data we will collate across our product portfolio. Since then, we have already made good progress on gathering a significant amount of product information, but as this is held internally within different departments, work on centralising it has begun to complete a gap analysis on where new data will need to be sourced.

## The Future

In 2012, we shall complete the gap analysis between the data we already have and our sustainability data criteria and we will start work on collating the new data required. This will need additional resource across our manufacturing sites, which will be reviewed during the year and appropriate timeframes set to gather the information needed.

To ensure this process is coordinated and accessible to all those involved, across the central departments and 17 manufacturing sites throughout the world, the database that will run the Ingredient Sustainability Programme will be implemented as a priority in 2012.





In early 2011, 18 employees from 10 of our manufacturing sites attended a two day training course on carbon footprinting. Training topics included lifecycle analysis, carbon footprinting, viewing "hot spots" and understanding the British Standards Institution's standard on lifecycle greenhouse gas emissions, PAS 2050.

The course also included some practical exercises on the use of our C-CaLC tool, which was developed by a team led by Professor Adisa Azapagic at the University of Manchester with the help of industry partners, which included a representative from our CSR Steering Committee team in the UK. The C-CaLC tool follows the internationally accepted lifecycle methodology as defined by ISO 14044 and PAS2050 and is now firmly established as the tool that we use to analyse the carbon footprint of individual product lines.

# Employees

During 2011 our global HR team, comprising of senior members of Group HR and all Regional HR Managers, met as a group for the first time. Through their time together they developed and defined a global HR Strategy to assist the business in achieving its five year growth plans. The strategy provided our business with a top level framework for applying people management practices throughout the world. The strategy is split into our five material employee issues, and during 2012 the Regional HR Managers will identify country specific and regional targets that are required to ensure the Group strategy is achieved.

 **Labour Practices & Decent Work**  
[www.croda.com/GRI](http://www.croda.com/GRI)

 **GRI Profiles: 4.16, 4.17**  
**GRI Labour Practices & Decent Work**  
**Performance Indicator: LA2**

**2011 Targets**

- All regions to complete an employee engagement survey by the end of 2011.
- On a global basis, to maintain average voluntary turnover at less than 10% in 2011.
- Every manufacturing site to hold a minimum of two employee communications sessions in 2011.

During 2011, every manufacturing site held at least two employee communication sessions, all offices of more than 30 employees also met this target and many other locations reported some employee communication activity. We will continue to monitor this as a KPI, but a new target to improve performance in this area is not needed.

## Recruitment & Retention Strategy

It is only through robust, effective and stringent recruitment processes that we can ensure we have the best possible starting point from which to develop the right leaders and specialists for the future of our business.

Our internally developed and delivered leadership and succession processes can only be effective if the raw talent is there to start with across all functions. Through our global competency framework we can ensure recruitment practices across the Group identify the people with the right skills, knowledge and aptitude, but more importantly the behaviours and attitudes that will make them, and in turn our business, a success.

It is then, by listening to our employees through surveys, appraisals, consultation committees and communication sessions the world over, that we can ensure the investment we make in recruitment pays off. Understanding our employees' needs, aspirations and opinions will ensure we continually develop a retention strategy that works for our business.

To support our developing regions of Latin America and Asia we are now taking the expertise we have in graduate recruitment, selection and development in our mature markets of North America and Europe and utilising it in these developing markets. This will ensure we maintain the quality and supply of future leaders across our business.

### 2011 Performance

Our 2011 graduate recruitment programme saw 24 new employees join in the UK, France, Spain, North America, China, India and Singapore. These individuals were all carefully selected using our robust recruitment processes and join a growing alumni of Croda graduates dating back over 20 years.

The European programme has gone from strength to strength over the past three years and now see an average of 15 graduates per annum recruited into one of four schemes that enable us to focus their future development on areas of the business where we need the skills, namely engineering, technical, operations and commercial.

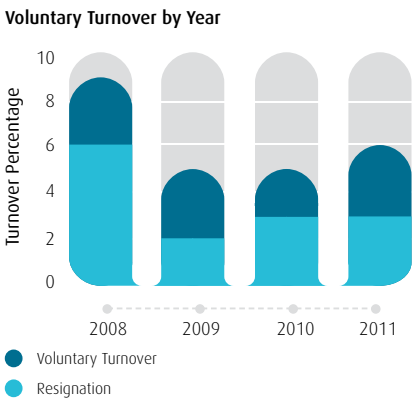
For the past three years graduates from India, Singapore and more recently China have taken part in training and development activities in the UK with the European graduates. The success of these residential programmes in developing key skills and retaining these key individuals for the Asian business has led us to develop an Asian graduate programme during 2011.

At our manufacturing site and office in India the execution and subsequent implementation of changes following employee surveys have proven what an effective tool they are to inform change and create an open communication culture.

In 2010, the survey was conducted based on The Great Place to Work Model© and measured employee satisfaction on five parameters: credibility, respect, fairness, pride, and camaraderie. The results of the survey included the statistic that 80% of employees said: "This is a great place to work". It also identified competent management, pride to work for Croda and good working environment as our top three strengths. Areas of improvement included the need to celebrate important calendar events at work and to build relationships in the workplace, especially as there can be a divide between union and non-union employees.

Based on the feedback, a number of employee engagement initiatives like Family Day, Sports Day and the celebration of important festivals at work began. Behavioural training and workshops also started to help give employees a sense of belonging and togetherness. So when, in 2011, a follow up in-house Employee Satisfaction Survey took place, the fun at work element scored 93%. Overall employee satisfaction remained high at 80%, and other strengths included leadership and communication, job satisfaction and relationships with immediate manager due to freedom of expression and fair treatment. Working together to understand each other's needs, negotiation skills, some specific job related training and the need for more interaction between departments were highlighted as areas for improvement, which will form the basis of employee engagement activities during 2012 in India.

Employee turnover across the Group continues to remain low with our voluntary turnover averaging 6%. We will continue to monitor this KPI, but a new target to improve performance in this area is not needed.



