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# Innovating for a Sustainable Future

Sustainability Report 2012

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CRODA



# Our Highlights

## Introduction

At Croda, we strive to create value for our shareholders by driving sales growth through successful new product development, moving ever closer to our customers and increasing our focus on fast growing markets. We are a business committed to financial growth, high returns, environmental protection and social progress. In today's world, we recognise that people not only want to look and feel good, they increasingly want to use top performing products made from renewable raw materials.

## Reporting Parameters

This report covers the sustainability performance of the Group for the period from 1 January 2012 to 31 December 2012.

The scope of this report covers all fully managed operations. This includes all of those functions controlled by our Board and Group Executive Committee, who are responsible for policies, standards and performance.

We acquired Istituto Di Ricerche Biologiche (IRB) in July 2012 and in December we purchased the trade and assets of Innovachem LLC. Due to the timing and nature of these investments, their activities have not been included within this report. Performance data from our Cremona manufacturing site in Italy has also been excluded, due to its disposal in November 2012.

[www.croda.com/csr](http://www.croda.com/csr)

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Ranked 25<sup>th</sup> in the Global Top 100 Most Sustainable Corporations and number one in the UK



From March 2012



Return on Sales 2008-2012 (%)

Year	Return on Sales (%)
2008	~10
2009	~12
2010	~18
2011	~22
2012	~25

## £1,051.9m

Revenue\*  
2011: £1,028.0m **↑ 2.3%**


## £255.4m

Operating profit\*  
2011: £237.7m **↑ 7.4%**



## 130.0p

Earnings per share\*  
2011: 120.1p **↑ 8.2%**



## 59.5p

Dividends per share  
2011: 55.0p **↑ 8.2%**



## 15.2%

Energy from non-fossil fuel sources\*

## 50%

Reduction in waste to landfill since 2010\*

## 66.3%

Materials used from renewable sources



## 75%

Employee Save As You Earn Scheme membership in the UK and 48% of non-UK employees

## 92,668

Training hours covering 85% of employees

## 4,541

Employee volunteering hours through our 1% Club

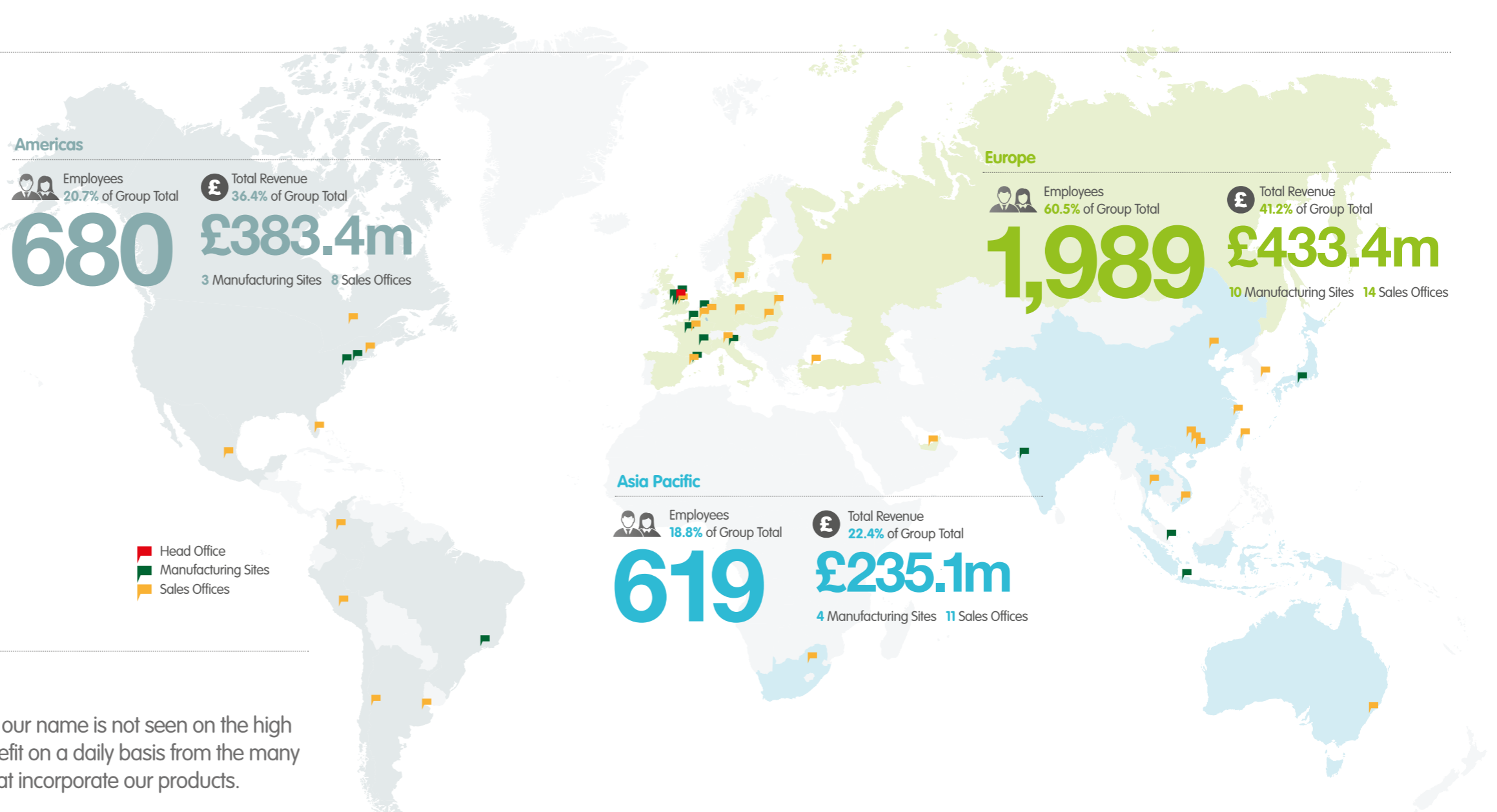
\*Continuing operations



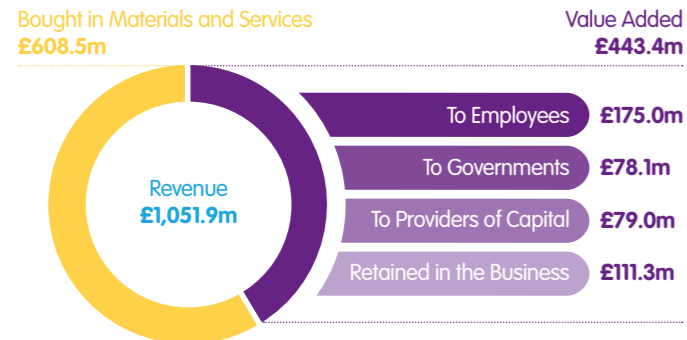
# Our Operations

## Locations

We are a global organisation with 3,288 employees across 34 countries. By being close to our customers around the world, we have a collaborative approach to business, which allows us to respond quickly and efficiently to unmet needs.



## Revenue & Value Added



## Products & Markets

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.

### Consumer Care

Revenue  
**£586.4m**  
 55.7% of Group Total

Operating Profit  
**£185.4m**  
 72.6% of Group Total

### Performance Technologies

Revenue  
**£382.8m**  
 36.4% of Group Total

Operating Profit  
**£59.7m**  
 23.4% of Group Total

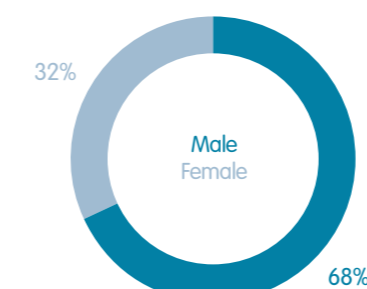
### Industrial Chemicals

Revenue  
**£82.7m**  
 7.9% of Group Total

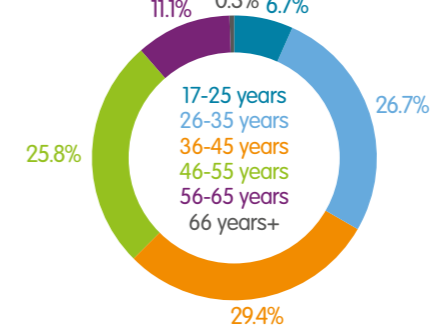
Operating Profit  
**£10.3m**  
 4.0% of Group Total

## Employee Overview

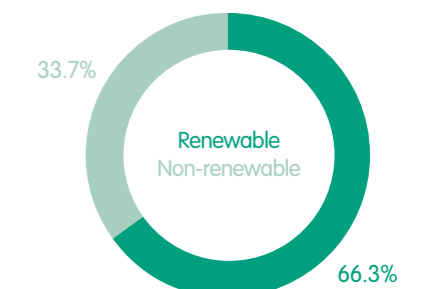
### Gender Split



### Age Profile



## Raw Materials by Source



# Chief Executive's Statement



Sustainability is central to our culture and a key element of our strategy for growth. It is embedded in all of our businesses and enthusiastically embraced by our employees around the world.

We were delighted to receive recognition of our achievements in the latest report from Canadian company Corporate Knights, where we were ranked 25<sup>th</sup> in the Global Top 100 Most Sustainable Corporations in the World. We were the highest ranking UK based company in this survey, providing independent testimony to the effectiveness of fully integrating sustainability into our approach at all of our operations, both manufacturing and non-manufacturing.

Our strong 'green' credentials are rooted in our focus on the use of natural ingredients, with around 70% of our raw materials derived from renewable sources. As a leader in sustainable technologies, we take great pride in the fact that so many of our products enhance the quality of life through their beneficial impact on human health, wellbeing and the wider environment.

During 2012, we made excellent progress in reducing energy usage and increasing our use of non-fossil fuel across the business, with all of our manufacturing sites working proactively on energy projects that have delivered exceptional results. One particular highlight was the development of a £5.4 million renewable energy project at our Atlas Point manufacturing site in North America. Using gas from a nearby landfill site to fuel a combined heat and power plant, this innovative development will reduce our dependence on fossil fuels and cut greenhouse gas emissions at the site.

We continue to place a strong emphasis on minimising the environmental impact of our operations through a range of initiatives, such as reducing our

consumption of water and cutting the quantities of waste that we send to landfill. These are both areas where we have made significant progress in the last two years.

It is critical to our continuing business success that we have the ability to attract and retain outstanding individuals. I am pleased to report that our staff retention rates around the world are at record levels. The fact that we have a highly motivated workforce who want to share in our success is reflected in that more than 75% of our UK based employees, and 48% of our non-UK workforce, participate in a Save As You Earn scheme. This performance was honoured for 'Best Overall Performance in Fostering Employee Share Ownership' at the 2012 IFS ProShare Awards.

Interaction with our local communities has always been a major part of our culture, with community education a particular focus as it allows us to promote the importance of studying science and business, which we hope will ultimately secure a gifted pool from which we can recruit in the future. As an alumnus of the Croda Graduate Development Programme myself, I am keen to see young talent come into our business. This is why I am particularly pleased to report the implementation of the scheme in Asia during 2012, following the years of success we have had in Europe and North America. By the end of 2013 it will also be available in Latin America to ensure that we have a succession of future leaders across our global operations.

**Steve Foots**, Chief Executive



# Our Business

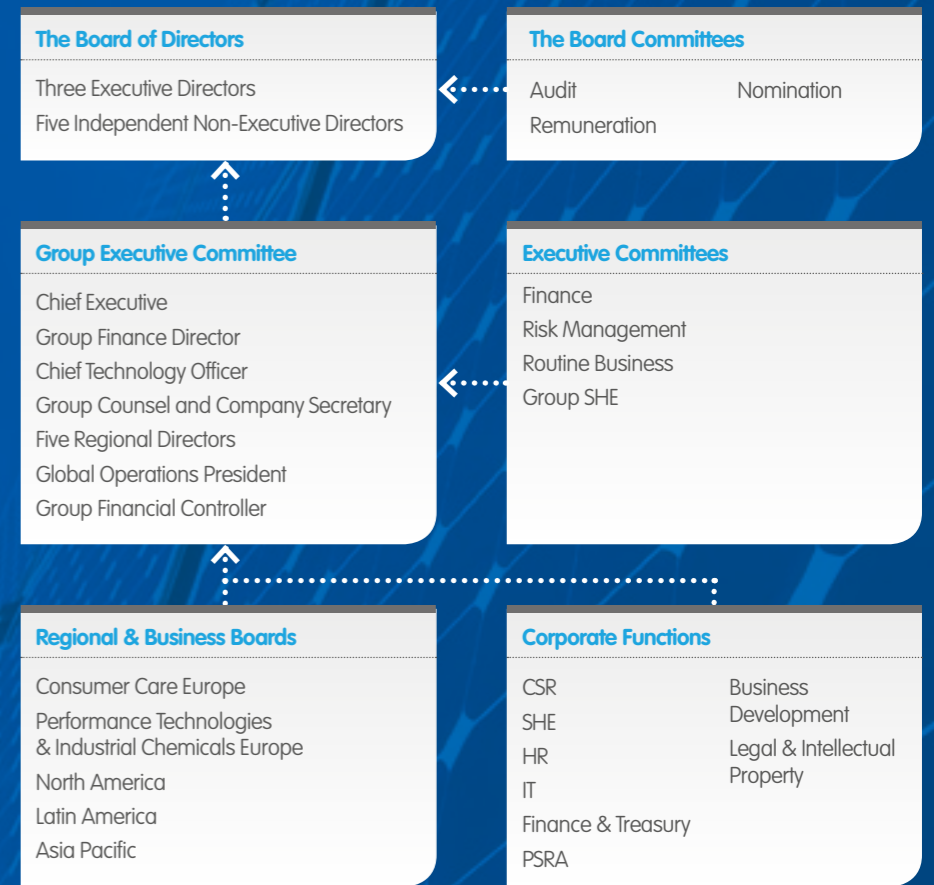
## Management & Governance

Our management structure allows us to respond quickly and effectively to individual business challenges and opportunities.

Our two senior decision making bodies are the Board of Directors (Board) and the Group Executive Committee. They are ultimately responsible for our business performance, and work closely with a number of advisory committees to develop our business strategy and set performance targets.

Our Regional and Business Boards, each led by an Executive Committee member, are responsible for localising and implementing strategy and delivering results. They, along with our Board and Group Executive Committee, are supported by specialists who manage our corporate functions.

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## Business Strategy

Our purpose is to be a leading speciality chemical company, providing innovative technologies that will give our customers what they need to be leaders in their own markets.

To achieve this, we focus on fast growing niche markets and high margin businesses where we can utilise our global reach. We are driven by strong megatrends in beauty and ageing, health and wellbeing, and the increasing importance of sustainability and environmental protection. Our continued focus on innovation and our heritage in naturally derived products ensures that we are well placed to deliver sustainable solutions.

## Business Sectors

Our business is divided into three core segments:

<b>Consumer Care</b> <b>Personal Care</b> <b>Health Care</b> <b>Crop Care</b> <ul style="list-style-type: none"> <li>New technology capture</li> <li>New product and performance claims innovation</li> <li>Emerging market development</li> </ul>	<b>Performance Technologies</b> <b>Coatings &amp; Polymers</b> <b>Geo Technologies</b> <b>Home Care</b> <b>Lubricants</b> <b>Polymer Additives</b> <ul style="list-style-type: none"> <li>Niche market focus</li> <li>Emerging market development</li> <li>Specialisation of resource</li> </ul>	<b>Industrial Chemicals</b> <ul style="list-style-type: none"> <li>Extract value</li> <li>Cost control</li> </ul>
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# Our Sustainability Approach

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## Management & Governance

Sustainability underpins our business strategy, playing a holistic role across our business.

Implemented through our CSR activities, we ensure that the Material Issues of our business and key stakeholders are addressed as part of our sustainability strategy.

Our CSR Department is a corporate function and part of our dedicated CSR Steering Committee, who report directly into our Group Executive Committee and subsequently the Board. This is via an Executive Committee member who sits alongside the CSR Steering Committee Chairman.

Responsible for developing and supporting the implementation of our sustainability strategy and targets, our CSR Steering Committee consists of four Pillar Owners who are senior managers with expertise in one of our Four Pillars: Environment, People, Partners and Neighbours. Reflecting our overall business management approach, we also have four Regional Representatives who are supported by Regional CSR Steering Committees to ensure that our sustainability strategy, targets and progress are communicated and supported around the world.

We continually monitor and report progress against our targets to the Group Executive Committee. Our annual results, covering economic, social and environmental performance are communicated through our Annual Report & Accounts, Sustainability Report, online GRI response, CDP disclosure and on our website at [www.croda.com](http://www.croda.com). This open and transparent reporting ensures that our stakeholders are kept informed of our CSR activities and can see how our sustainability strategy is safeguarding our future.

## Sustainability Strategy

We manage our business across the triple bottom line, as a product or service can only be considered truly sustainable when the demands of economy, environment and society are met. We will continually strive to align our operations with this strategy.

Our sustainability strategy is underpinned by our mission to:

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

To ensure that our sustainability strategy is well informed, we use our risk management framework, stakeholder engagement and strategic discussions with our Group Executive Committee to define our Material Issues.

Each Material Issue has a clear management approach within the business to establish clear strategy development, performance management and implementation responsibilities.

## Materiality

Our Materiality Matrix, established in 2011, maps the most significant issues that will affect the long term success of our business against their importance to our stakeholders.

Managed through our Four Pillar approach, we have six Material Areas and 18 Material Issues. CSR targets have been set with our Group Executive Committee to ensure that progress is made in addressing our Material Issues, which ultimately supports our sustainability strategy.

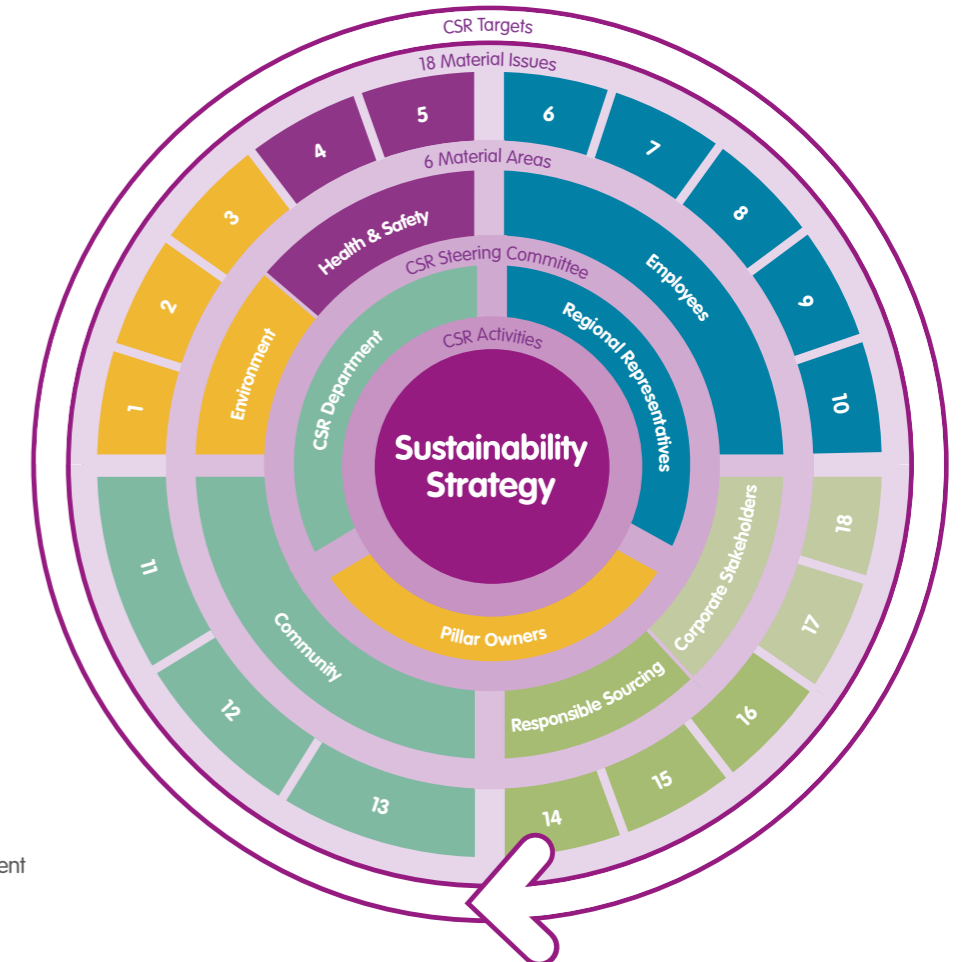
Our materiality and targets are reviewed on an annual basis at a Strategic Review Meeting between the CSR Steering Committee and our

Group Executive Committee. As a result of this meeting in 2012, we have broadened our previous Landfill Waste Material Issue to Land Impact in order to reflect our growing focus on biodiversity. We have also redefined Ethical Supply Chain to incorporate product stewardship and product quality, and all three Community Material Issues have been revised to provide a better illustration of the community impact and resulting business benefit.

During 2012, particular focus was placed on two Material Issues following a risk review; responsible supply chain management and consistent community engagement. Increased communication and interaction with our suppliers, customers and community groups through our management of Corporate Stakeholders and Community ensured that we can report progress in these areas.

## Our Material Issues

- Environment**
  1. Air Quality & Climate Change
  2. Water Quality & Supply
  3. Land Impact
- Health & Safety**
  4. Process Safety Management
  5. Occupational Health & Safety
- Employees**
  6. Recruitment & Retention
  7. Compensation & Benefits
  8. HR Policies & Systems
  9. Talent Management & Employee Development
  10. Performance Management
- Community**
  11. Community Communication
  12. Community Involvement
  13. Community Education
- Responsible Sourcing**
  14. Renewable Raw Materials
  15. Responsible Palm Oil Sourcing
  16. Product Data Gathering
- Corporate Stakeholders**
  17. Corporate Stakeholder Engagement
  18. Ethical Supply Chain



# Our Targets

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

## Environment

### Air Quality & Climate Change



Based on 2010, to 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

**↓10%**

Based on 2010, to reduce total Group VOC emissions by 10% by 2015

### Water Quality & Supply



Based on 2010, to reduce total Group water consumption by 10% by 2015

**100%**

To achieve 100% compliance with effluent discharge consents by 2015

### Land Impact



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



To complete pilot biodiversity surveys at two of our operations by the end of 2013

## Health & Safety

### Process Safety Management



At the end of every quarter in 2013, have 100% of all Process Risk Assessments reviewed to stringent internal quality standards at least once every five years across the Group

At the end of every quarter in 2013, have no outstanding critical actions from Process Risk Assessments overdue across the Group

To define a programme that attains external post-graduate certification for members of our internal Hazard Study Leaders' Academy during 2013

To develop and implement a training programme to improve incident investigation through the use of a common methodology by the end of 2014

### Occupational Health & Safety

Sustain the improvement since 2010 (0.39 per 100,000 hours) on the frequency of injuries to all personnel, to ultimately reduce the rate to 0.2 per 100,000 hours worked on a sustainable basis



## Responsible Sourcing

### 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 2013



### Responsible Palm Oil Sourcing



Continue to work closely with suppliers and RSPO to seek ways to extend the range of sustainable palm oil and palm kernel oil derivatives we manufacture during 2013

Ensure that the small quantity of palm oil purchased directly supports sustainable sourcing by the end of 2013 under RSPO guidelines

Where relevant, gain RSPO certification to manufacture sustainable palm oil and palm kernel oil derivatives at additional manufacturing sites

### Product Data Gathering



Gather product data at manufacturing site level to populate our Ingredient Sustainability database in accordance with the gap analysis completed in 2012

## Employees

### Recruitment & Retention



All regions to have a programme of local graduate and trainee recruitment by the end of 2013

To complete one global employee engagement survey in 2014, which will then be conducted at least every third year

### Compensation & Benefits



To ensure that all locations undertake health promotion activities during 2013

Develop company share scheme membership by continuing to improve advertisement, promotion and availability to ensure that all employees can make an informed decision for the 2013 programme

### HR Policies & Systems



To ensure that our policies remain consistent with the spirit and intent of the ILO Declaration on Fundamental Principles and Rights at Work, where applicable to business

### Talent Management & Employee Development



To make personal skills development accessible to all through the development of a comprehensive online learning zone by the end of 2013

During 2013, support our talent management procedures by coaching and actively involving senior managers, and their teams, in the identification and effective management of talent

### Performance Management

All employees to have a formal annual appraisal by the end of 2015

## Corporate Stakeholders

### Corporate Stakeholder Engagement



Develop and implement a global action plan to further our engagement with respondents to our global and regional customer surveys during 2013

Engage with our investor community during 2013 to obtain feedback on our sustainability performance

### Ethical Supply Chain



Further engage with our major suppliers on our Supplier Code of Conduct during 2013

Following a detailed audit of product stewardship across the Group, ensure that best practice is communicated and any appropriate improvement actions are taken by the end of 2014

Gain EFPI GMP certification for our remaining five manufacturing sites that produce cosmetic ingredients and EXCIPACT certification for six manufacturing sites producing pharmaceutical excipients by the end of 2015

## Community

### Community Communication



To support our manufacturing sites and offices of more than 30 employees in their efforts to hold a minimum of two face to face dialogue sessions within each of our key stakeholder groups:

local authorities, councils, governments, emergency services;

local businesses or business representative groups; and

local educational institutions (schools, colleges, universities)

### Community Involvement



To provide support to those teams within our business that have had a significantly lower than average number of employees using any 1% Club time since its global launch in 2010, with the intention of enabling more employees in these locations to participate in the programme during 2013

**1% Club**

Establish communication channels that will help to share 1% Club news and best practice across the Group in order to encourage participation

### Community Education



To ensure that all Research and Development Centres and locations with a significant engineering team have implemented an education programme with local schools, colleges or universities by the end of 2013

Develop an internal Education Ambassador training programme to underpin community education activity in all relevant local languages by the end of 2013

To ensure that at least 5% of employees at all operations with a Research and Development Centre or significant engineering team receive Education Ambassador training by the end of 2014

Following a review of the UK STEM education programme, facilitate the implementation of at least two programmes at new locations tailored to meet local needs by the end of 2014

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# Environment



As an environmentally responsible company, we have established an effective means of managing the material business risks of Air Quality and Climate Change, Water Quality and Supply and Land Impact. From our baseline year of 2010, we set five year targets to focus our efforts as we continually work towards reducing greenhouse gas (GHG) emissions and our impact on the increasingly stressed resources of water and land.