The programme, which will be launched in 2012, takes the best practice from Europe and North America to deliver a programme that meets the specific cultural and developmental needs of the region.

Regarding retention performance, all 1,900 of our European employees were invited to take part in the region's first ever engagement survey. The focus of the questions was based on the Croda Vision and had two main goals. Firstly to give us a measure of the level of employee engagement across Europe, and secondly to show us where we are doing well and also where we need to improve. We achieved a 62% response rate across our European operations and the results showed us that engagement levels in Europe are exceptionally high. Individual country level and regional targets relating to the results now form part of the HR Strategy for Europe.

### The Future

The global HR strategy has provided the business with a clear framework of the areas on which we need to focus. In relation to recruitment and retention, we will ensure that by the end of 2013 emerging markets have a programme of regional graduate and trainee recruitment to support future business needs. Building on our experiences in Asia, we will utilise this knowledge and expertise to develop a programme suitable to the Latin American market.

By the end of 2012, we will ensure that all new employees are completing an induction programme during their first six months of employment. To assist with improving retention rates in some countries we will need to make sure that inductions are suitable for the location and role, which will in turn help those new employees to add value to our business sooner.

Following the success of our regional employee satisfaction surveys, we will complete one global employee engagement survey in 2014. This survey will then be conducted at least every third year.

During July 2011, all employees in Europe were invited to take part in an employee engagement survey. After the survey, Feedback Groups were set up at locations with more than 50 employees. These groups were made up of volunteers who provided an understanding of the underlying reasons for the responses at their site.

The Survey Feedback Groups were asked to discuss the top five issues on their site and report their findings back in four areas: Symptoms, Causes, Actions and Learning Points.

Symptoms covered how the problems were manifesting themselves on site, whilst the Causes and Actions identified the reasons for the problem and what could be done to correct it. Learning Points allowed participants to suggest ways in which the problem could be prevented from recurring again in the future. Key results were:

- 62% overall response rate;
- 96% of respondents stated that they get personal satisfaction from doing their job well;
- 87% of respondents agree that Croda is an ethical and responsible company;
- 83% of respondents would refer Croda to a friend as a good place to work;
- 81% of respondents are committed to a long term career with Croda; and
- the three key areas of action are career management, reward and recognition and communication.

All learnings from the survey and Feedback Groups are now being incorporated into the HR Strategies for each operation, resulting in positive changes to the workplace through 2012 and onwards.



The 2010 Graduate Programme was a first for Croda Singapore and thankfully I had the opportunity to be part of the first group. The two year programme was structured to give us exposure to different functions by rotating through three or four roles, which ensured we gained varied experience and a good understanding of day to day operations. We also took part in residential training events and had individual mentoring sessions with a senior manager to support our development.

I am now on my last placement in sales and already I can look back on my previous sales and customer care roles and see

that the Graduate Programme has many benefits in several areas. Job rotation has given me a broad understanding of the business and first-hand experience of different roles. Mentoring accelerated my development as I gained different perspectives and had timely advice along the way. The overseas training opportunities and a wide variety of special work assignments expanded my horizons and allowed me to build important relationships across the Group, all of which I hope will allow me to contribute to the future success of Croda.

# Employees

 Economic  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Economic  
Performance Indicator:  
EC3

## Compensation & Benefits

### Strategy

As a result of the many employee satisfaction and engagement surveys that have been carried out since 2009, we have been able to accurately pinpoint the values and expectations of our employees. It is this understanding of what individuals value that has enabled us to set future goals that promote and continually improve our salary and benefits packages. Increasing access to healthcare in Latin America and India has been a prime example of this.

Pension provision forms part of our total employment package, which is aligned to the needs of our employees and the markets in which we operate. As a public company we encourage employees to invest in the future of our business by joining our share schemes. The schemes build loyalty and commitment and have proved to be very beneficial savings plans.

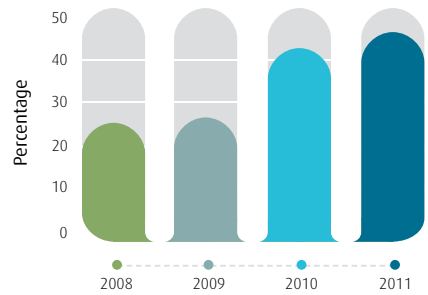
In recognition that it is usually salary that plays the more significant role in retention, we have introduced an annual process of salary benchmarking for critical roles, which will further inform our positioning in the future.

### 2011 Performance

During 2011 our key focus was on health promotion and monitoring in our Latin America region. Providing a safe and healthy working environment remains of paramount importance to Croda and 99% of our Latin American employees had a Company funded health check during 2011. The remaining 1% declined the offer.

Whilst we monitor membership of our share schemes as a KPI, we recognise that membership is purely voluntary. In 2011, 45% of our global workforce took part in a least one scheme, with some countries seeing in excess of 80% of their employees joining.

Percentage of Employees in Share Ownership Schemes by Year



### The Future

Each country in which we operate must ensure that it reviews and sets goals for adequate health promotion, health monitoring and health related benefits packages during 2012. This will build on the success we had in Latin America in 2011, to make sure we offer a consistently high level of care to all of our employees.

Whilst we realise that joining our share schemes is a personal choice, we believe that increasing share ownership amongst employees will be a driving force behind the performance needed to grow our business. It enables employees to share in our success, which is at the heart of our culture. Membership will be maximised by improving advertisement, promotion and availability to all employees. Through improved communication we can ensure that everyone makes an informed decision.

**2011 Targets**

- To make health assessments available to all employees in Latin America by the end of 2011.

During 2011 our Latin America division introduced health assessments to all employees regardless of service or position within the business. In a region where health care is not easily accessible by everyone due to its cost, this is a significant benefit. 99% of employees in the region took up the offer, which included examinations for hearing, vision, cardiovascular functioning and nutrition. All results were given to the employee and recommendations were made where needed. These medical results have subsequently helped employees to seek preventive medicine.

Country	Total No. of Employees	Health Check Completed	%
Argentina	12	12	100%
Brazil	110	110	100%
Chile	5	5	100%
Colombia	10	8	80%
Mexico	21	21	100%
Miami	5	5	100%
Peru	4	4	100%
<b>Total</b>	<b>167</b>	<b>165</b>	<b>99%</b>



 Human Rights Society  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Human Rights Performance Indicators: [HR5](#), [HR6](#), [HR7](#)  
 GRI Society Performance Indicators: [S02](#), [S03](#)

**No 2011 Targets**  
 Policies and systems was highlighted as a material issue during the mid-year Sustainability Strategy Day, therefore targets in this area were not set for 2011.

## HR Policies & Systems

### Strategy

Our policies and procedures provide a critical link between our Vision and day to day operations, which is why we are placing increasing importance on HR systems.

Not only will comprehensive systems provide us with accurate, real time management information, they will also support the employee experience. Technological advancements and generational shifts have placed more importance on the use of technology in everyday life. At Croda, we recognise that there is a role for such developments in managing and supporting the career of our employees, as well as assisting in enhancing performance of daily activities. To enable us to attract and retain the best people, we need to ensure the technology in our business can meet their daily needs and expectations.

### 2011 Performance

Continuous improvements have been made to the integrity of data and usage of HR Pro, our global HR system. The system must have users in every country, so during the year training has taken place both face to face and through webinars in many of our regions. This will continue into 2012 with the recruitment of a global systems specialist, who will initially focus on a project to introduce employee self-service to many transactional elements of HR.

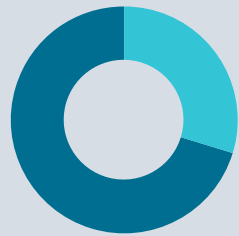
To comply with changes to anti-bribery and corruption law quickly and efficiently, we embraced a specially designed online training platform to relaunch our policies and educate key individuals across the globe.

## The Future

During 2012 we will ensure that our policies are consistent with the spirit and intent of the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, where applicable to business. The ILO Declaration states that all of its members have an obligation to respect and promote the elimination of discrimination in employment, prohibition of child and forced labour, and freedom of association and the right to collective bargaining.

By the end of 2013, delivery of training to all relevant managers in relation to our HR systems will be complete. The launch of employee self-service and also a manager workflow function will ensure we hold higher quality, more accurate data in a central database, which in turn will improve reporting and influence decision making.

Number of Employees who have received Anti-Bribery and Corruption Training



Following implementation of the Bribery Act 2010 in 2011, and as part of a wide ranging compliance review, we instituted a Group wide training programme incorporating issues raised by this legislation.

Employees who are most likely to be exposed to bribery related issues due to their function or location are required to complete online training. The course involves employees being taken through numerous scenarios relevant to our business and it cannot be completed successfully without passing a test. Training has been completed by all managers and non-managers who were identified and all relevant new employees will be required to take and pass the test in the future. In addition to the online training, senior management received further guidance in respect of the Act, detailing how the Company's policies and procedures work to ensure compliance.

# Employees

**Labour Practices & Decent Work**  
[www.croda.com/GRI](http://www.croda.com/GRI)

**GRI Labour Practices & Decent Work Performance Indicators: LA10, LA11**

- 2011 Targets**
- To deliver a minimum average of 22 hours training per employee in 2011.
  - To launch an internal online learning zone by 2015.

During 2011 we once again exceeded our training target, with an average of 24 hours training per employee. We will continue to monitor this KPI, but a new target to improve performance in this area is not needed.



Two years ago we started work on designing and delivering a series of new leadership development programmes, focusing on executive and leadership development groups within the business. It also included the training of six internal Learning & Development Practitioners who will use a new set of personal development tools and materials. To help us in this project we approached a company called Insights to act as training partners.

Testimonial: Ian Faulder, Consultant, Insights Ltd, UK

I believe Croda employed my team at Insights to help design and deliver aspects of their leadership development programmes because our learning philosophies and focus closely match. We also have similar principles combining family values with a 'can-do' attitudes and an innovative culture.

## Talent Management & Employee Development Strategy

It is only through effective, consistent global talent management and well defined, focused leadership development that we will continually deliver the next generation of Croda leaders. Our current leadership team were our graduate recruits of the 1990s and our recruits of today will be our future leaders.

However, it is not just about leaders, we employ over 1,500 specialists across all business functions around the world. It is through the focus on their continuous development that we can sustain our exceptional business performance.

Using our global competency framework and appraisal system, Croda Aspire, we annually monitor the average hours of training per employee. Our small internal training function continually develop and deliver courses, coaching and programmes that meet the ever changing needs of all of our employees. However, we want to take our performance development, learning delivery and accessibility to the next level, so we have set ourselves a stretching target to bring forward the launch of our online learning zone to the end of 2013.

Therefore, we both understand the importance of having inspired capable people at all levels. We helped Croda to develop a robust programme aligned with their Vision and future strategy based on our own Transformational Leadership Framework. The programme combines intensive personal, team and leadership development activities with practical projects based on action learning, which is where learning new skills and capabilities are combined with new levels of self-awareness. This can be applied to leaders across a very diverse mix of countries, cultures and functions from both developed and emerging markets.

As an Insights client, Croda is a delight to work with because of their commitment and dedication to leadership development with the active involvement of the Group Chief Executive, Chairman, Board and Executive members. People development is at the heart of what Croda does and the company is willing to devote impressive resources and time to the task of developing future leaders. We are proud to be a part of designing innovative training tools to help develop the capabilities of future leaders, which are instrumental in building solid global leadership networks.