## 2012 Targets

### 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

### Land Impact†

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

## Key Highlights



Group energy from non-fossil fuel sources



Water reduction, equivalent to **240** Olympic swimming pools\*



Reduction in energy consumption\*



Reduction in waste sent to landfill, equivalent to over **120** truck loads

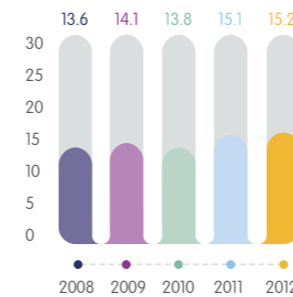
\* Compared to 2010  
† Previously Landfill Waste

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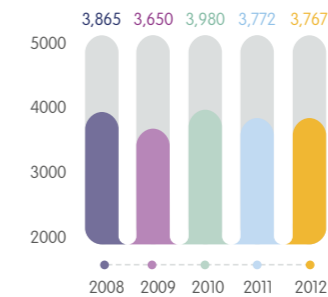
## Air Quality & Climate Change

To reduce the emissions of greenhouse gases to the environment from our manufacturing sites to ensure that we progress towards more sustainable operations

Energy from Non-Fossil Fuel Sources for Continuing Operations by Year (%)



Energy Usage for Continuing Operations by Year (GJ)



### Strategy

With the link between the emission of CO<sub>2</sub> and climate change well established, we want to continue reducing the impact of our emissions. By focusing on two critical areas; reducing our overall energy consumption and increasing the proportion of energy we consume from non-fossil fuel sources, we hope to progress towards more sustainable operations.

Supported by our investments in captive power sources, the optimisation of plant equipment and production processes, and the education and training of our employees, we are committed to minimising our impact in this area.

Our primary focus is on reducing our direct CO<sub>2</sub> outputs since the contribution from our Volatile Organic Compound (VOC) emissions is much less significant, although we continue to set VOC targets and review our performance in order to minimise our impact wherever possible.

All of our manufacturing sites are required to develop an energy reduction plan, taking advantage of alternative, non-fossil fuel sources where practicable.

### 2012 Performance

Pleasing progress has been made against our 2010 baseline, with our total energy consumption having now decreased by 5.4%.

This was driven by a number of energy reduction projects across the Group, although it is also affected by a slight reduction in production volumes.

A multi-million pound project at our Atlas Point manufacturing site in North America was our flagship investment to reduce energy usage and increase our use of renewable resources during 2012. Smaller scale programmes have also shown significant gains, with electricity consumption reduced by 22% at our Cikarang manufacturing site in Indonesia as a result of increased diligence and observation.

Progress has also been made to increase the proportion of our energy originating from non-fossil fuel sources. During 2012, 15.2% of our energy came from renewable sources compared to 13.8% in 2010. Whilst this is influenced by external factors, such as the sources feeding into national electricity grids, our investments in the optimisation of our wind turbine and the installation of power generation units that run on alternative fuels ensure that this reduction is increasingly under our control.

During 2012, we made further progress against our target to reduce VOC emissions with the relocation of a manufacturing process from our Rawcliffe Bridge site in the UK to a new more efficient manufacturing plant in Leek, also in the UK.



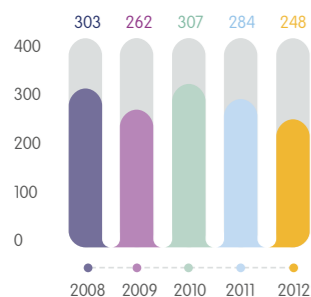
### Optimising Our Processes

During 2012, our Leek manufacturing site in the UK installed a combined heat and power plant (CHP), the first of its type at any of our operations. Whilst conventional electricity generation is inefficient, with more than half of the fuel's energy wasted as heat, CHP plants capture this heat to improve the efficiency of the input fuel by more than 80%.

Our CHP plant at Leek is made even more sustainable by its fuel source, which is based on renewable materials from our manufacturing processes, reducing the fossil fuel carbon emissions at this site by more than 50%.

## Air Quality & Climate Change

VOC Emissions for Continuing Operations by Year (Tonnes)



### Looking Ahead

We will continue to seek ways to optimise the operation of our three CHP plants during 2013 and beyond. The largest of these is located at our Gouda manufacturing site in Holland, where a project design is under development following a feasibility trial, which demonstrated how electricity and steam can be generated from the methane gas produced by the anaerobic fermentation of by-products. This would enable us to significantly increase the proportion of non-fossil fuel used by the Group.

As we continue to seek areas where we can upgrade our plants to modern, more energy efficient standards, a pilot study at one of our major manufacturing sites will be conducted during 2013, to identify whether any opportunities have been missed.



### No Such Thing as Waste

Our Atlas Point manufacturing site in North America identified an opportunity to use methane gas from a nearby landfill site to generate electricity and steam. A 3.5 mile pipeline was laid in 2012 to connect the two sites, feeding gas to two 1.1 megawatt CHP units and a new multi-fuel steam boiler.



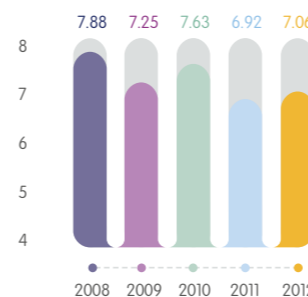
The project, which attracted a £318,000 state grant, has cost over £5.4 million and is expected to fulfill 55% of the site's energy needs, delivering more than 85% of its required electricity and more than 35% of its steam load. It should also lift the proportion of the Group's total energy consumption derived from non-fossil fuel sources to more than 23%.

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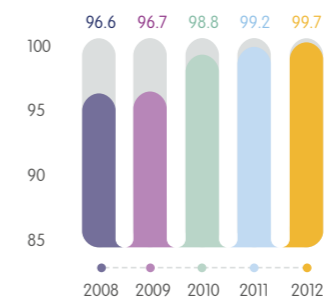
## Water Quality & Supply

To minimise the environmental burden arising from water usage and waste water discharges from our manufacturing sites

Water Usage for Continuing Operations by Year (million m<sup>3</sup>)



Water Discharge Compliance for Continuing Operations by Year (%)



### Strategy

Fresh water resources are becoming increasingly stressed as population and industrial activity increase. Whilst our operations are not in regions where resources are under immediate threat, many of our manufacturing sites use water for cooling and cleaning. As a result, we are committed to reducing our impact on this depleting resource.

We measure the total volume of water used by our processes from all sources. Focusing on our sites that use the highest volumes, we strive to reduce our requirement as much as practicable.

By measuring the quantity of oxygen demand in effluent arising from our processes before treatment, we are able to gain greater insight into our process efficiency. This will allow the identification of improvement projects, leading to reduced expenditure on effluent treatments and supporting our target of 100% compliance with effluent discharge consents.

### 2012 Performance

Our overall water usage has reduced by 7.5% since 2010, indicating that we are on track to meet our 2015 target.

During 2012, improvements have been made to equipment and processes at our Mevisa manufacturing site in Spain and our Jurong Island manufacturing site in Singapore. The result has been a combined saving of 600,000m<sup>3</sup>.

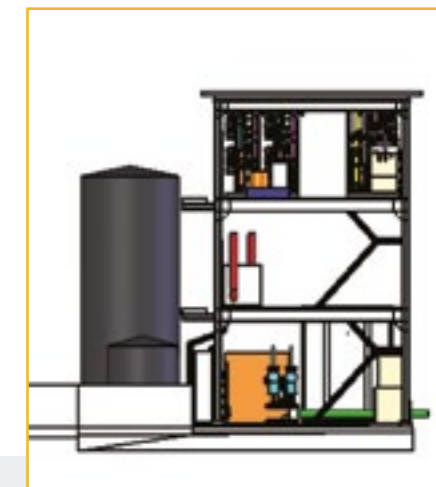
Meanwhile, a major water recovery project at our Gouda manufacturing site in Holland also made significant progress, following a pilot study that gained approval for the £1.7 million investment.

Our compliance with effluent discharge consents increased from 99.2% in 2011 to 99.7% in 2012. Whilst our target to create the capability of measuring the volume of effluent arising from our processes prior to its pre-treatment, and its associated content of organic material, has been met ahead of schedule and is now being used to inform our further improvement plans.

### Looking Ahead

By continuing to focus on our manufacturing sites that consume the most water, two of our major users, Gouda in Holland and Shiga in Japan, have developed projects that will conserve significant volumes. A pilot study at Gouda has demonstrated that savings of up to one million cubic metres of water per annum could be achieved. Meanwhile, Shiga is looking at how they can significantly reduce the amount of water they use for cooling by using the water they abstract from the ground many times before discharging it.

The reasons for the 0.3% of effluent that did not comply with discharge consents during 2012 are now well understood and work will continue to address each of these issues.



### Gouda Goes Greener

Our Gouda manufacturing site in Holland currently consumes the Group's largest volume of water, using 2.75 million cubic metres in 2012. However, the site has identified an opportunity to replace the plant that treats groundwater for use as boiler feed water with new technology that purifies effluent. By using this method, and by moving cooling duty to a closed cooling tower system, the use of groundwater can be stopped completely.

This new process purifies the effluent by separating solids through the use of membranes and removes salts by reverse osmosis. As a result, the existing calcium pre-treatment stage required when using groundwater is eliminated, reducing the amount of additional chemicals in the process and the quantity of salt discharged to the environment. Once operational at full site scale, more than one third of the current water volume used should be saved.

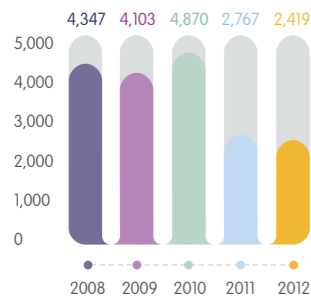


# Environment

## Land Impact

To mitigate the environmental burden our activities place on land, water and air by seeking to preserve biodiversity and phase out the disposal of waste to landfill

Waste to Landfill for Continuing Operations by Year (Tonnes)



### Strategy

As with other finite natural resources, land is under increasing strain and fauna and flora are under threat.

We recognise that the deposition of waste to landfill is not sustainable, permanently modifying land and potentially introducing contamination to both air and water. As a result, a detailed list of all landfill waste arising from each of our manufacturing sites has been produced and the feasibility of eliminating, reducing or recycling this waste is being studied. We aspire to a goal of zero waste to landfill, although we know cost and feasibility will be increasingly challenging.

We understand that our operations may have an impact upon local biodiversity and we take the stewardship of our own land very seriously. Therefore, we will continue to review our impact on land, water and air.