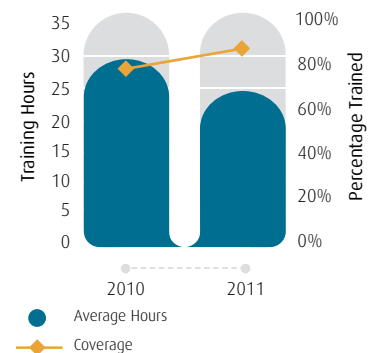
## 2011 Performance

Leadership development is at the heart of our talent management strategy. Following an in-depth review of our leadership development, which took place in 2010, two new leadership programmes were launched during the year. Both are operating on a global scale and focus on developing the top 1% of our business.

With the support of external training providers, these two 18 month long programmes will develop the leadership skills and behaviours that we deem critical to our future business success.

Talent management is not only about the very top of our organisation, training hours across our global workforce were over 78,500 hours in 2011, with 86% of employees receiving training. These figures reflect our more focused approach to talent management and employee development, which links our competency framework to personal and business training needs.

**Number of Training Hours and Employee Coverage by Year**



## The Future

We will make personal skills development accessible to all in the Group by the end of 2013 through the development of a comprehensive online learning zone. This will be coupled with enhanced regional training delivery.

Leadership development programmes will be developed and implemented in each region across the Group during 2012, with the first review of their progress in 2015. The delivery of such programmes will continue to expand to meet the needs at all levels and within each specialist area across the organisation.

By the end of 2012, each region will also identify future leaders and specialists through effective and cohesive talent management and succession planning. This will be supported by the development of a globally aligned succession planning and talent identification process to ensure our development resources are used efficiently.

Labour Practices & Decent Work  
[www.croda.com/GRI](http://www.croda.com/GRI)

GRI Labour Practices & Decent Work Performance Indicator: LA7

## Performance Management

### Strategy

We invest heavily in recruitment, development and talent management both in terms of time and money. To ensure we get the best return on that investment we need robust performance management processes.

The development and launch of Croda Aspire in 2010, our online appraisal system, demonstrates the importance we place on ensuring employees have regular constructive feedback to improve their performance and in turn that of the business. Our Vision states our aim to continually improve, that is not just about our production methods, our processes and our products, it is also very much about our people.

Through Croda Aspire, our HR teams will be able to easily monitor and identify areas of weak performance and provide managers with the assistance and guidance they need to turn it around.

### 2011 Performance

During 2011, the global roll out of our new performance appraisal system, Croda Aspire has continued. Managers from across Asia and Latin America have been trained on the system, as well as undertaking intense personal skills training focusing on best practice in managing performance, setting objectives and development planning.

In its first full year of operation across the European business, over 1,300 individuals have accessed and utilised Croda Aspire, which is available in six languages. The system was designed and developed in-house by a cross functional team from HR and IT. It wholly supports our global competency framework, which provides managers with a clear and effective development planning process for all levels within the organisation.

Regarding our managing absence education programme, the course content was compiled and approved in 2011 for implementation during 2012.

### The Future

As the roll out of Croda Aspire continues, we will be improving functionality, language availability, IT access for all and manager training and support. Once global implementation is complete, we will need to ensure that all employees have an annual appraisal recorded in the system, the target for this is by the end of 2015.



Testimonial: Maia Navarrete, Country Director, Croda Mexico

At Croda Mexico we implemented the new appraisal system, Croda Aspire, with great success. I have personally found the system useful for a number of reasons, particularly when managing the goals and performance of employees.

Croda Aspire has allowed me to set targets specifically related to job profiles that are focused on business results. The competency framework embedded in the system allows me to manage expectations and to pinpoint the specific behaviours and competencies that each member of my team should focus on for future roles.

The entire tool kit that supported the programme allows us to set clear expectations, create self-awareness and allow our employees to grow and feel better about their performance. Overall, this new tool is excellent for helping us in what I consider to be perhaps the most important part of our jobs as managers, helping employees to grow and learn.


**2011 Targets**

- To maintain the average cost of absence to the business at the 2010 level.
- During 2011, to develop and deliver to all relevant parties in the UK, a programme of line manager education in relation to managing absence.

Whilst cost of absence increased during 2011 from £1.3m to £1.6m, our data monitoring in this area has improved significantly during the year, so our latest figure is a more accurate calculation. A like for like comparison shows an increase of approximately £100,000, but this does not take into account an average 3% pay increase during 2011. We will continue to monitor this KPI, but a new target to improve performance in this area is not needed.

# Corporate Stakeholders

 Stakeholder Engagement  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Profiles: [4.16](#), [4.17](#)

## Corporate Stakeholder Engagement

### Strategy

We aim to maintain ongoing and regular engagement with all our corporate stakeholders in face to face meetings and via specially designed surveys. We will engage with our major customers, investors and suppliers on all aspects of sustainability, particularly concentrating on the issues that most affect them. This process will also allow us to check that our materiality analysis is kept up to date, reflecting the key issues of our business and our key stakeholders.

Our goal is to gain an understanding of the key sustainability issues that are of concern to our key corporate stakeholders, so that we can constantly aspire to meet their sustainability expectations. By keeping these lines of communication open, we hope to keep ahead of emerging sustainability issues and ensure our stakeholders remain confident that we are a business that not only cares about economic value, but also sustainable long term growth.

### 2011 Performance

To obtain feedback on the material sustainability issues from our top 50 customers, during 2011 we conducted our first formal online survey in this area. The survey was future focused and aimed to question beyond any current requirements within our customers' supplier code. Preliminary analysis of the survey is providing confirmation of the areas that are material to our customers and giving a deeper insight into what may be more material in the future.

### 2011 Targets

- In 2011, we will conduct a formal survey of our top 50 customers across all market sectors.

For 2011 we set a CSR target to formally engage with our top 50 global customers across all the markets in which we operate, specifically on the topic of sustainability.

Supported by an external agency specialising in this field, we took the decision to divide this engagement programme into two phases.

The first was an online survey to ensure we have a broad understanding of our customers' sustainability strategy and to seek feedback on our activities, which are based on our material issues.

Questions within this confidential survey included safety, health and environment, employee and community relations, supply chain management and assurance of sustainability performance.

With a pleasing 30% response rate and additional customers wishing to answer the questions directly to their Croda Account Manager, we were able to begin to understand:

- what our customers consider to be the most important global CSR issues;
- what their material issues are now and in the future, including which are their top priorities;
- what they know of, and how they perceive, our CSR activities; and
- what they believe are the most important CSR reporting channels and which NGO opinions they value the most.

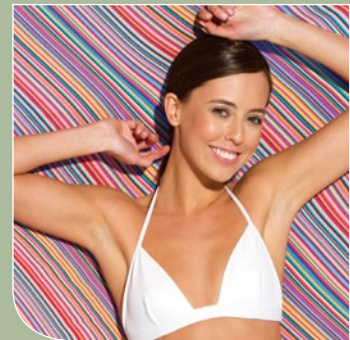
The second phase is a series of face to face meetings to gain a much deeper understanding of our customers' responses and it is our intention that this will lead to ongoing open engagement.

During 2011, we also started to engage face to face with investors on sustainability issues and we saw an increasing level of enquiries from this stakeholder group.

### The Future

In 2012, we will further engage with many of the customers who responded to our 2011 customer survey, and a wider survey will also be conducted to include the key customers across all market sectors within the regions in which we operate.

In response to the growing number of enquiries from investors, as they seek confirmation that they are investing in sustainable companies, we will formally engage with our investor community to gain feedback on our sustainability performance.



In 2010, we launched Solaveil™ SpeXtra, a novel titanium dioxide dispersion offering protection against both UVA and UVB radiation, for which we were presented with the "Best New Technology" Award by Cosmetics & Toiletries in 2011.

Following the long awaited F.D.A. Final Rule on sunscreen labelling and effectiveness testing in 2011, we have been able to provide consumers all over the world with clear guidance on broad spectrum UV protection, which Solaveil SpeXtra provides.

To support this activity, we launched the Solaveil Physical Shield campaign, which is a marketing initiative to support our customers' products by communicating the superior quality, performance and reliability of Solaveil UV actives, as well as the proven safety and mildness of inorganic sunscreens. An integral part of this promotion is the educational website, [www.solaveil.com](http://www.solaveil.com), which provides information for the general public about the importance of UV protection, an SPF guidance tool, details on the science behind our UV actives and advice on where they can find personal care products containing Solaveil.

 Human Rights  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Human Rights  
Performance Indicators:  
[HR5](#), [HR6](#), [HR7](#)

## Ethical Supply Chain

### Strategy

As a global organisation, we purchase many hundreds of different raw materials every year and always aim to acquire the right quality and quantity of products at the right price. However, we will not compromise our policies and values by purchasing raw material from a specific supplier where we find evidence of unethical practices.

Our regional purchasing teams source materials from all over the world to supply the manufacturing sites that they are responsible for. Whilst they predominantly source from developed countries where our suppliers have to comply with high regulatory standards, some materials, especially from further down the supply chain, are imported from areas where local regulation may not be so advanced or strictly regulated. Therefore, to enhance our management of our suppliers, we will continue to review our Supplier Code of Conduct to ensure it meets changes in legislation and internationally recognised standards, as we do for all of our policies, and communicate amendments to our supply chain.

To further minimise risk to our business through the potential unethical conduct of our suppliers, our Regional Boards must review raw material supplies within our Risk Management Framework at least twice per year. Mitigating processes are implemented to ensure that we do all that we can to prevent risks associated with suppliers. This may include the auditing of those that are identified as having the potential to compromise our standards, as outlined in our Supplier Code of Conduct.

### 2011 Performance

During 2011, a review of our internal purchasing policy was conducted and changes were implemented, so that in early 2012 our Group Executive Committee can approve the revisions and the agreement can be cascaded to our global purchasing teams.

We also conducted a substantial review of our Supplier Code of Conduct, with the aim of communicating this Code to all of our suppliers during 2012. This Code covers all areas of ethical business operation including legal requirements, human and animal rights, health and safety, the environment and corruption.

### The Future

Our revised Supplier Code of Conduct will be communicated to all suppliers during 2012, a process that will be managed centrally by our head office.

We will also update our supplier questionnaire, which has to be completed by all new suppliers, to ensure it obtains information covering all aspects of the latest Code. This will be implemented globally by our regional Purchasing Managers, who are also responsible for assessing responses and seeking further verification in circumstances where information is deemed unsatisfactory.

**2011 Targets**

- To implement a purchasing policy for Croda International Plc that encompasses the principles of plan, do, check, review in a management system.

# Community

At Croda we know that our community impact may be large or small, positive or negative, but whichever way it is measured we know it is tangible. Our community investment strategy is to use a positive and engaging approach that supports both local communities and our business development. Whilst we are confident that the community benefit is obvious, the business case is:

- to add value to our brand and reputation;
- the retention of our current employees and improve the recruitment of new personnel;
- to increase our operational effectiveness and positive impact in the regions in which we operate;
- to reduce and manage risk;
- aid organisational growth; and
- new business opportunities.

 Society  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Society Performance Indicator: [S01](#)

**2011 Targets**

- Every manufacturing site and office of >30 employees to hold at least two face to face dialogue sessions per annum with key stakeholder groups\* identified in the 2010 survey.

\*Key stakeholders from the 2010 survey were i. Local authorities, councils and local government, ii. Local businesses or business representative groups, iii. Local educational institutions (schools, colleges, universities)

During June 2011 our Ditton manufacturing site in the UK hosted an Open Day with over 200 local residents, community leaders and employees' friends and family attending. The event included a tour of the facilities, opportunities for visitors to learn about what was made at the site and to see how the business has a positive impact on their daily lives.

The activity arose out of communication with the local residents group and the parish council, who agreed that the community would benefit from having a greater understanding of what was done at the site and where the products were sold. The success of the event was perhaps best summarised by Mr Bernie Allen, a local resident, who wrote the following in a local newspaper: "A belated thank you to Pat Quinn (Site Director) and his team at Croda... The modern Croda is a far cry from the factory when it was William Oldroyd, the gelatine manufacturer..."