### 2012 Performance

We are proud to announce that our five year target to reduce waste to landfill by 20% has already been surpassed, with an impressive reduction in our disposal standing at 50% by the end of 2012. Additionally, six of our manufacturing sites achieved zero waste to landfill during 2012.

By focusing on our sites with the largest amounts of waste to landfill there have been a number of successful initiatives, such as improved quality controls at our Atlas Point manufacturing site in North America.

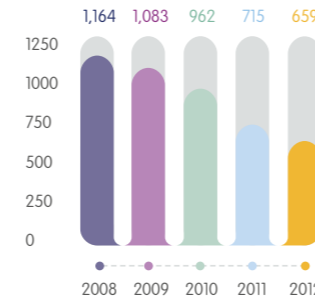
The innovative use of waste streams at our Mill Hall manufacturing site in North America continues to make the most significant contribution to our total reduction. Even without this, a 19% decrease has been achieved from the efforts of our other manufacturing sites, which is just short of our 20% Group target.

### Looking Ahead

Our reduction in total waste to landfill is a result of the work and commitment at a number of our manufacturing sites. To ensure that our targeted performance is sustainable, we will continue to focus on the list of items that are still sent to landfill and our manufacturing sites that have achieved zero waste to landfill will be cited as examples for others to follow.

During 2013, our first thorough biodiversity surveys will be conducted at two of our UK based operations. These pilot surveys will examine the existing variety of species around these sites in order to highlight if any improvements could be made.

Total Waste to Landfill for Atlas Point (Tonnes)



### Waste Down, Quality Up

Our Atlas Point manufacturing site in North America has seen an impressive reduction in waste disposal to landfill over the past two years, falling from 962 tonnes in 2010 to 659 tonnes in 2012. This 32% reduction has been the result of targeting improvements in the site's first pass quality (FPQ) rate, which has increased from 82.0% to 99.4%.

This was achieved by establishing FPQ as a priority goal both for individuals and the manufacturing site. Historical data on failures was gathered and analysed by production area and product, allowing the root cause of each to be determined. Actions to address these were then agreed and any relevant upgrades to equipment, amendments to operating procedures and work instructions were made. By ensuring that all successful changes were embedded into normal operations, the site expect to sustain this performance, which delivers an environmental, economic and consequently a social benefit as manufacturing efficiency increases.

# Health & Safety



We recognise the major business risk associated with the poor management of process risks, which is why Process Safety Management is placed at the top of our list of priorities. Occupational Health and Safety is just as important, requiring the sustained commitment of all employees to comply with legislation and our own high standards. We are dedicated to developing a competent workforce who take responsibility for the safety of our operations.

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## 2012 Targets

### 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

## Key Highlights



Point Quality Criteria for PRAs implemented



Lost time injury rate well below the industry average†

\* Now referred to as Process Risk Assessments (PRA)  
 † Most recent Cefic Responsible Care™ data

# Health & Safety

## Process Safety Management

To reduce risks associated with all of our chemical processes to a point deemed to be as low as reasonably practicable (ALARP)

# 100%

of all Process Risk Reviews\* completed on time

\* Now referred to as Process Risk Assessments

### Strategy

Process safety management has been identified as the most Material Issue for our business, with the potential to have the most significant impact on both our business and our stakeholders. We commit significant time and resource to monitoring and assessing all processes capable of causing fatalities in order to minimise the risks that they pose.

By registering each of our 152 processes and subjecting them to a seven stage hazard study process, the last stage of which is to conduct a Process Risk Assessment (PRA) within a strict five year cycle, we are able to evaluate whether they present an intolerable risk to the business and pursue mitigating actions.

By proactively supporting those responsible for process safety through our own Hazard Study Leaders Academy, we can continue to improve the standard of our work. Members meet throughout the year with a remit to raise our risk assessment standards to the level where our operations are self-sustaining. Additional coaching from internal and external experts is provided to both Academy members and senior managers from across the business.

### 2012 Performance

By the end of 2012, all of our manufacturing sites succeeded in reviewing the PRAs that were due within the five year cycle. The standard of these PRAs showed an encouraging improvement, which was due to training on our 13 point quality criteria.

Our target to have no outstanding critical actions from PRAs beyond their agreed completion date was only missed on one occasion, which was the result of a third party supplier delay.

During 2012, eight of our senior managers joined the 10 who have received process safety leadership training by the UK National Skills Academy for the Process Industries (NSAPI). The course provided essential background and ensured that our leaders are well informed when making decisions on the allocation of operational investments. Meanwhile, those responsible for process safety at each of our operations have continued to meet regularly through our Hazard Study Leaders Academy to learn from experts and share ideas.

### Looking Ahead

Training will remain one of our top priorities, with specialist courses offered to our employees throughout 2013 and beyond. Further education on the compliance of PRAs against our 13 point quality criteria will be delivered, whilst the fundamentals of process safety will be taught to our manufacturing site engineers and managers.

NSAPI will be commissioned to run another event for senior business managers and our Hazard Study Leaders Academy already has a number of meetings planned. We also hope to gain external post-graduate certification of our Academy syllabus for our members to work towards.

### Quarterly KPI Monitoring

A new comprehensive set of balanced process safety Key Performance Indicators (KPIs) was implemented across all of our manufacturing sites at the beginning of 2012. These KPIs include:

- efficiency of the Permit to Work system on each site;
- efficiency of the Management of Change system on each site;
- efficiency of systems for inspection of safety critical equipment;
- demands on the final layer of control and protection of a process; and
- rate of completion of actions arising from PRAs.

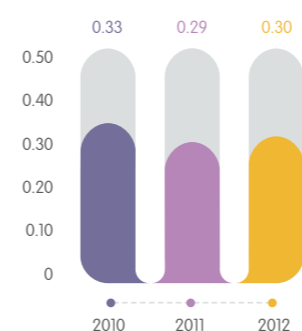
Used on a quarterly basis to highlight leading and lagging performance to the Group SHE Steering Committee, these indicators are designed to give an early indication of where improvements can be made to members of our Group Executive Committee and Operational Managing Directors.

This preventative measure has proven successful during its first year, allowing our senior business managers to react to potential areas of underperformance before they became a major issue.

## Occupational Health & Safety

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

Lost Time Injury Rate per 100,000 Hours Worked\*



\*Croda employees and contractors

### Strategy

No one should expect to be injured when working at one of our operations; this includes our contractors as well as our employees.

As we continually strive to improve upon our injury rate, we have implemented a three point management approach: we focus our attention on the manufacturing sites who consistently show a below Group average performance; we improve incident investigation methodology; and we ensure that each site has an active behavioural safety programme.

Our aspirational goal of zero harm drives our safety culture and is the reason we base our performance on very strict criteria. This is the number of injuries that result in one day or more lost time, or result in working restrictions, per 100,000 hours worked, which is the average number of hours in a working life.

### 2012 Performance

Our injury rate remains well below the industry average† at 0.30 injuries per 100,000 hours worked during 2012.

Considering the lost time injury measure of one day or more, employee injury numbers have

been sustained at 15 during 2011 and 2012. Looking at the more traditional measure of a lost time injury rate of three or more days, employee injury numbers for 2012 were at a new low of 11, equivalent to a frequency rate of 0.19 injuries per 100,000 hours worked. It is disappointing that contractor injury numbers have not consistently fallen, this remains an area of continued focus.

Looking at the performance of individual manufacturing sites and regions, a significant improvement was seen in North America, whilst our operations in Asia maintained a satisfactory level. Additionally, our Rawcliffe Bridge manufacturing site in the UK made significant progress in this area, by providing training around safe and unsafe behaviours in the workplace.

As we strive for our target of 0.2 injuries per 100,000 hours worked, one area of focus has been the quality of incident investigations as it was felt that the depth of these reviews could be improved to arrive at genuine root causes. This will lead to the identification of more sustainable corrective and preventative action.

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### Top STAR Rating For Atlas Point

Our Atlas Point manufacturing site in North America has had an exemplary year, achieving more than one million hours worked without a lost time injury and receiving the top STAR rating in the OSHA VPP (Voluntary Protection Programme) for the eighth consecutive year.

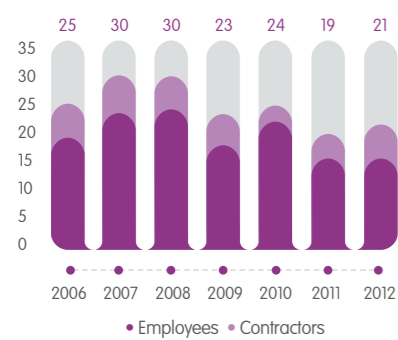
Following a rigorous onsite evaluation by OSHA, the department charged with the enforcement of health and safety legislation in North America, the STAR rating recognises operations that have implemented exemplary health and safety management systems, with injury and illness rates maintained below the national average for their industry. Atlas Point is one of only four STAR rated sites in the state of Delaware, demonstrating our commitment to managing injury prevention and safety promotion.

† Most recent Cefic Responsible Care™ data

# Health & Safety

## Occupational Health & Safety

Lost Time and Restricted Work Injuries of One Day or More



Lost Time and Restricted Work Injuries of Three or More Days



### Looking Ahead

Early in 2013 a course will be provided by an external expert for a cross section of our SHE managers, operation leaders and Quality Assurance (QA) professionals. This will inform the design of a new incident investigation methodology, which will be applied to SHE and QA functions across the business. We intend to roll this out progressively during 2013 and 2014.

The Behavioural Safety Programme developed at our Rawcliffe Bridge manufacturing site will be offered to additional operations during 2013, especially those who need to deal with consistently below Group average performance.



### Behavioural Safety Pilot Study

During 2012, our Rawcliffe Bridge manufacturing site in the UK developed a highly interactive Behavioural Safety Programme. Focused on the interaction between line managers and supervisors with their teams when communicating observations of unsafe and safe behaviours, the programme consisted of four stages:

**Theory** – A classroom event enabled managers to learn about leadership styles, personal reflection and understanding human factor failings.

**Practical** – Role play based on typical violation scenarios was employed to practise and reinforce the theory. This took place within the working environment, in the presence of the manager's team, to make

the situation as real as possible and share learning between colleagues.

**Reflection** – A classroom session was held to consolidate and reflect on the learning from the first two stages, ensuring that attendees are committed and feel confident in reacting to all issues in the future.

**Coaching** – An opportunity to ensure that the techniques attendees had learned were being applied and to offer additional support in any areas they were finding challenging.

The nature of changing behaviours takes time to have an effect, but the course was very well received, with further coaching planned during 2013 and the implementation of the programme at other operations.

# Responsible Sourcing



The foundation of our business rests upon natural ingredients, with such a large percentage of our raw materials originating from renewable sources. Our new product developments also foster this principle, whilst meeting the demands of our customers and the stringent safety standards within our industry. This goes hand in hand with sustainable supply, which is why we continue to be strong advocates for the responsible sourcing of palm oil and its derivatives. To ensure that we make fully informed decisions, we place growing importance on the management of the increasing amounts of data regarding our products and processes.

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## 2012 Targets

### 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

## Key Highlights



**66.3%**  
of our raw materials originate from renewable sources, making us industry leaders



**100%**  
of PO and PKO used in 2012 supported sustainable palm oil

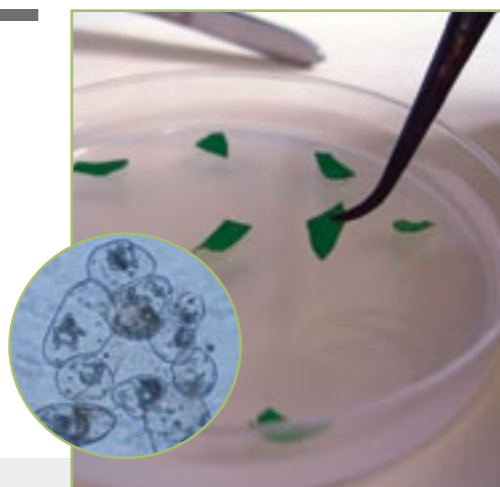
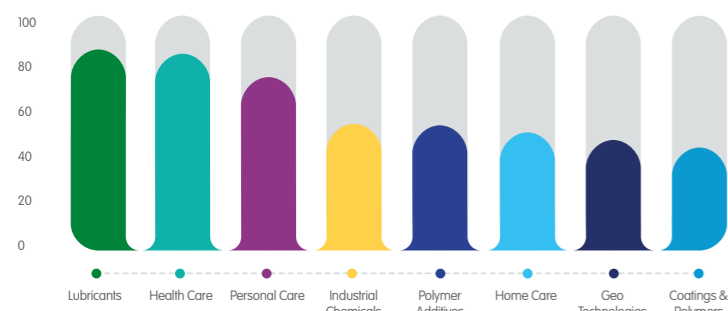
**30%** of new products originate from  
**≥ 99%** renewable raw materials

# Responsible Sourcing

## Renewable Raw Materials

To ensure that our product portfolio is sustainable and to dedicate new product development to meeting our customer needs in this area

Average Renewable Content in New Products by Industry Sector (%)



### Strategy

The focus on sustainable raw materials and greener, cleaner, safer manufacturing methods is continuing to grow in the speciality chemicals industry. Our heritage in naturally derived products puts us at the forefront of this evolution, with sustainability embedded in our innovations since the launch of our first product, lanolin.