## Community Communication

### Strategy

At Croda, we have always viewed communication with our local communities as a positive activity, not only for our business, but also for the people who live and work near our sites. It is important for us to understand any issues that could affect our business, and also for communities to understand how we operate and to feel assured that our high standards of safety are being upheld.

It is our aim to ensure that the positive manner in which we communicate with our neighbours has a number of benefits for both parties. Activities should focus on enhancing trust, increasing knowledge of our activities, helping our employees to plan effectively, motivate others and generate goodwill. Consequently, the continual development of local community communication plans will support our growth targets.

We define annual Group targets to ensure the business performs consistently and continually improves its performance in this area. However, we believe that local planning and implementation is necessary to ensure the communication is relevant to the local environment.

Therefore, each Site Director is ultimately responsible for their own communication strategy within their local community, whether that be residents, businesses or local authorities.

### 2011 Performance

Across the Group we saw an increase in the level of community communication during 2011, with almost all operations holding at least one face to face meeting, including 10 offices with less than 30 employees. Unfortunately, six out of the 17 manufacturing sites and five offices within our target failed to undertake the six face to face meetings with key stakeholder groups. However, it is encouraging to see that these operations did hold at least four face to face meetings.

Whilst it was not measured under this area in 2011, we must also acknowledge that a significant increase in the number of hours used through our 1% Club programme was only achieved by expanding our links with community groups, this was largely due to an increase in activities by our 1% Club Champion network.

### The Future

Whilst the business did not meet its targets in 2011, there was a significant quantity of activity around the world that did enhance our relationships with the community and has provided tangible benefits in terms of mutual understanding, opportunities and networking.

In 2012, the CSR Steering Committee will reinforce these benefits to those operations that did not achieve the required target and work with them to deal with any issues preventing this engagement. They will also ensure that all of our manufacturing sites and offices understand the advantages that a robust community communication programme can deliver.

The management of all activities in this area will be more closely monitored on a quarterly basis by our CSR Regional Representatives, which will start with the development of community communication plans covering all the regions in which we operate. This will be further supported by implementing a mechanism to share best practice across the Group and deepen the relationships that our 1% Club Champion network is developing.



A team from our Gouda manufacturing site in the Netherlands welcomed the community through their gates on 21 May 2011. The feedback from visitors was very positive, one newspaper article said: "... you would imagine that a large chemical company like Croda would seem to be at odds with an historical city, but in fact the neighbourhood loves Croda. Other visitor comments included: "I thought that the factory would be dirty and that CO<sub>2</sub> emissions would be high, but that is not the case at all... they return used water in a very clean state back into the river... It is a big and beautiful company... I feel safe here".

Society  
[www.croda.com/GRI](http://www.croda.com/GRI)

GRI Society Performance Indicator: SO1

## Community Involvement

### Strategy

Our involvement in the local community aims to deliver against a broad array of objectives. Firstly, it satisfies our corporate desire "to do the right thing", ensuring that we invest in our communities and play our part in ensuring they are appropriately supported. Secondly, it is a great way to motivate employees, helping them to feel that they are part of a business that values the communities in which it operates.

Our strategy is to ensure that our employee volunteering programme, the 1% Club, will continue to play a significant role in meeting many of our employee development targets, and will continue to be a means by which we can illustrate our commitment to supporting many local issues in the areas in which we operate.

Since the global launch of the 1% Club in 2010, we have seen a significant increase in activity and participation; however there are still areas where engagement can be improved. We aim to have significant activity at all of our operations and want to further improve our relationships with the local community. One method of achieving this goal, which has proved successful in 2011, is to encourage team participation where departments or conference groups take part in 1% Club activities, with the added benefit of improving team work and communication skills.

We will focus more on building the relationships between 1% Club Champions, who can support and learn from each other across the Group. An ongoing challenge for them, and our management teams who are developing our community programmes, is to seek activities that give individuals the opportunity to gain both practical and written project experience, along with management and presentation skills.



At the end of March 2011, employees in the UK used 1% Club time to support 20 students from The Meadows Community School in Chesterfield, who visited Cowick Hall to take part in Girls Science Day and gain an understanding of science in the workplace. The students, aged 13-15, spent time in the formulation laboratories learning about surfactants and their role in emulsification, as well as practical sessions that involved formulating gels, shampoos, lipsticks and creams. They ended the day by visiting our Rawcliffe Bridge manufacturing site to see chemistry in action on a production scale.



In April 2011 the Managing Director of Croda Singapore, Art Knox, spent half a day reading to students from the Singapore American School and helped them to learn how to tell the time. Since then, Singapore has accumulated more than 250 hours of 1% Club time, including taking part in Racial Harmony Day, collecting donations such as unwanted clothing for charity and visiting a local hospital over the festive period to give support and spend time with dialysis patients.



As part of a number of global conferences in 2011, delegates focused their team building events on taking part in 1% Club activities near where the conferences were held. At the sales conference in Latin America, 81 employees spent half a day conducting extensive repairs and redecoration at a local school, Escuela Veron in Punta Cana, Dominican Republic. The internal and external improvements to the school were very much appreciated by the students and teachers.

The employees that took part also found the experience very fulfilling, Andres Rey from Croda Miami said: "This was a first for Punta Cana and certainly impressed the local community. The whole team got involved and we have left a legacy that we are all proud of."



# Community

## 2011 Targets

- Every manufacturing site and office of >30 employees to undertake an audit of key local stakeholder needs and develop at least one project in line with both business and stakeholder requirements.
- In 2011, to continue monitoring 1% Club activity, aiming to increase the total time (hours) spent in the community by 20% based on 2010 figures.
- To increase the number of individuals in the Group using at least ½ day of 1% Club time over 12 months to 15% of the global workforce.