Adoption of the 12 Principles of Green Chemistry by our research scientists ensures that our products have little or no environmental impact and the highest safety credentials.

Our attention to the renewable raw material content of new products demonstrates our commitment to developing and manufacturing high performance products from sustainable sources wherever reasonably practicable. The challenge remains in achieving this safely, whilst meeting our customers' needs on price and for high performance.

### 2012 Performance

Our use of renewable raw materials continues to be industry leading, with 66.3% of the materials used to manufacture our products across the Group in 2012 originating from such sources. The purchase of IRB during the year, a company specialising in plant cell biotechnology, further strengthens our position in this area.

Throughout 2012, we have continued to monitor the percentage of renewable raw materials within the new products we launched across our market sectors, even those where demand and functionality makes this challenging.

In total, 30% of our new products originated from 99% or more renewable raw materials, with over half of these products coming from 100% renewable sources. It is often the required preservative that makes the difference between 99% and 100%, but our sustainable product innovation in this area is overcoming some of these difficulties. The average percentage of renewable materials across all the products we launched in 2012 was 60.2%.

New products from 100% renewable raw material sources include additions to our NatraGem™ range of solubilisers and emulsifiers, our Priplast™ polyester polyol range and our NatraSense™ range of bio-based surfactants. These all match or outperform their petrochemical equivalents.

We also continued to measure our new products against the 12 Principles of Green Chemistry. The average score for 2012 was nine, with 16% of our new products meeting all 12 principles.

### Sustainable, Efficacious Innovation

We were delighted to announce the acquisition of Italian based Istituto di Ricerche Biotechnologiche SpA (IRB) in July 2012, the world leader in developing actives for Personal Care and Health Care applications from plant stem cells. This innovative, sustainable and renewable raw material source complements the product developments of our research team at Sederma, who launched our first product in this area, Resistem™, in 2011.

IRB has an exclusive, versatile method to use biotechnology for sourcing plant stem cell ingredients from small amounts of leaf, flower and even seed tissue. This process allows a truly sustainable path to plant based active ingredients and ensures a total absence of environmental contaminants. Comparative data against conventional agriculture shows a 99.9% decrease in water consumption, guaranteed purity with negligible soil occupation and the total absence of pesticides or other contaminants.

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### Looking Ahead

Our strong 'green' credentials stem from our innovative use of renewable and natural raw materials, alongside our continuing focus on sustainable production processes.

We will continue to monitor the renewable raw material content of our products, and we remain committed to enhancing the proportion of renewable raw materials in our new products through sustainable innovations, wherever possible.

We also endeavour to continue assessing our new products against the 12 Principles of Green Chemistry to ensure that our ingredients have a minimal impact upon the environment.

With the integration of IRB into the Group during 2012, we are looking forward to seeing a number of exciting new product developments launched under our Sederma brand in the near future.



### Bio-Based Building Blocks

Our Coatings & Polymers team launched another 100% bio-based polyester polyol to our Priplast™ range in 2012.

Like other products in the range, Priplast 3293 can be used in adhesives, coatings, foams, elastomers and engineering plastics. It can also be included in polyurethane, offering protection against high temperatures and UV rays. Priplast impart excellent hydrolytic stability for resistance against degradation caused by acid, alkali and alcohol, allowing for countless application possibilities.



### Sustainable Construction

During 2012, a unique carbon neutral masonry brick was developed by Encos Ltd using a product from our BioStack range. Offering the ability to produce a high performing binder based on renewable biopolymer chemistry, this range provides an innovative route to sustainable new products for the construction industry.

Combined with Enco Ltd's patented method of manufacture, the production of these new bricks consumes no water, eliminates waste and uses 80% less energy compared to the construction of traditional clay bricks and brick slips.

# Responsible Sourcing

## Responsible Palm Oil Sourcing

To fully support sustainable palm oil (PO) and palm kernel oil (PKO) and to keep working with the industry to secure a sustainable source of derivatives

A range of products supporting sustainable palm oil derivatives has been launched



### Strategy

As a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2004, we are committed to providing sustainably sourced PO products.

We use an extremely low amount of pure PO and PKO and relatively small volumes of derivatives that are the 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, we are determined to catalyse change within the industry to secure a sustainable supply.

Working in partnership with our suppliers will be critical in achieving our objective, and we will continue to assist our customers in their support of sustainable PO and PKO by calculating the volume of these materials in our derivatives.

### 2012 Performance

We have supported the supply of sustainable PO through the Book and Claim route during 2012; purchasing GreenPalm Certificates for the 300 tonnes of pure PO and PKO that we used during the year.

As our consumption of PO derivatives is much larger than that of pure PO or PKO, we have been eager to pursue sustainable sources. Therefore, we proactively engaged with all of our suppliers around the world, and as a result, we were able to work with our suppliers who are able to offer sustainable palm derivatives using the Mass Balance process. This led to our Jurong Island manufacturing site in Singapore

gaining certification under the RSPO Supply Chain standard.

During 2012, we also engaged with the British Association for Chemical Specialities (BACS) on the issues surrounding sustainable PO and derivatives. Together with other members, we played a vital role in advising the UK government department, Defra, on the problems facing the derivatives market. We also provided input into a nationwide statement outlining the country's commitment to a sustainable supply of PO products.

### Looking Ahead

As we continue to support the sustainable supply of PO, we will look to gain RSPO certification at additional relevant manufacturing sites. This, along with further engagement with our suppliers, should enable us to extend our product range containing sustainable PO and PKO derivatives.

We will also continue to ensure that the small quantity of pure PO and PKO that we purchase supports sustainable sourcing according to RSPO guidelines.

Whilst our commitment to sustainable PO remains a key focus for the future, we recognise that the production of other raw materials, such as coconut oil, can also place an unwarranted strain upon the environment. With our limited consumption of these products already mapped, we will work with the industry to find sustainable supply chains, in a similar approach to our sourcing of PO derivatives.



### Leading the Way to Sustainable Derivatives

During 2012, we elected to have the management system at our Jurong Island manufacturing site in Singapore certified under the Mass Balance module of the RSPO Supply Chain standard. As a result, we are now able to offer a wide range of products that support sustainable PO and PKO according to RSPO guidelines.

We consider Mass Balance to be a very important advancement on Book and Claim, because it involves the actual supply chain through the processing of PO and PKO derivatives from sustainably certified plantations.

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## Product Data Gathering

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



Our Carbon Disclosure Project score increased during 2012, to considerably higher than the supply chain average

### Strategy

Identifying and gathering key sustainability data on all of our major products means that we are exceptionally well informed about their future supply, which will ensure that we can continue to meet customer demand. It also allows us to seek opportunities to enhance their environmental profile.

By going beyond the requirements for legislation and current customer needs, we aim to meet emerging and future data requirements.

A collaborative approach, encompassing a number of departments across the Group, will ensure that extensive data is available for our ever growing product portfolio.

### 2012 Performance

A gap analysis was performed on our Ingredient Sustainability Programme during 2012, evaluating the data available at the beginning of the year against our extensive sustainability criteria. Highlighting those areas where work will be required to complete new data points, this process has prompted a review of the resources required to gather the relevant information across the Group.

Our efforts in the collection of environmental data were acknowledged this year, with a significant increase in our Carbon Disclosure Project (CDP) score due to our improved level of disclosure. Transparency regarding our plans to further reduce our greenhouse gas (GHG) impact, along with the data set we provided, saw our CDP score well exceed the supply chain average, which is based on around 2,400 suppliers in total.

### Looking Ahead

Our 2012 Global Customer Sustainability Survey highlighted that supply chain traceability is very important in the supplier selection process. As a result, we will continue to improve the quality and quantity of our data and ensure that it is readily available to our customers.

By establishing responsibilities for data collection at each of our manufacturing sites in order to populate our Ingredient Sustainability database, we will continue to gather the information we have highlighted as being critical to the future supply of products in our industry.

# Employees



Our employees are integral to our business success. Our HR teams, in conjunction with business leaders, ensure that we have an effective framework for recruiting, developing and retaining employees in a fair and supportive environment across all of the countries in which we operate. Our global HR Strategy builds on existing HR systems, policies and procedures across our five employee Material Issues.

## 2012 Targets

### 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

### 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

## Key Highlights



25<sup>th</sup>

Anniversary of the Croda Graduate Programme

60%

of our employees have access to company funded health checks



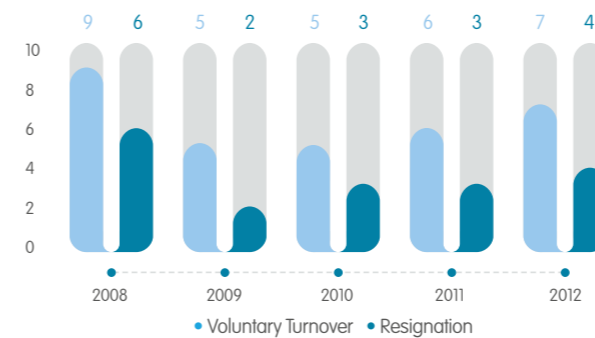
100%

of new employees completed an induction during their first six months

## Recruitment & Retention

To attract, recruit and retain high calibre employees to support our objectives and changing business requirements

### Voluntary Turnover by Year (%)



4%

Employee turnover from resignations remains low

### Strategy

Our future is dependent upon our ability to recruit and retain people with the skills, knowledge and aptitude that will make them, and in turn our business, a success. The global implementation of our competency framework ensures that our robust, effective and stringent recruitment processes deliver the raw talent and cultivate the best prospective leaders for our business.

Additionally, by understanding our employees' motivational needs and opinions through surveys, appraisals and consultation committees we are able to continually develop a retention strategy that works for our business.

### 2012 Performance

Our Graduate Development Programme (GDP) continues to be a great success. To mark its 25<sup>th</sup> anniversary in 2012, we published an article featuring the six remaining members of our 1987 graduate intake, alongside an introduction to our 31 newly recruited graduates from across Europe, Asia and North America.

During 2012, we performed a rebranding exercise to improve the quality and quantity of applicants to our well established European GDP. The result of this was a pleasing 64% increase in applications, allowing us to confidently recruit from a larger pool of candidates.

The year also saw the launch of our GDP in Asia. Utilising the robust recruitment processes already established across Europe and North America, this new programme ensures that we will have a reliable source of local talent to support future business growth in this very important region.

Once recruited, it is vital that all new employees receive an appropriate induction. Our target to ensure that new starters completed an induction during their first six months was met.

Finally, preparation work began ahead of our 2014 global engagement survey, with a multinational HR project team looking at the feedback received from previous regional surveys, in order to understand what improvements and changes should be made to a global version.

### Looking Ahead

Established in 2011, our global HR strategy continues to provide our business with a clear employee management framework.

Our key focus in recruitment and retention for 2013 will be the implementation of the GDP across Latin America. Learning gained from the rebranding of the European programme will be shared with our global HR team, as we strive to replicate the increase in quality and quantity of applicants.

Work will continue on our target to complete a global engagement survey during 2014.

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### Asia Targets New Graduates

The launch of our Graduate Development Programme in Asia involved a team from our Singapore manufacturing site holding a number of careers talks, along with question and answer sessions, at the National Institute of Technology and National University of Singapore.

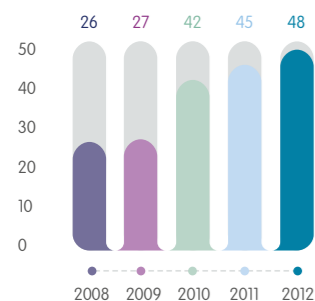
Aimed at boosting our reputation in the local community and attracting a greater pool of new graduates, a larger series of talks in several more institutions in the region is being planned for 2013.