## 2011 Performance

All manufacturing sites and offices completed a stakeholder audit and developed at least one project as a result of community engagement. There are too many to include, but our selection of case studies presents some of the highlights and we aim to publish articles on as many events as possible on our Company intranet and website to communicate our success.

Due to an error in 2010, the new baseline figure for 1% Club participation was 2,021 hours giving a revised 2011 target of 2,425 hours. In 2011, our employees spent a total of 4,679 hours in their local community, almost double our target figure. This was partially due to team events at conferences, which we hope will continue in the future.

The number of employees using half a day or more of 1% Club time, which is at least four hours, was 488, representing 15.2% of the Group. Even more satisfying is that a total of 684 employees, 21.3% of the Group, took part in 1% Club activities during 2011, which increased from 9.3% in 2010.

At Croda we believe that we can make a longer lasting impact on our local communities through active involvement, which also improves staff motivation and provides personnel development. Whilst we do not give large amounts of money to organisations, we do give small donations to local charities and organisations where we believe a real difference can be made. For the first time this year we have calculated an approximate cost of 1% Club time using average employee salaries, the total was just over £83,800.

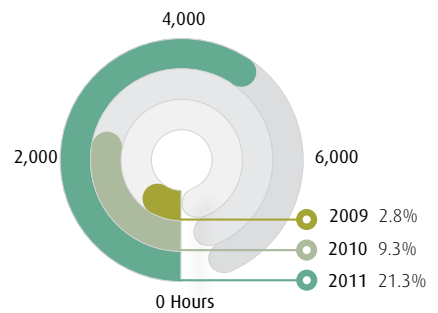
## The Future

The 1% Club has proved to be extremely successful in allowing our employees to contribute to the community, and to express their passion for the good causes affecting the lives of those in the areas in which we live and work. In every measurement of performance, including breadth and quantity of involvement by our employees, the level of impact delivered by our personnel is fantastic.

It is our belief that developing both the quality and quantity of this activity will continue to deliver benefits for our business in terms of staff motivation and personnel development, whilst developing quality links with our neighbours.

As such, we will continue to challenge our level of activity in terms of community engagement and will look to further increase activity levels against those delivered in 2011.

**Total 1% Club Hours Worked in the Community and Percentage of Employees Accessing the Scheme**



For the second year running, employees from Croda Italy were among 120,000 volunteers who took part in Giornata Nazionale della Colletta Alimentare (National Food Collection Day) in November 2011. The event is organised by the Banco Alimentare (Food Bank), who coordinate volunteers at a large number of supermarkets, which this year included the President of the Republic of Italy. The volunteers' task was to encourage people to purchase extra food for donation, which they then pack ready for distribution.



As part of "Tree Day" in October 2011, three employees from Croda Poland supported planting at a local Krakow nursery school with the local Forestry Commission. In total, 26 trees were planted, which the nursery children will visit in the future to observe their growth.



In May 2011, 13 volunteers from Edison in North America, spent time cleaning up and landscaping an area of the site at JFK Hartwyck, an Extended Recovery Brain Injury Unit. The unit provides long term care and outpatient services to people with brain injuries.




 Society  
[www.croda.com/GRI](http://www.croda.com/GRI)

 GRI Society Performance Indicator: SO1

**2011 Targets**

- To develop STEM programmes and training in the eight regions where we operate a significant R&D centre by the end of 2011, with implementation in 2012.



The UK has the highest number of research locations and the largest population of research scientists and technical personnel within the Group. To support the community education targets, the European business heads agreed on a collaborative project across all units to develop paper and website based resources to help teachers of the UK's National Curriculum put our science and technology into context.

The aim was not only to introduce children, in this case of 7-11 years of age, to the activities of our business, but also to introduce enquiry based science, show the importance of science in our everyday lives and to draw attention to the kinds of jobs carried out by professions working in the area of STEM.

The project was supported by UK based CIEC, whose mission it is to improve the quality of science education by inspiring and enthusing school children and their teachers in the area, primarily by enabling schools and industry to work in partnership. Under their guidance, our multi-disciplinary project team of scientists, marketeers, sales and IT have developed a fantastic new resource that includes a website and a number of practical experiments. Implementation, starting with a pilot study in UK, begins in early 2012.

## Community Education

### Strategy

Our business is steeped in scientific heritage and our business model is based on the delivery of market led innovation. To do this quicker and better than anyone else we need people with the correct scientific skills and training. Historically, our commitment to community education was driven by our general attitude and goodwill towards supporting schools, colleges and universities. This has been very well received by our partners in this area and has significantly improved our local reputation with these institutions.

We believe that enhancing our investment in community education will only serve to further improve our external reputation, thus leading to a positive impact on our ability to recruit new personnel. Also, with the number of students studying science, engineering and technology in decline, we feel that we have a duty to encourage and educate young people about the benefits of a scientific education.

By passing on our knowledge and understanding of science, engineering and technology, as well as informing students of other potential business disciplines, we aim to secure future employees to take our business forward. This is why it is critical that our Regional Boards ensure community education plans for all of our operations are developed and executed, not just in the short term, but also focusing on long term delivery.

### 2011 Performance

Four out of the eight regions where we operate a significant Research and Development (R&D) centre have already developed and started to implement a programme and training for Science, Technology, Engineering and Maths (STEM) in 2011.

The UK is one of these regions where significant progress was made with employees from all UK manufacturing sites and offices taking part in a collaborative programme with an external organisation, the Chemical Industry Education Centre (CIEC). It is intended that the resources that have been developed through this programme will be transferable to all of the countries in which we operate in the future.

North America also has a very developed programme where Croda graduates are given the responsibility of supporting their local schools with presentations and practical demonstrations. Brazil and Japan run similar training, which they plan to enhance further during 2012 learning from the experience in the UK and North America.

### The Future

Since only half of the regions have either met or are on track to meet this target, we accept that our performance in this area was not as we would have liked and that this is an area for focus in 2012. However, it is important to stress that this does not indicate that educational activity was not delivered during the year in the regions that did not meet the target, simply that it was not part of a coordinated, planned and measured STEM event. All of our regions completed some level of activity, be that a school visit to our laboratories or a visit to educational institutions by our scientists.