# Employees

## Compensation & Benefits

To ensure that our compensation and benefits packages enable us to attract, recruit and retain key talent

Non-UK Employees in a Save As You Earn Scheme by Year (%)



# 48%

Non-UK employees in a Save As You Earn scheme and 75% in the UK

### Strategy

In a competitive recruitment marketplace, we are conscious that we should not lose critical staff due to issues relating to pay or benefits.

By understanding our employees' values and motivations through satisfaction and engagement surveys, we are able to set goals that promote and continually improve our reward packages.

With salary playing a 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. We will also continue to review our activities that promote the health of our employees and our Save As You Earn (SAYE) schemes.

### 2012 Performance

Our progress and achievements in employee benefits were externally recognised in 2012, receiving two different awards. One was for our employee volunteering programme, the 1% Club, which allows employees to take time off work to contribute to their choice of local community activities.

The other was an IFS ProShare Award for "Best Overall Performance in Fostering Employee Share Ownership", which recognised our efforts in ensuring that our employees benefit from the long term growth of our business. With 75% of our UK workforce and 48% of our non-UK based workforce taking part in a scheme, it is apparent that our employees want to be a part of our future success. It is hoped that with the increased

communication of our SAYE schemes during 2012, in line with our target, we will see a further increase in employee participation by the end of 2013.

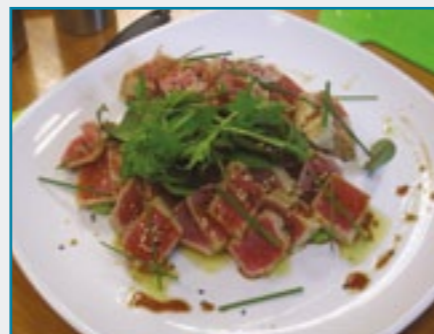
A review of our health promotion and related benefits packages revealed that we have strong performance in this area, with 60% of our employees having access to a company funded health check during 2012. Health promotion activities have increased across the globe ranging from sports and massage, to smoking termination programmes, flu jabs, blood pressure monitoring and encouraging healthy eating. Over 1,100 employees have daily access to healthy eating options, either through a company restaurant or by receiving free fruit.

### Looking Ahead

Reviewing and implementing effective health promotion and related benefits packages will remain a primary focus during 2013.

Whilst we realise that it is a personal choice to join our company schemes, we believe that increasing employee share ownership will be a driving force for business growth. By enabling our employees to share in our success, we can continue to build loyalty and commitment throughout our workforce.

We intend to maximise membership of our schemes via continual improvements in our promotional activities, which will ensure that everyone is able to make an informed decision regarding their participation.



### Healthy Living in Singapore

The Croda Shape Up initiative was launched at our Jurong Island manufacturing site in Singapore during 2012. Aimed at encouraging a healthy lifestyle, it is hoped that the programme will improve the wellbeing of our employees and have a positive effect on their work.

Pui Lin Low, Regional HR Manager for Asia, describes just one of the many events that took place: "In making full use of our own resources on site, a healthy cooking demonstration was conducted by a chef in our office kitchen. The menu for the demonstration included chicken with zucchini in lemon mustard sauce, tuna tataki and deconstructed apple crumble. The demonstration illustrated how easy it is to prepare a heart healthy dish in very little time and with limited equipment. The very tasty dishes were also enjoyed by all participants!"

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## HR Policies & Systems

To operate streamlined, fair and coherent employment policies and systems

## We ensure global compliance with the ILO Declaration on Fundamental Principles and Rights at Work

### Strategy

As more importance is placed upon the use of technology in everyday life, we recognise that there is a vital role for technological advancements in managing and supporting the careers of our employees, whilst also enhancing the efficiency of daily activities.

Placing increasing significance on our HR systems ensures that we are able to monitor accurate, real-time information and better support the career development of our employees.

We believe that well defined policies and procedures allow our employees to operate without consistent management intervention. It is this autonomy that has made our business what it is today.

### 2012 Performance

A review of Group policies was conducted during 2012 by members of our senior HR team, who checked for alignment with the four fundamental principles of the ILO Declaration on Fundamental Principles and Rights at Work. The nine applicable policies were consistent with the spirit and intent of the ILO Declaration. These are accessible to all employees and are published on our company intranet.

Improvements have continued to be made to the integrity of employee data and the usage of

our global HR system, OpenHR\*. This has been helped significantly by the recruitment of a Global Systems Specialist, who has provided additional focus on all aspects of our HR systems.

During 2012, a new pensions administration system was introduced in the UK to streamline processes and procedures in relation to the day to day management of the 5,700 people in our UK pension scheme, which consists of pensioners, deferred members and active members.

### Looking Ahead

During 2013 and beyond, we will continue to regularly review our policies and practices to ensure consistency with the spirit and intent of the ILO Declaration, where applicable to business.

Our OpenHR employee self-service module, My Croda, will be launched in 2013 alongside a manager workflow function and relevant training will be provided. This will ensure that we hold higher quality, more accurate data in our central database, which in turn will improve reporting and influence decision making.

Additionally, we plan to introduce a multilingual candidate management system to improve the application experience across the Group.

\*Formerly named HR Pro



### Employee Self-Service Takes Shape

Significant progress has been made on the development of My Croda, our employee and manager self-service function within OpenHR\*. The system will be implemented during 2013, allowing individuals to easily amend and update their personal data. It is hoped that My Croda will become part of everyday life, as its functionality is extended to include data currently kept in a number of different formats.

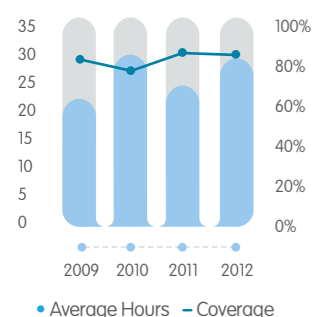
Through a lively demonstration, including a question and answer session, employees at our head office were able to see the system in operation and were asked to take part in a vote to choose the logo that best represented the system's global reach.

# Employees

## Talent Management & Employee Development

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

Average Training Hours Per Employee and Employee Coverage by Year



### Strategy

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 service.

Our global competency framework and appraisal system, Croda Aspire, allows us to monitor the development, performance and potential of each of our employees; this will ultimately deliver our next generation of leaders and specialists. Our Chief Executive and several members of our Executive Committee were members of our Graduate Development Programme (GDP) and our GDP recruits of today will be amongst our leaders of the future.

To help grow and retain our talented people, we must continue to invest both internally and externally in training programmes, graduate and apprenticeship schemes, coaching, leadership development and supporting those studying for formal qualifications.

### 2012 Performance

HR resources in our businesses in Latin America and Asia have been increased to ensure that

our managers are fully supported in these regions, with a particular focus on offering expert assistance in both recruitment and training.

A consistent global talent management and succession planning process was implemented in 2012. It highlighted 79 individuals from across the Group who will take part in one of our leadership development programmes during 2013.

One such programme is our 2020 Network, which will include personal and group tasks aimed at developing self-awareness, networking, project management and communication skills. Participants are individuals identified as having the passion, commitment, energy and drive to be a business leader during the decade of 2020. They represent 15 countries, covering 10 functions and four grade levels.

Talent management does not only focus on the very top of our organisation; training hours across our global workforce increased to over 92,500 hours for 2012, with 85% of our employees receiving training.



Eduardo Bocatto, Training Advisor, Latin America

“Joining Croda has given me a great opportunity to apply my 15 years’ experience in delivering training to companies of all sizes from across Brazil in a new environment. I have responsibility for ensuring that our global programmes are adequately fitted to the region’s culture, language and maturity stage. I am also tasked with developing new and innovative courses to address the specific needs of employees in the region, which makes my role truly exciting. Being able to undertake a thorough review of the needs across the region during 2012 was the first step in this process.

I have a passion for training and embrace the opportunity to enhance people’s lives through the development of their competencies and skills not only as employees, but most importantly as individuals.”

“Talent identification and development is at the heart of who we are as a business, and the development of our future leaders and specialists is crucial to our continuing success.”

Samantha Brook, Group HR Vice President

### Looking Ahead

Our emphasis on talent management and employee development will continue to focus on quality rather than quantity, through the proper identification and addressing of individual development and training needs.

Personal skills development will be made accessible to everyone in the Group by the end of 2013 with the introduction of a comprehensive online learning zone.

We will also be embedding the responsibility for the accurate identification and effective management of talent at a local level. This will be supported by local HR teams who will coach senior managers to ensure that they, and their teams, are actively involved in the talent review process.

Our online learning zone will be fully operational by the end of 2013. As a comprehensive, multilingual Learning Management System (LMS), it will enable all of our development resources to be hosted in one easily accessible location.

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Management Training Supports Charity

In February 2012, our current Leadership Development Group applied their learning in relation to identifying and managing strategic issues to the challenges facing a UK based skin cancer awareness charity.

The themes that emerged from their interactions were key to enhancing the future success of the charity and were also found to be highly relevant to our own organisation. These were the importance of setting reasonable targets based on available resources, monitoring and measuring progress, and the need to clearly identify target audiences and channels for success.



Sergi Ruscaleda, Site Director, Mevisa, Spain

“It is well known throughout our management team that regular performance appraisals contribute to an individual’s understanding of how well they are performing in their role. It also highlights their skills and development goals for the future.

In addition to this, Croda Aspire gives us the best opportunity to effectively manage talent within the organisation, whilst allowing our people to express their personal concerns, feelings and dreams about their job and future career.

Over the last few years our site has tripled its production, with profitability at around 40% even though approximately 30% of the workforce is new to the organisation. This clearly wouldn’t be possible without a robust system that aligns individual, site and organisational objectives.”



# Employees

## Performance Management

To instil a high performance culture through an integrated and consistent approach to performance management

# 78%

of our employees across Europe, Asia and Latin America are registered on our Croda Aspire appraisal system

### Strategy

We invest heavily in recruitment, development and talent management both in terms of time and money. To support this, we believe that our clear, robust performance management process will enhance communication and provide the opportunity to address performance problems effectively, which will improve employee morale and productivity.

The majority of our employees now use our appraisal system, Croda Aspire, which demonstrates the importance we place on ensuring that they have regular constructive feedback to improve their performance and, in turn, that of our business.

Our company vision states: "We will continually improve". This covers all that we do, from our production methods, our products and the services that we offer, to our personal skills and career development. It drives our strategy and underpins all that we achieve as a business and as individuals.

### 2012 Performance

Following its launch in 2010, our Croda Aspire appraisal system continues to be used across a large proportion of our employees. 78% of our employees in Asia, Europe and Latin America are registered on the system and we continue to make developments to widen its usage. This includes adding multilingual capabilities and ensuring that it is accessible across our IT infrastructure.

To aid our talent management review process, Croda Aspire now captures more detailed information relating to our employees' aspirations and personal aims, as well as their geographical mobility.

Due to the level of system rebuilding required to meet the specific needs of our business in North America, we made the decision during 2012 not to implement Croda Aspire in this region. However, the region continues to conduct annual appraisals and, as a result of feedback from employee surveys, they have implemented a new performance review approach for process operatives at our manufacturing sites.

### Looking Ahead

We will continue to enhance Croda Aspire, and also develop our managers' skills in the area of performance management, to ensure that consistent, reliable, evidence based ratings are fed into our talent review process. This will enable us to quickly and effectively identify employees with the ability, potential and aspiration to use their skills within different regions, markets or roles, making our workforce truly global.

Although we are in reach of our 2015 target of ensuring that all employees have an annual appraisal, we have removed reference to Croda Aspire from our target as our business in North America operates a different system.



### Focusing on the Job at Hand

Croda Inc, our operation in North America, undertook a review of its performance management systems during 2012 following feedback from employee satisfaction surveys. This resulted in a redesign of the way performance appraisals are conducted for process operators, so that these now focus on task based activities rather than a behaviour based review.

This has improved the engagement of process operators. Tim Miller, Technician at our Mill Hall manufacturing site in North America commented: "The new system was easy to use. I liked that it was very efficient and was impressed by how quick the process was with my manager."

# Corporate Stakeholders



We are committed to upholding ethical and sustainable standards across all of our operations, and within our supply chain, to meet and exceed the expectations of others. By actively engaging with our key stakeholders, we are able to target the economic, environmental and social issues with the potential to affect the long term success of our business. Our proactive approach to sharing and developing our expertise, both within our industry and in areas relating to our Material Issues, sees us working with many different organisations to continuously improve product safety and quality.