In 2012, we will refocus our efforts on ensuring that we meet the original target of having a formal science, technology and engineering education programme operating in all regions with a major R&D centre. To aid this, our CSR Steering Committee will support the transfer of best practice and look to establish complementary networks where required.

We will also develop an educational ambassador programme that will assist our personnel in the delivery of our science, technology and engineering education targets within the local community. We will then ensure that a defined number of personnel from around the world receive this training, which will be delivered as a joint activity between the business divisions and Group HR.



Graduate trainees from our Atlas Point manufacturing site in Delaware, North America visited the Sun Valley High School in Aston, Pennsylvania for three days of activity in the areas of STEM. Presentations were given about Croda and careers in the chemical industry to 288 students in 12 different high school classes. The students also had the opportunity for hands-on experience in the manufacture of hand soap using our products.

The initiative was very well received by both the faculty and students and we were invited back again. Sun Valley Principal, Pete Donaghy, said: "I heard and saw great stuff from Croda presenters. Keep sending them. If you ever need anything from me to help the programme please let me know."

# GRI Index



GRI Profiles: [3.12](#), [3.13](#)

## Global Reporting Initiative (GRI)

In 2011, we have increased our self-declared level of reporting against GRI to Level B.

We have reported against all Profile Disclosures and Management Approaches for each Indicator Category. We have increased the number of Performance Indicators that we report against to 41.

GRI Disclosure	Description	Content Level	Sustainability Report Page(s)	Annual Report Page(s)	More Online
<b>Profile Disclosures</b>					
1.1-1.2	Strategy and analysis	●	6, 8	4-7,10-11	
2.1-2.10	Organisational profile	●	Back Cover, 4-5	2-9	✓
3.1-3.4	Report profile and contact	●	Inside front cover		✓
3.5-3.11	Report scope and boundary	●	Inside front cover, 9		✓
3.12-3.13	GRI content index and assurance	●	40-41		✓
4.1-4.10	Governance, commitments and engagement	●	2, 7	22-29, 31, 34	✓
4.11-4.13	Commitments to external initiatives	●	15	10-11	✓
4.14-4.17	Stakeholder engagement	●	8, 9, 13, 15, 28-29, 34		
<b>Economic Performance Indicators</b>					
<b>Management Approach</b>		●	6, 7, 8	4-7	
EC1	Direct economic value generated and distributed	●	4-5	2-9, 48-52	
EC2	Financial implications and other risks relating to climate change	●	6, 8, 15	4-7, 10-11	✓
EC3	Coverage of the organisation's defined benefit plan obligations	●	30	66-69	✓
EC4	Significant financial assistance received from government	●			✓
<b>Environmental Performance Indicators</b>					
<b>Management Approach</b>		●	10		
EN1	Materials used	●	24-25		✓
EN3	Direct energy consumption by primary source	●	18-19		✓
EN4	Indirect energy consumption by primary source	●	18-19		✓
EN8	Total water withdrawal by source	●	20		✓
EN9	Water sources significantly affected by withdrawal of water	●	20		✓
EN11	Land in or near protected areas or areas of high biodiversity	●			✓
EN12	Significant impacts on biodiversity	●			✓
EN15	IUNC Red List species in areas affected by operations	●			✓
EN16	Direct and indirect greenhouse gas emissions	●	18-19		✓
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other air emissions	●	18-19		✓
EN21	Total water discharge	●	20		✓
EN22	Total weight of waste	●	21		✓
EN23	Significant spills	●	22		✓
EN26	Initiatives to mitigate environmental impacts of products and services	●	24-25, 27		✓
EN28	Monetary value of significant fines	●			✓
<b>Labour Practices &amp; Decent Work Performance Indicators</b>					
<b>Management Approach</b>		●	11-12		
LA1	Workforce by employment type, contract and region	●	4-5		
LA2	Employee turnover	●	28-29		

GRI Disclosure	Description	Content Level	Sustainability Report Page(s)	Annual Report Page(s)	More Online
<b>Labour Practices &amp; Decent Work Performance Indicators</b>					
LA6	Percentage of workforce represented in health and safety committees	●	23		✓
LA7	Rates of injury and illness and number of work related fatalities	●	23, 33		✓
LA10	Training per year per employee	●	32		
LA11	Programmes for skills management and lifelong learning	●	32		✓
<b>Human Rights Performance Indicators</b>					
<b>Management Approach</b>		●	12-13		
HR5	Operations in which the right to exercise freedom of association or collective bargaining may be at risk	●	31, 35		✓
HR6	Operations at risk of incidents of child labour	●	31, 35		✓
HR7	Operations at risk of incidents of forced or compulsory labour	●	31, 35		✓
<b>Society Performance Indicators</b>					
<b>Management Approach</b>		●	12, 14		
SO1	Programmes to assess impacts on communities	●	36-39		
SO2	Business units analysed for corruption risks	●	31		✓
SO3	Employees trained in anti-corruption policies and procedures	●	31		✓
SO6	Value of financial and in-kind contributions to political parties	●		45	
SO7	Number of legal actions for anti-competitive behaviour	●			✓
<b>Product Responsibility Performance Indicators</b>					
<b>Management Approach</b>		●	12-13		
PR1	Life cycle analysis on health and safety of products	●	27		✓
PR2	Non-compliance with regulations and codes for health and safety of products	●			✓
PR3	Information required by procedures	●	27		✓
PR4	Non-compliance for information and labelling	●			✓
PR6	Adherence to marketing communications laws and standards	●			✓
PR7	Non-compliance to marketing communications laws and standards	●			✓
PR8	Substantiated complaints for breaches of customer privacy or data loss	●			✓
PR9	Regulatory non-compliance	●			✓

Key: ● Fully Reported ● Partially Reported

**Cautionary Statement**

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