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## 2012 Targets

### 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

## Key Highlights



Global Customer Sustainability Survey



Revised Supplier Code of Conduct sent to over

# 10,000

companies



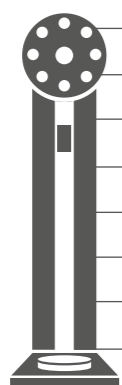
Checking our Materiality with key stakeholders

# Corporate Stakeholders

## Corporate Stakeholder Engagement

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

Top emerging issues following our 2012 Global Customer Sustainability Survey



- Supply Chain Traceability
- Product Stewardship
- GHG, Water, Waste, Biodiversity
- Labour Standards
- Supplier Code
- Product Assurance
- Ethical Suppliers
- Transparent Sustainability Reporting

### Strategy

Every business must consider and take necessary action to meet the needs and expectations of its stakeholders. We are committed to our customers, investors, suppliers and non-governmental organisations (NGOs) and have long standing relationships with them.

By understanding the sustainability issues that are of concern to our key corporate stakeholders, we can ensure that our focus is on the topics of most importance to them and, therefore, of most significance to the future of our business.

In holding open engagement with our stakeholders, they can be confident that we are a business that not only cares about economic value, but also sustainable long term growth.

### 2012 Performance

Following the success of our sustainability survey in 2011, we extended our questioning to a larger global audience during 2012. From the responses we received, we were able to gain confirmation that our Material Issues are well aligned with those of our customers. This engagement also gave us greater insight into our customers' sustainability strategies and their top priorities.

Interaction with our suppliers was increased during the year through the communication of our revised Supplier Code of Conduct.

During 2012, we also increased our level of direct engagement with current and prospective ethical investors, presenting them with the information

they require to determine our suitability for their funds. By working with our brokers, we have identified additional investor groups with whom we could discuss our sustainability credentials.

Our proactive approach to working with many external organisations, both within and outside our industry, saw us contributing to around 150 different bodies during 2012. Many of these relate to product, personal and process safety and regulatory affairs.

### Looking Ahead

During 2013, we will further engage with the respondents to our sustainability surveys to gain a more in depth understanding of their sustainability strategies and future performance targets. This will ensure that our Material Issues continue to be aligned and that our activities are focused on the areas with the potential to impact on our long term business success.

As a public company now in the FTSE 100, we have always understood our obligations towards our shareholders. As sustainability comes under increasing scrutiny, it is essential that we keep up to date with our investors' views. Therefore, we endeavour to address their economic, environmental and social questions through direct dialogue as we communicate our sustainability strategy and performance.

We will continue to contribute and learn from our engagement with organisations, such as trade and legislative bodies, to help inform our future development plans.

GRI Profiles: 4.11-4.13, 4.14-4.17

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## Ethical Supply Chain

To continually strive to increase engagement and standards within our supply chain to ensure that it is ethical and sustainable, so as to meet the future needs of our business

Our operational certifications include:



### Strategy

Whilst all businesses must act ethically, it is widely known that standards can differ from one country 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 that we do. With increasing consumer awareness and customer demands in this area, we have to work even more closely with all of our partners to ensure that expectations are met.

Quality Assurance (QA), demanding regulatory requirements and product stewardship have always been synonymous with our business. They will continue to be areas of focus as we manage the risks associated with manufacturing speciality chemicals to the highest possible standard.

### 2012 Performance

Following a review of our Supplier Code of Conduct, our updated document was circulated to all of our suppliers from around the world, which was over 10,000 companies in total. Detailing our expectations of an ethical business, we want to ensure that the Code is explicit where legislation and standards may be lacking in some countries.

Product stewardship, the practice of making health, safety and environmental protection an integral part of the lifecycle of chemical products\*, has recently undergone a detailed

GRI Profiles: 4.14-4.17

assessment across the Group. A key outcome was a succinct definition of the responsibilities of the departments that manage different elements of product stewardship, which we then audited against to ensure that our management systems meet our customers' demands across these areas.

Following the appointment of our Global Head of Quality Assurance in 2012, an analysis of our quality standards was performed as we aim to not only meet our customers' future needs, but to surpass them. Since we play a significant role in the development of new standards, working with a number of industry bodies, we can be proactive in ensuring that relevant certifications are achieved where required.

### Looking Ahead

Whilst product stewardship has long been ingrained in our business practices, it has come under increasing focus within our industry. As a result, we intend to identify any areas for potential improvement so that we can optimise our management systems and minimise any associated risks.

As we continue to anticipate the expectations of our customers, we aim to gain EFfCI GMP and EXCiPACT™ certification for a number of our manufacturing sites by the end of 2014.

Following the distribution of our Supplier Code of Conduct, we will engage further with our major suppliers to ensure that our expectations are understood.

\*As defined by Responsible Care™

GRI Indicator: PR1



### Going Above and Beyond

Whilst Good Manufacturing Practices (GMPs) have long been established in pharmaceutical and food sectors, recent developments have seen these defined for active pharmaceutical ingredients, excipients and cosmetic ingredients.

Working alongside the European Federation for Cosmetic Ingredients (EFfCI), we took a leading role in the development of a set of standards for cosmetic ingredient manufacturers, now known as the EFfCI GMP Guide and Certification Scheme. Whilst initially implemented as a European standard, this initiative has been extended around the world.

During 2012, our Jurong Island manufacturing site in Singapore joined our major European sites in obtaining EFfCI GMP certification, a standard we aim to achieve at all of our remaining cosmetic ingredient manufacturing sites during 2013 and 2014.

Meanwhile, our six manufacturing sites that supply pharmaceutical excipients will aim to achieve EXCiPACT™ by the end of 2014, as they strive to maintain extremely high quality standards. EXCiPACT is an international scheme providing independent third party certification to manufacturers, suppliers and distributors of pharmaceutical excipients. Voluntary participation allows manufacturers to gain a certification that instils confidence in product safety and quality, whilst reducing the burden and cost of multiple audits.

# Community



Interaction with local communities has always been a major part of our culture. We are aware that our activities have a direct impact on the communities surrounding our operations, particularly our manufacturing sites and large offices. Our mission is to ensure that our proactive, engaging approach to community communication, involvement and education enhances our relationships and supports our local communities, whilst also improving employee morale and skills.

## 2012 Targets

### 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:
  - Local authorities, councils, government, emergency services;
  - Local businesses or business representative groups; and
  - 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 4 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

## Key Highlights



1% Club volunteering hours, equivalent to c.£80,000



More than one in five employees used 1% Club time



Reported meetings with local community groups

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## Community Communication

To develop relationships with the communities in which we operate through effective communication regarding our business operations and, in doing so, ensure that we consider local concerns to gain support for business growth



### Community Collaboration

Our French operations have joined IMS, a Parisian based charity that offers support for community engagement and other social issues, such as diversity and equal opportunities in education.

#### Strategy

We believe that open dialogue with the communities in which we operate is the only way to understand and alleviate any local concerns regarding our business, whilst identifying joint improvement opportunities.

Our efforts are focused around our key local community stakeholders, which we define as: authorities, governments and emergency services; businesses and business representative groups; and educational institutions. Of these, our interaction with schools, colleges and universities is our top priority to support our community education and employee recruitment strategies.

By enhancing trust within the community, and increasing knowledge and awareness of our activities, we can ensure that our communication activities have a positive outcome. They also help some employees to plan more effectively, whilst others are motivated through the generation of goodwill. Where appropriate, talk is put into action through our community involvement strategy.

#### 2012 Performance

Our efforts to communicate with the local communities around our manufacturing sites and large offices saw all, but one location holding five or more meetings with key stakeholder groups in 2012.

Activities included emergency response practice with local services, such as those held by our Mill Hall manufacturing site in North America and our Thane manufacturing site in India. Great progress was also made in engaging with an increasing number of local community groups around our operations in Asia and Latin America.

A significant number of new 1% Club projects were reported in 2012, many of which were a result of community communication meetings and included our smaller offices who also reported an encouraging level of meetings. Examples of these include an Easter project with San Isidro Hospital, near our Argentinian office and educational presentations close to our Canadian office for a programme called "You be the Scientist."

#### Looking Ahead

In reviewing our performance, it is clear that our manufacturing sites and the majority of our large offices regularly engage with their local communities. We will encourage this to continue, as we believe that this interaction gives our business a licence to operate.

During 2013 and beyond, we will endeavour to support operations experiencing difficulties in meeting this target with a particular focus on educational engagement, which we know can be challenging within different cultures.



#### Rewarding Commitment

Eric Stover, a recent graduate from a local high school, was presented with a certificate of appreciation for his two years service as a resident on the Community Advisory Council, CAC, at our Mill Hall manufacturing site in North America.

CAC, which was established to better educate the community on our business activities, meets bimonthly and membership includes people from all walks of local life.

Charlie Williams, CAC leader and Mill Hall's SHE Manager said: "We appreciate the time people take to learn about what we do and to give us input. Eric's participation, through his comments and questioning, is helpful to us as we strive to be good neighbours in our community."

# Community

## Community Involvement

To put community communication into action in order to deliver real benefits to the communities in which we operate and, in doing so, enhance the performance of our employees and support the recruitment needs of our business



### Award Winning 1% Club

In November 2012, Payroll World presented our 1% Club programme with their "Best Compensation and Benefits Team" Award. It was in recognition of how we allow our employees to take time out of their working day to volunteer in local community activities.

#### Strategy

The investment we make in our local communities demonstrates how we turn talk into action by being both proactive and reactive to community needs. By offering a platform that enables our employees to participate in community based projects, we can address local issues and ensure that we have a positive impact wherever we are in the world.

Our community involvement activities must be as diverse as the locations in which we operate. Our local management teams are responsible for ensuring that we have the flexibility to respond in the most appropriate way, but our Group wide, employee led volunteering programme, the 1% Club, allows our employees to get involved.

The 1% Club enables each individual to use 1% of their annual working time to support activities in the communities where they work or live, which is approximately three days per year for full time employees.

Whilst our primary objective is to support those communities surrounding our operations, we recognise that our community involvement activities also enhance employee morale and offer valuable opportunities for personal and team development. As a result, we believe that the continual development of our local community involvement programmes will help to support our future growth.

#### 2012 Performance

The profile of our 1% Club continues to grow both internally and externally. An impressive 4,541 hours were dedicated to worthwhile community activities in 2012 and the 1% Club was presented with a "Best Compensation and Benefits Team" Award.

Whilst we were unable to improve upon the exceptional number of hours donated in 2011, we are proud that more than 21% of our workforce undertook some form of 1% Club activity during 2012. These figures are particularly pleasing given the challenging economic environment, which saw our number of internal global conferences decrease. In 2011, community projects linked to these contributed heavily to our 1% Club hours and their absence explains the challenge we faced in meeting our targets.

Our 2012 performance illustrates that since the 1% Club programme was launched globally in 2010, both the hours dedicated and number of our employees involved has more than doubled. A wide variety of activities have taken place, covering education and general school support, donations to charities, fundraising and environmental projects.

With 19 of our 22 manufacturing sites and large offices developing at least one new 1% Club project, and an average of 15 people from each of these operations donating four or more hours, we have demonstrated the importance we place upon our relationships with our local communities.

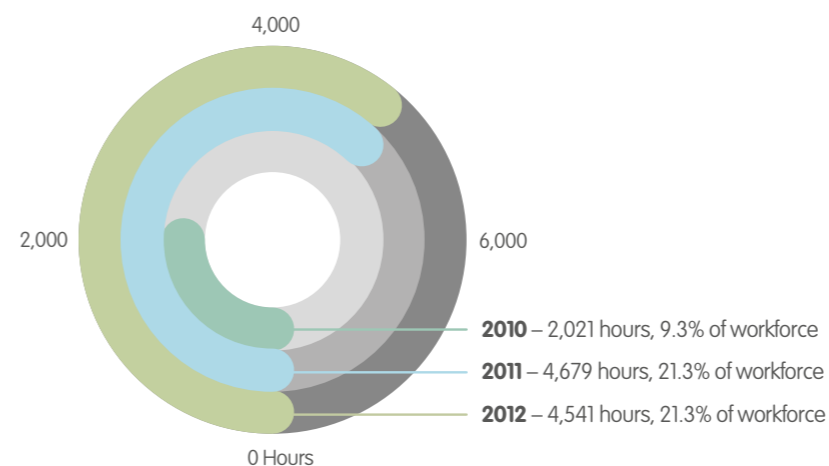


#### Season's Greetings

Several 1% Club activities in 2012 involved supporting local charities to collect, sort and distribute Christmas gifts to less fortunate children. In South Africa, employees supported the Art of Living Foundation toy collection, which gave a gift and warm meal to over 3,000 children from orphanages and informal settlements. In the UK, our Cowick Hall, Rowcliffe Bridge and Hull operations collected gifts and donated time to Mission Christmas, supporting over 8,000 local children. Meanwhile in Spain, our Mevisa manufacturing site and office in Barcelona donated toys to a local shelter.

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## 1% Club Participation



#### Looking Ahead

We are confident that the 1% Club is recognised globally and it will continue as our platform for supporting community involvement.

We are very pleased with the current level of activity in the programme, which has been maintained for the past two years, so we have not set Group wide targets to increase our employees' participation in the future. Instead, we will be focusing our attention on communicating, encouraging and enabling our employees to take part in projects. It will continue to be an employee led programme, but we will raise awareness of activities identified through our community engagement work.

We will report the overall 1% Club hours used and the number of employees participating in community activities each year, although the focus of our new target is identifying departments within the Group with significantly fewer employees participating than the Group average. This will allow us to investigate and address any potential issues with the programme, illustrate the value we place on our local communities, and continue to enhance our employees' teamwork and communication skills.



#### Wrapping Up for Winter

During 2012, our Campinas manufacturing site in Brazil organised a winter clothing campaign on behalf of Casa da Sopa, a shelter that offers help and support to 380 local families. In the short space of seven days, the team collected an amazing 242 winter garments for donation to those in need.

#### Supporting Children's Day

Our team in Colombia celebrated Children's Day on 28 April by spending half a day playing games and organising learning activities at Hogar Santa Rita, a foundation that helps those between the ages of one and 20 with chronic diseases.



#### Garden Delights

Six volunteers from our Ditton manufacturing site in the UK helped to clean up gardens at a nearby community centre, giving it a new lease of life just in time for the local Teddy Bear's Picnic in September.

#### Annual River Revival

Every July, a team of 1% Club volunteers from our Shiga manufacturing site in Japan help to remove waterweed from the Uryu river that runs alongside the site. The physically demanding task usually takes the team from dawn until dusk over two days to complete. The result is clean, pure water that offers a vast array of wildlife the habitat they need to survive in and around the river.

# Community

## Community Education

To raise the profile of science, technology and engineering by providing community education and training opportunities relevant to the communities in which we operate and, in doing so, enhance our brand and reputation, as well as develop employee skills



Reported meetings with local educational institutions: schools, colleges and universities

### Strategy

With the number of students studying science, engineering and technology in decline, we feel that we have a duty to encourage and inform young people about the benefits of a scientific education. Our heritage and strategic reliance on delivering market led innovation makes it essential that we are active in developing the scientists, technicians and engineers of the future.

Our external educational platform enables us to share our knowledge of various scientific disciplines in addition to broader business areas, such as HR, IT, sales and marketing.

By enhancing our investment in community education we hope to encourage future generations and enhance our external reputation, which we believe will have a positive impact on our ability to recruit new personnel.

### 2012 Performance

We have seen a satisfying increase in our level of educational activity both inside and outside the school environment.

With the launch of our new consumer facing website, [www.matrixylinside.com](http://www.matrixylinside.com), we have achieved our consumer education target a year ahead of schedule.

Our UK STEM project has continued to make excellent progress during 2012, completing a classroom pilot of the resource pack for pupils aged 7-11. In October 2012, a new team took over the promotion and support of the free web and paper based resources, which includes the publicly available website [www.scienceofhealthyskin.org.uk](http://www.scienceofhealthyskin.org.uk). Those already trained as Education Ambassadors through this programme are continuing to support and encourage schools to use the materials.

The majority of our sites with a Research and Development Centre outside the UK also implemented a formal ongoing science and engineering programme with local schools and colleges during 2012. This includes our operations in France and Singapore who overcame the challenges they faced during 2011, to ensure that they now have educational activities that support our strategy in these significant locations.

All of the time that our employees donate to working with educational institutions has been supported by our 1% Club volunteering programme.



### Potential Recruits of the Future

Employees from our German office used 1% Club time to teach 90 children between the ages of six and 10 at a local primary school. Over two days, the team gave the pupils their first opportunity to gain hands-on experience of chemistry through five practical experiments. The children were very enthusiastic, and both the teachers and our employees found it a great experience, which they hope to repeat next year.

UK STEM project resources launched to support the school National Curriculum for 7-11 year olds



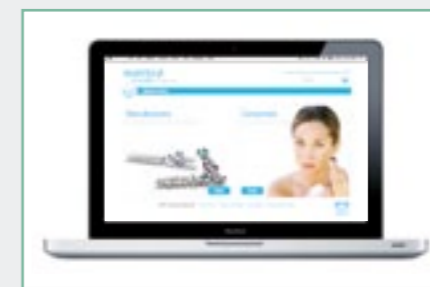
### Looking Ahead

Community Education is now our most important Material Issue within the community area. This is due to the role we can play in promoting science and business, which should ultimately help us to secure a future talent pool for our industry.

Therefore, whilst future projects concerning consumer facing educational platforms may be developed to support our product marketing efforts, our focus over the coming years will be on the development of school support tools.

Several of our targets are longer term, so they remain in place for 2013 and beyond. Additionally, we have placed greater emphasis on extending our UK STEM project to our operations in other countries, ensuring that it is aligned to meet any local community education needs.

We will continue to work towards our target of developing an Education Ambassador training programme, which will also support the development of our STEM project by making it available in multiple languages, as relevant to local needs. The scope of this target, along with the implementation of formal education programmes, has been extended to include our engineering teams, as we believe that these are critical business support functions along with our Research and Development Centres.



### [www.matrixylinside.com](http://www.matrixylinside.com)

Our Sederma operation officially launched a new website in December 2012 devoted to their most famous anti-ageing active ingredient, Matrixyl®. It is one of our few product names recognised by the public due to references on consumer product labels and extensive media coverage.

The website has a dedicated area to answer frequently asked consumer questions about Matrixyl® and provide testimonials regarding its performance. The aim is to ensure that consumers are educated on the science behind the name to make informed purchasing decisions.



### The Importance of Sun Protection

In September, a team from our Mexican office visited local primary schools to talk to the children about the possible adverse effects of the sun and the importance of sun protection. It is hoped that the children will share their interest in this very significant topic with friends and parents.

### Periodic Tables

Following a visit by local school children to our Thane manufacturing site in India, employees decided to design and print large scientific periodic tables for mounting within the classrooms of schools in the area. It is hoped that tours of the site and this teaching aid will together encourage greater interest in chemistry.

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# GRI Index

During 2012, a review of the GRI 3.0 Strategy and Profile Disclosures and Performance Indicators was conducted. As a result, we continue to report at a self-declared Level B for the reporting period 1 January 2012 to 31 December 2012.

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	●	2, 4-5	2-7, 16-19	
2.1-2.10	Organisational profile	●	Inside front cover	Inside front cover, 2-5, 8-15	
3.1-3.4	Report profile and contact	●	Inside front cover, 40		
3.5-3.11	Report scope and boundary	●	Inside front cover, 5		
3.12-3.13	GRI content index and assurance	●	38-39		
4.1-4.10	Governance, commitments and engagement	●	2-4	6-7, 28-56	
4.11-4.13	Commitments to external initiatives	●	4, 30	16-17	
4.14-4.17	Stakeholder engagement	●	4, 23-25, 30-33		
<b>Economic Performance Indicators</b>					
Management Approach					
EC1	Direct economic value generated and distributed	●	Inside front cover	Inside front cover, 2-15, 62-63	
EC2	Financial implications and other risks relating to climate change	ⓘ	2, 4, 9-10	18-19	
EC3	Coverage of the organisation's defined benefit plan obligations	ⓘ		79-82	
EC4	Significant financial assistance received from government	●	10		
<b>Environmental Performance Indicators</b>					
Management Approach					
EN1	Materials used	ⓘ	Inside front cover, 18-19	Inside front cover, 24	
EN3	Direct energy consumption by primary source	●	8-10	22	
EN4	Indirect energy consumption by primary source	●	8-10	22	
EN8	Total water withdrawal by source	●	11		
EN9	Water sources significantly affected by withdrawal of water	●	11		
EN11	Land in or near protected areas or areas of high biodiversity	●			
EN12	Significant impacts on biodiversity	●	12		
EN15	IUCN Red List species in areas affected by operations	●			
EN16	Direct and indirect greenhouse gas emissions	●	9-10		
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other air emissions	●	9-10		
EN21	Total water discharge	●	11		
EN22	Total weight of waste	●	12		
EN23	Significant spills	●			
EN26	Initiatives to mitigate environmental impacts of products and services	●	8-12, 17-21	22, 24	
EN28	Monetary value of significant fines	●			

● Fully Reported ⓘ Partially Reported

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For our full GRI Report visit [www.croda.com/gri](http://www.croda.com/gri)

GRI Disclosure	Description	Content Level	Sustainability Report Page(s)	Annual Report Page(s)	More Online
<b>Labour Practices &amp; Decent Work Performance Indicators</b>					
Management Approach					
LA1	Workforce by employment type, contract and region	●	Inside front cover	Inside front cover	
LA2	Employee turnover	ⓘ	23		
LA6	Percentage of workforce represented in health and safety committees	●	4, 15-16		
LA7	Rates of injury and illness and number of work related fatalities	●	15-16		
LA10	Training per year per employee	ⓘ	26-27	59	
LA11	Programmes for skills management and lifelong learning	ⓘ	26-27	59	
<b>Human Rights Performance Indicators</b>					
Management Approach					
HR5	Operations in which the right to exercise freedom of association	●	25		
HR6	Operations at risk of incidents of child labour	●	25		
HR7	Operations at risk of forced or compulsory labour	●	25		
<b>Society Performance Indicators</b>					
Management Approach					
SO1	Programmes to assess impacts on communities	●	32-37	59	
SO2	Business units analysed for corruption risks	ⓘ			
SO3	Employees trained in anti-corruption policies and procedures	●			
SO6	Value of financial and in-kind contributions to political parties	●			
SO7	Number of legal actions for anti-competitive behaviour	●			
<b>Product Responsibility Performance Indicators</b>					
Management Approach					
PR1	Life cycle analysis on health and safety of products	ⓘ	18-19, 31		
PR2	Non-compliance with regulations and codes for health and safety of products	●			
PR3	Information required by procedures	●	21		
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	●			

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## Glossary

The following abbreviations are used in this report:

ALARP	As low as reasonably practicable	KPI	Key Performance Indicator
CAC	Community Advisory Council	LMS	Learning Management System
CDP	Carbon Disclosure Project	NGO	Non-Governmental Organisation
CHP	Combined Heat and Power	NSAPI	National Skills Academy for the Process Industries
CIA	Chemical Industries Association	OSHA VPP	Occupational Safety & Health Administration Voluntary Protection Programme
CO <sub>2</sub>	Carbon Dioxide	PKO	Palm Kernel Oil
CSR	Corporate Social Responsibility	PO	Palm Oil
EFFCI	European Federation for Cosmetic Ingredients	PRA	Process Risk Assessment
FPQ	First Pass Quality	PSRA	Product Safety and Regulatory Assurance
GDP	Graduate Development Programme	QA	Quality Assurance
GHG	Greenhouse Gas	RSPO	Roundtable on Sustainable Palm Oil
GMP	Good Manufacturing Processes	SAYE	Save As You Earn
GRI	Global Reporting Initiative	SHE	Safety, Health and Environment
HR	Human Resources	STEM	Science, Technology, Engineering and Mathematics
ILO	International Labour Organisation	UK	United Kingdom
IRB	Istituto Di Ricerche Biotecnologiche	VOC	Volatile Organic Compound
IUCN	International Union for Conservation of Nature		
IT	Information Technology		

### Cautionary Statement

The information in this publication is believed to be accurate at the date of its publication and is given in good faith but no representation or warranty as to its completeness or accuracy is made. Suggestions in this publication are merely opinions. Some statements and in particular forward-looking statements, by their nature, involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future and actual results may differ from those expressed in such statements as they depend on a variety of factors outside the control of Croda International Plc. No part of this publication should be treated as an invitation or inducement to invest in the shares of Croda International Plc and should not be relied upon when making investment decisions.



